



ITV plc Interim Results 2008

Michael Grade – Executive Chairman
John Cresswell – Chief Operating Officer

6th August 2008

Introduction

Michael Grade

Gossip Girl



- Overview
- Financial and operating review
- Turnaround strategy and regulatory update

- H1 results show revenue growth of 3%
- Revenue growth in television advertising, Global Content and Online
- Operating progress across all divisions
 - Outperforming in terms of ratings and advertising growth
 - Production revenues growing strongly internationally and outside ITV in the UK
 - Rapid growth in unique users and video views online
- Operating savings remain on track
- ITV advertising up 1% over H1 and flat for 8 months to August

- The television advertising market has weakened materially in Q3
- The Board remains confident in the Turnaround Strategy and long-term growth prospects for the business beyond the economic slowdown
- Investment in programming is being maintained – and is delivering growth in viewing
- Market conditions nonetheless require a series of tough decisions:
 - Accelerating further cost reduction
 - Revision of the turnaround targets for Global Content and Online
 - Addressing the impairment of Broadcasting goodwill
 - Reduction of the interim dividend
- Economic downturn demands increased urgency with respect to regulatory reform
- Forward visibility is limited, but the priority is to manage the downturn without jeopardising ITV's Turnaround Strategy



Financial and Operating Review

John Cresswell

The X-Factor



Financial and Operating Review

- Interim Results
- Operating Review
- Current Trading

Profit and Loss

6 months to 30th June - £m	2008	2007	Change %
Revenue	1,031	1,004	3
Operating EBITA*	121	151	(20)
Amortisation			
- Normal	(30)	(28)	
- Goodwill impairment	(1,600)	(28)	
Exceptional items inc gains on sales	2	34	
Associates, JVs and investment income	(4)	3	
(Loss) / Profit before interest and tax	(1,511)	132	
Interest	(26)	(27)	
(Loss) / Profit before tax	(1,537)	105	

* Before exceptional items

Adjusted Profit and Loss*

6 months to 30th June - £m	2008	2007	Change %
Profit before tax	91	127	(28)
Tax	(33)	(38)	13
Profit after tax	58	89	(35)
Minority interests	(1)	(1)	-
Profit for the period	57	88	(35)
Adjusted EPS (p)*	1.5p	2.3p	(35)
Dividend per share (p)	0.675p	1.35p	(50)

* Before exceptional items, amortisation, impairments of intangible assets and tax adjustments

Goodwill Impairment

- As required under IAS 36, the Board has reviewed the carrying value of intangible assets where there has been an indicator of impairment
- Goodwill associated with Broadcasting segment was £2,707m at the end of 2007, reflecting the level of the United acquisition in 2000 and the market capitalisation of Carlton at merger in 2004
- The Board reviewed the carrying value of goodwill at the end of 2007. Since then the short-term outlook for TV advertising has deteriorated
- A non-cash amortisation charge of £1,600m is therefore included in the income statement
- This reflects inter alia:
 - short-term UK TV advertising market estimates;
 - an increase in the discount rate, reflecting increased cost of capital;
 - a small reduction in long-term macro-economic growth rate as required by IAS
- Potential benefits from regulatory reform or future cost savings are not reflected
- There is no impairment with respect to Global Content or Online

Movement in Net Debt

6 months to 30th June - £m

	2008	2007
EBITDA	139	166
Working capital	4	(33)
Cash generated from operations	143	133
Exceptional items	(21)	(16)
Taxation, interest and pension	(53)	(32)
Capital expenditure	(26)	(23)
Sale/purchase of businesses, investments and assets	14*	73**
Equity dividends	(55)	(55)
Other movements	3	(14)
Reduction in net debt	5	66

* Includes disposal of Liverpool JV, Arsenal JV and purchase of Silverback

** Includes disposal of Liverpool, Arsenal, various properties and purchase of Jaffe Braunstein

Financial and Operating Review

- Interim results
- **Operating review**
- Current trading and initiatives



Broadcasting Revenues and EBITA

6 months to 30th June - £m	2008	2007	Change %
ITV plc NAR	723	717	1
- ITV1	583	595	(2)
- ITV2, 3, 4, News, CITV, M&M	113	95	19
- GMTV	27	27	-
Sponsorship	27	25	8
Media sales, SDN and other income	65	67	(3)
PRS/ITV Play	17	33	(48)
Total	832	842	(1)
EBITA	89	111	(20)



Broadcasting Schedule Costs

6 months to 30th June - £m	2008	2007	Change %
Commissions	302	310	(3)
Sport	81	52	56
Acquired	32	17	88
ITN news & weather	20	19	5
Total ITV1	435	398	9
Regional news & non news	55	55	-
Total ITV1 inc regional	490	453	8
ITV2, 3, 4, CITV, M&M	55	51	8
GMTV	17	17	-
Total Schedule Costs	562	521	8

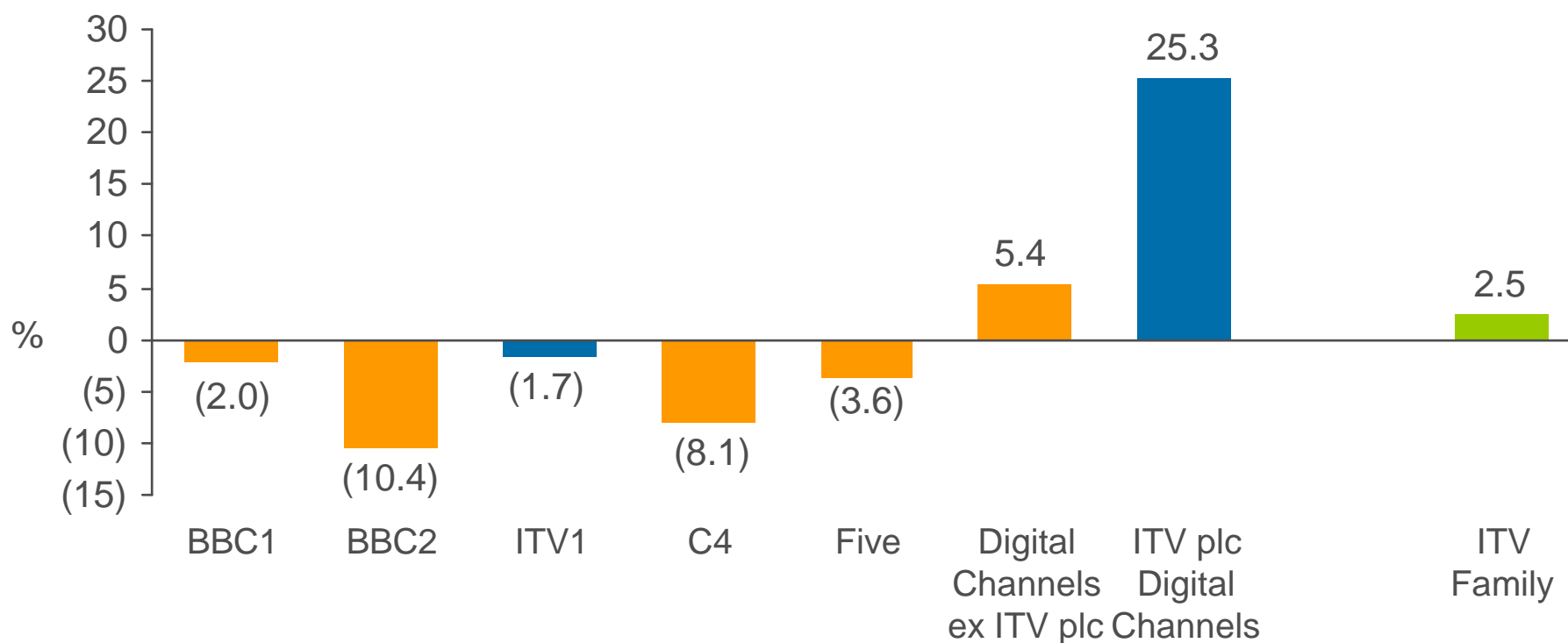
Note: Numbers include minority share of schedule costs – 2008: £29m (2007: £27m)



Broadcasting Performance

Share of Viewing

% change year on year



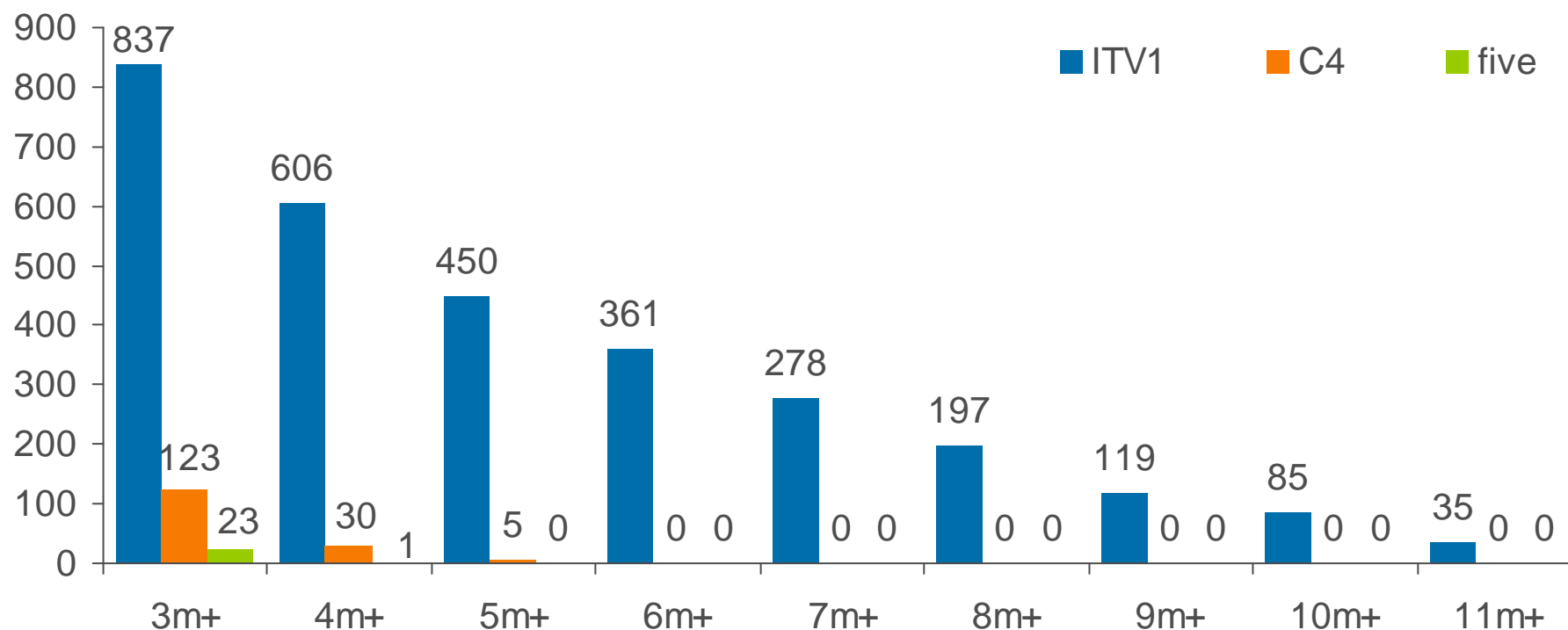
Source: BARB Infosys, Individuals All Time, Jan-June 2008 vs Jan-June 2007, C4 includes C4+1



Broadcasting Performance

ITV1 Delivery of Mass Audiences

Mass audience programmes by channel



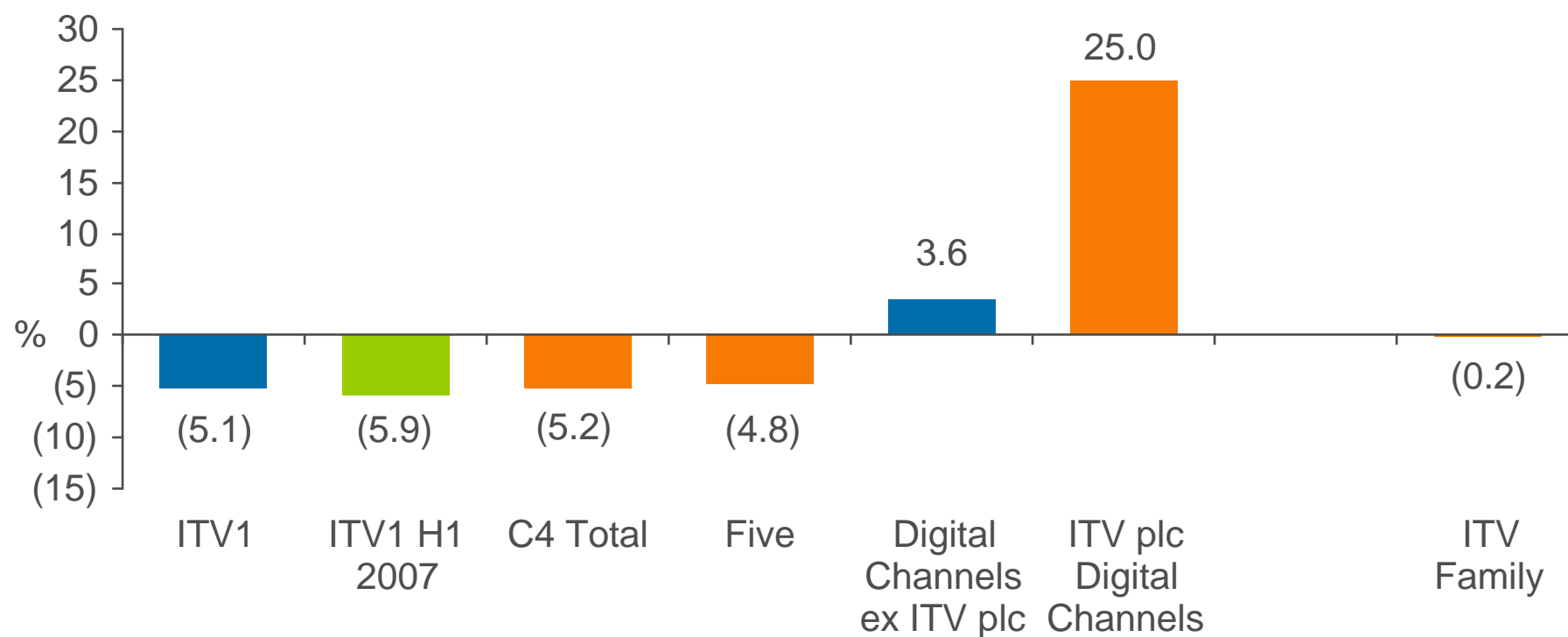
Source: BARB/Infosys, Individuals, All time, Jan-June 2008, C4 includes C4+1, programmes over 10 mins duration



Broadcasting Performance

Adult SOCI

% change year on year



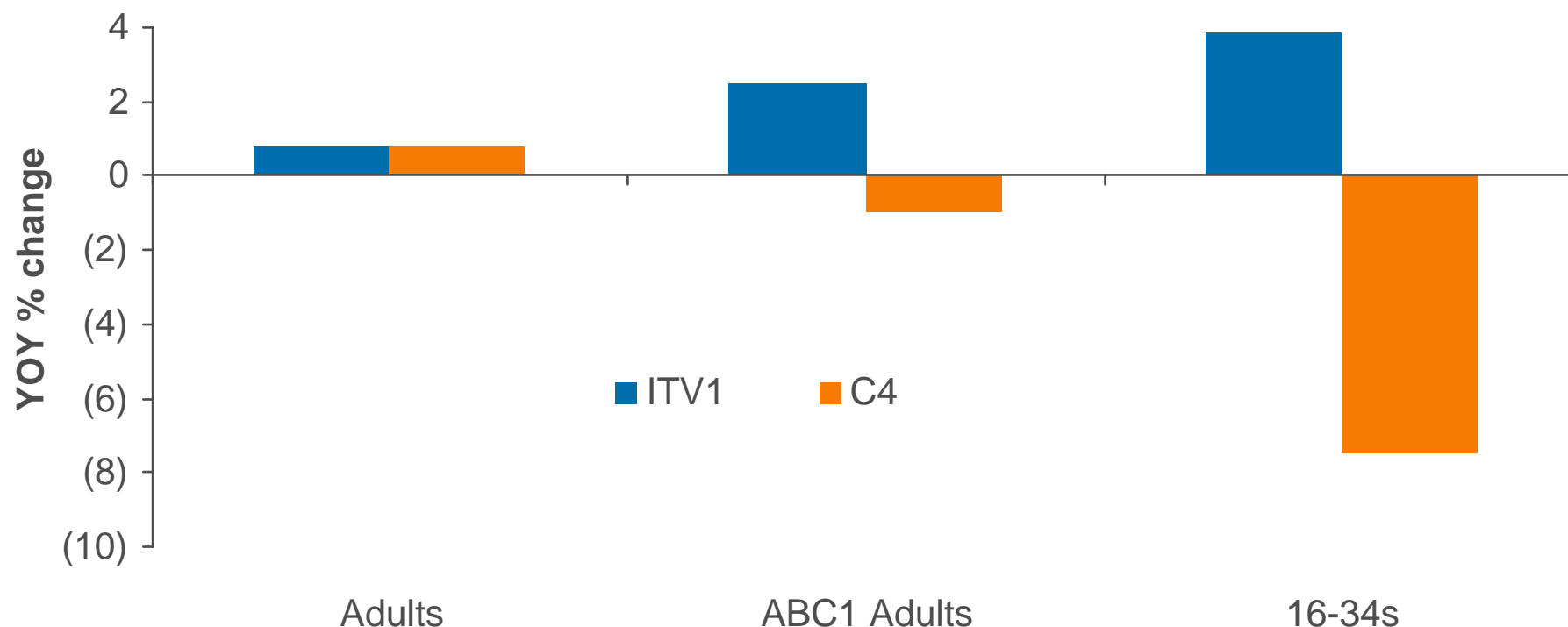
Source: BARB DDS, Adults, All Time, Jan-June 2008 vs. Jan-June 2007, C4 Total = C4,C4+1



Broadcasting Performance

ITV1 Increasing Impact Volumes and Improving Profile

% change in impact volumes year on year



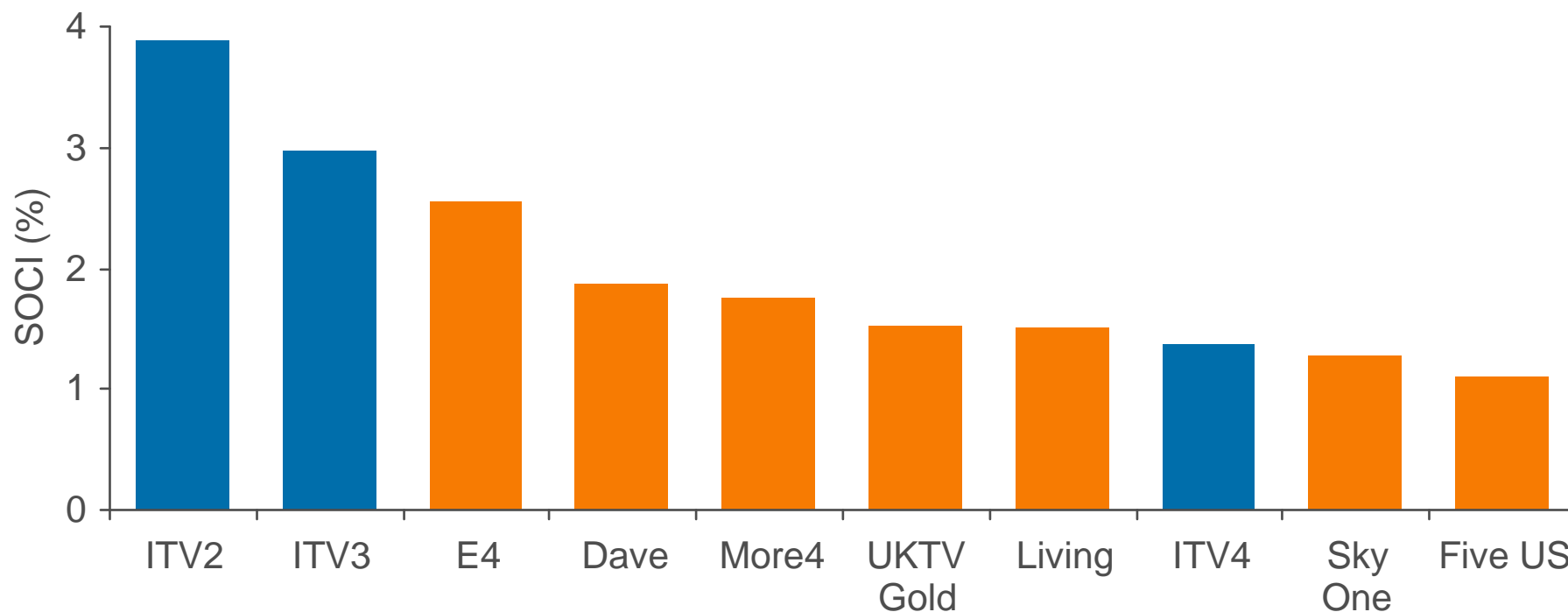
Source: BARB/DDS, Jan-June 08 vs Jan-June 07, C4 includes C4+1



Broadcasting Performance

ITV has 3 of the Top 8 Digital Channels

Top ten non-terrestrial stations based on Adult SOCI



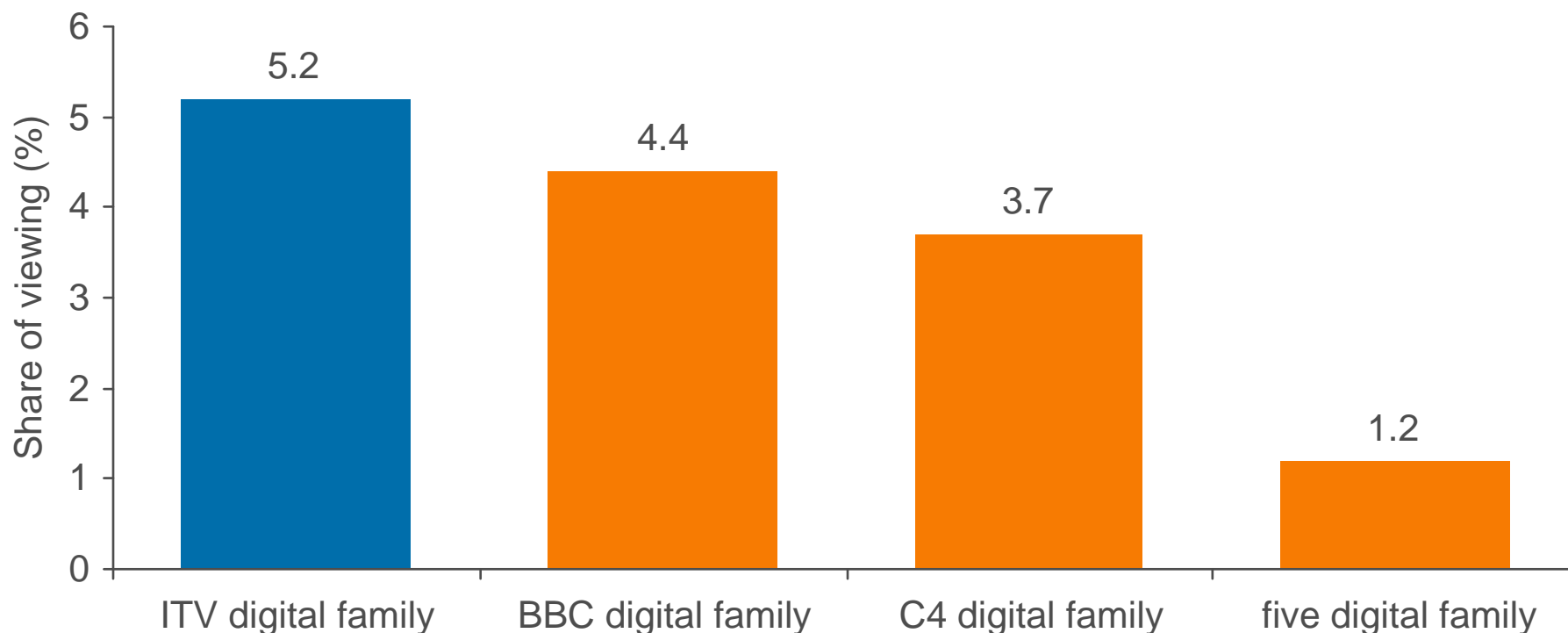
Source: BARB/DDS, Jan-June 2008, +1's channels combined with parents



Broadcasting Performance

Growing Family of Digital Channels

All time share of viewing



Source: BARB/Infosys, Individuals, All time, Multichannel Homes, Jan-June 08 vs Jan-June 07

- Current auction process for video stream from 2009 demonstrates continuing strong demand for DTT capacity
- Ofcom has confirmed the licence renewal process to allow SDN to renew from 2010 through to 2022
- Government has confirmed there will be no digital spectrum payments for multiplex licensees before 2015
- Contracts for at least two further video streams, plus capacity currently occupied by Five, to be renegotiated before new licence term in 2010
- Further opportunities with multiplex line up adjustments for DSO and HD



Global Content Revenues and EBITA

6 months to 30th June - £m	2008	2007	Change %
UK Production	28	17	65
Resources	9	11	(18)
International			
International production	55	34	62
Distribution and exploitation	57	53	8
Total External Revenue	149	115	30
Supply to ITV	136	162	(16)
Total Revenue (inc ITV supply)	285	277	3
EBITA	39	44	(11)

Global Content International Production

US



Eleventh Hour



Marco Pierre White Show



First 48—Seasons 7 & 8
Untitled Steven Segal Reality Show



The Interrogators



Hell's Kitchen 4
Kitchen Nightmares & Class Dismissed



Bought & Sold



Nanny 911



CFC season

Australia



The Chopping Block



Australia's next Top Model



Battle of the Choirs

Germany



Das Perfekte Diner



Ich Bin ein Star

Global Content

UK Production off-ITV



University Challenge; The Street; Eggheads



Come Dine With Me; Countdown; Dispatches:
The Truth About Street Weapons;
Love, Sex and Marriage



Zoo Days: Colchester, Unassisted Births;
My Strange Brain; Highland Emergency



Living With The Cheeky Girls;
Dirty Dancing Series 2; When Bands Go Pop



Commission Impossible



... and Proud (series)



Body Language



Naked Science



Animal Cops South Africa; K9 Cops Minnesota



Online Revenues and EBITA

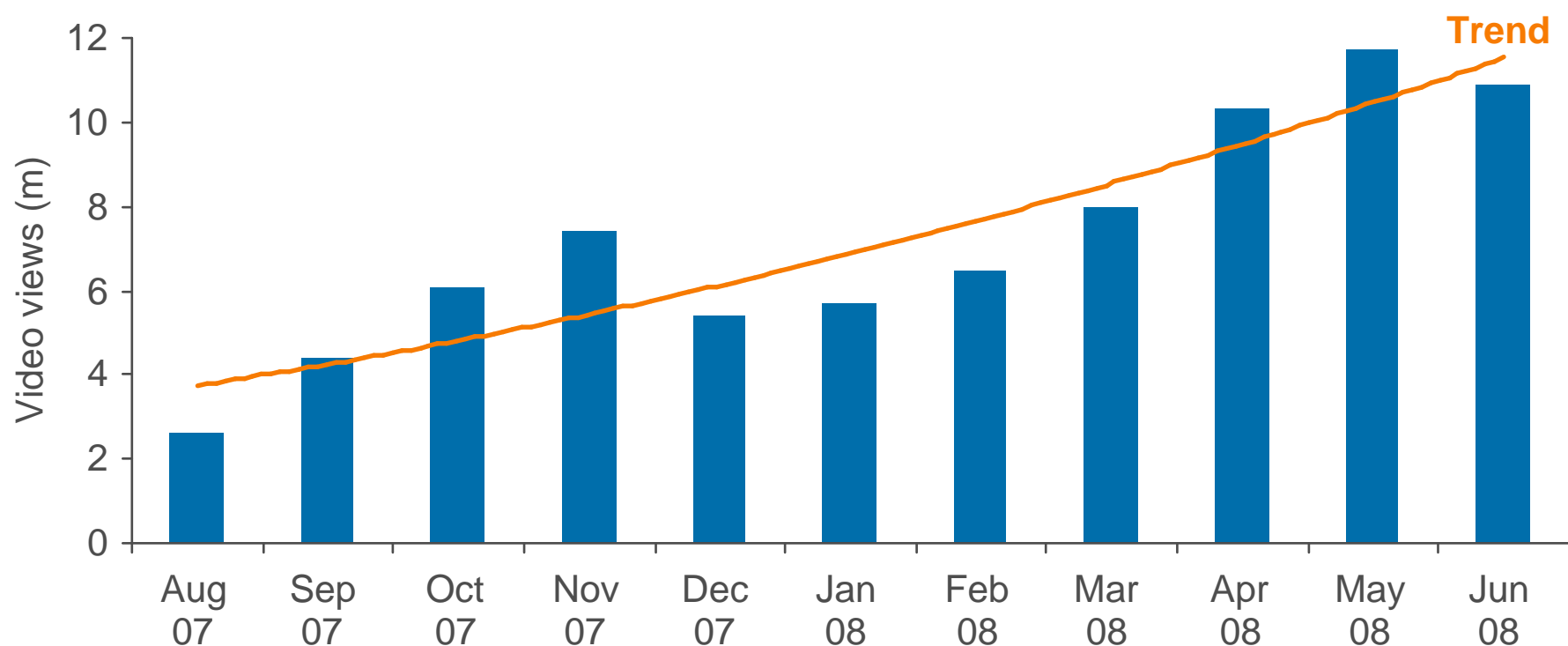
6 months to 30th June - £m	2008	2007	Change %
itv.com and other*	7	5	40
Friends Reunited	10	11	(9)
Total	17	16	6
EBITA	(8)	(3)	(166)

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



Online ITV Video Views

Growth in video views on ITV sites since relaunch



Online Friends Reunited

- Core Friends site moved to free model in May
- Revenues impacted by withdrawal of subscriptions for re-launch as expected
- Positive impact of recent on-air campaigns
 - Dating registrations up 40%
 - Genes Reunited unique users up 70%
- Record unique users of 6.6m across all sites in July



Financial and Operating Review

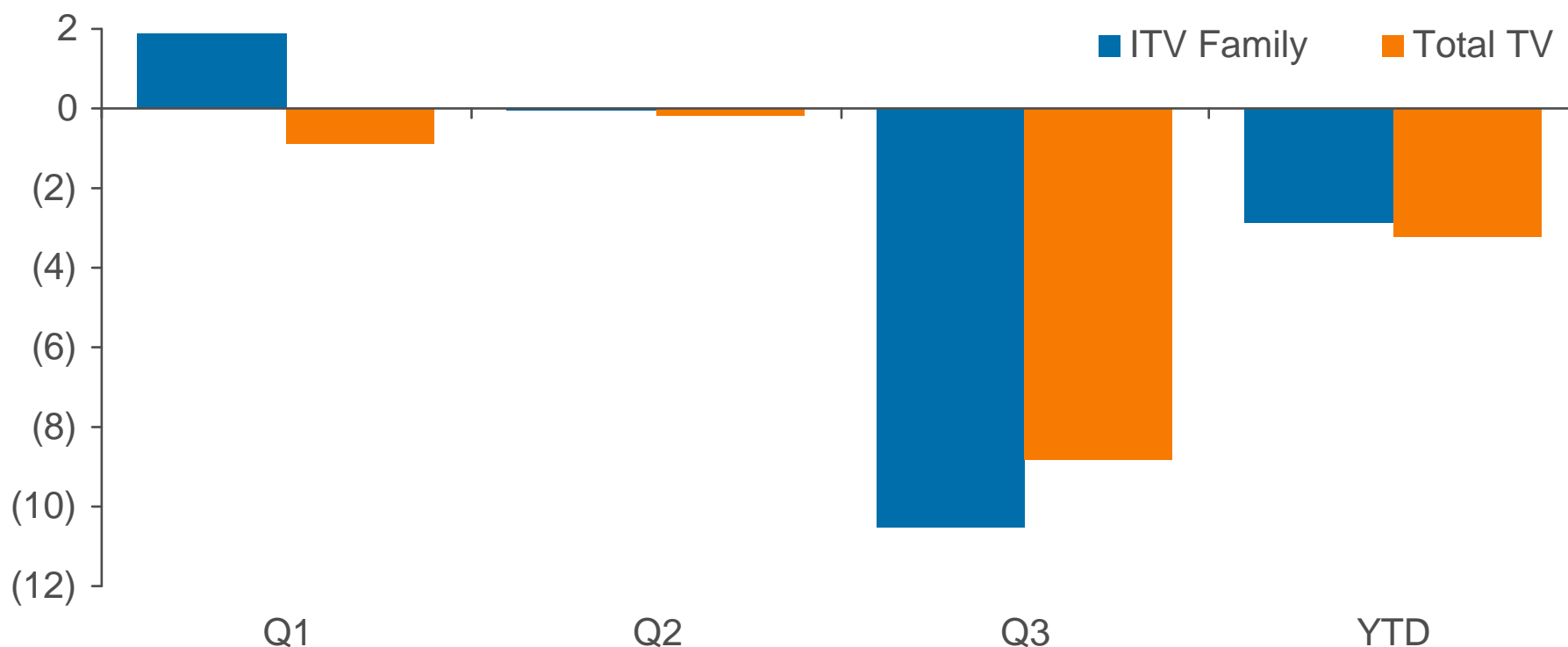
- Interim results
- Operating review
- Current trading and developments



Current Trading and Developments

TV Ad Market

2008 NAR, year on year change



Source: ITV estimates as of 04.08.08. YTD includes estimates to September

Current Trading and Developments

Cost Savings

- £41m operational cost savings on track for delivery in 2008
- NPB frozen for 2008 and 2009
- Regional cost reductions to reach £40m run rate in 2009 with £13m cost of change
- Additional cost savings to achieve £35m run rate over 2009 and 2010

New Savings	2008	2009	2010
Broadcast	-	11	4
Global Content	-	9	4
Online	-	1	-
Central Services	-	6	-
Cumulative Total	-	27	35
Cost of change	11	6	0



Current Trading and Developments

Strong Liquidity Position

- £110m bond issue in July 2008 at LIBOR + 2.7%
- £200m of 5 year bi-lateral financing secured since start of year
- New bond / financing **not** subject to covenants or rating triggers
- Covenants apply only to (undrawn) £450m facility running to 2011
- Coupon step-up on bonds imply additional £7-8m pa interest if triggered

ITV issued bonds, August 2008			
Bond	Coupon	Maturity	Covenants
£250m	5.625%	Mar 2009	None
€500m	4.75%	Oct 2011	Rating step-up*
£110m	LIBOR+2.7%	Mar 2013	None
£325m	5.375%	Oct 2015	None
£250m	6.125%	Jan 2017	Rating step-up*

* 1.25% coupon step up if credit rating for ITV plc falls below BBB- or Baa3 for S&P or Moody's respectively

Financial and Operating Review Summary

- Revenue growth in Broadcast advertising, Global Content and Online
 - Broadcasting delivering growth in viewing and commercial impacts
 - Global Content growing strongly internationally and ex-ITV in UK
 - Online delivering strong growth in users and video views
- Operating EBITA impacted by phasing of sports costs
- Market growth and outlook has weakened in H2
- ITV addressing market weakness as necessary
 - £35m further cost reduction in 2009/10
 - impairment to broadcasting goodwill
 - liquidity position strengthened further



Turnaround Strategy and Regulatory Update

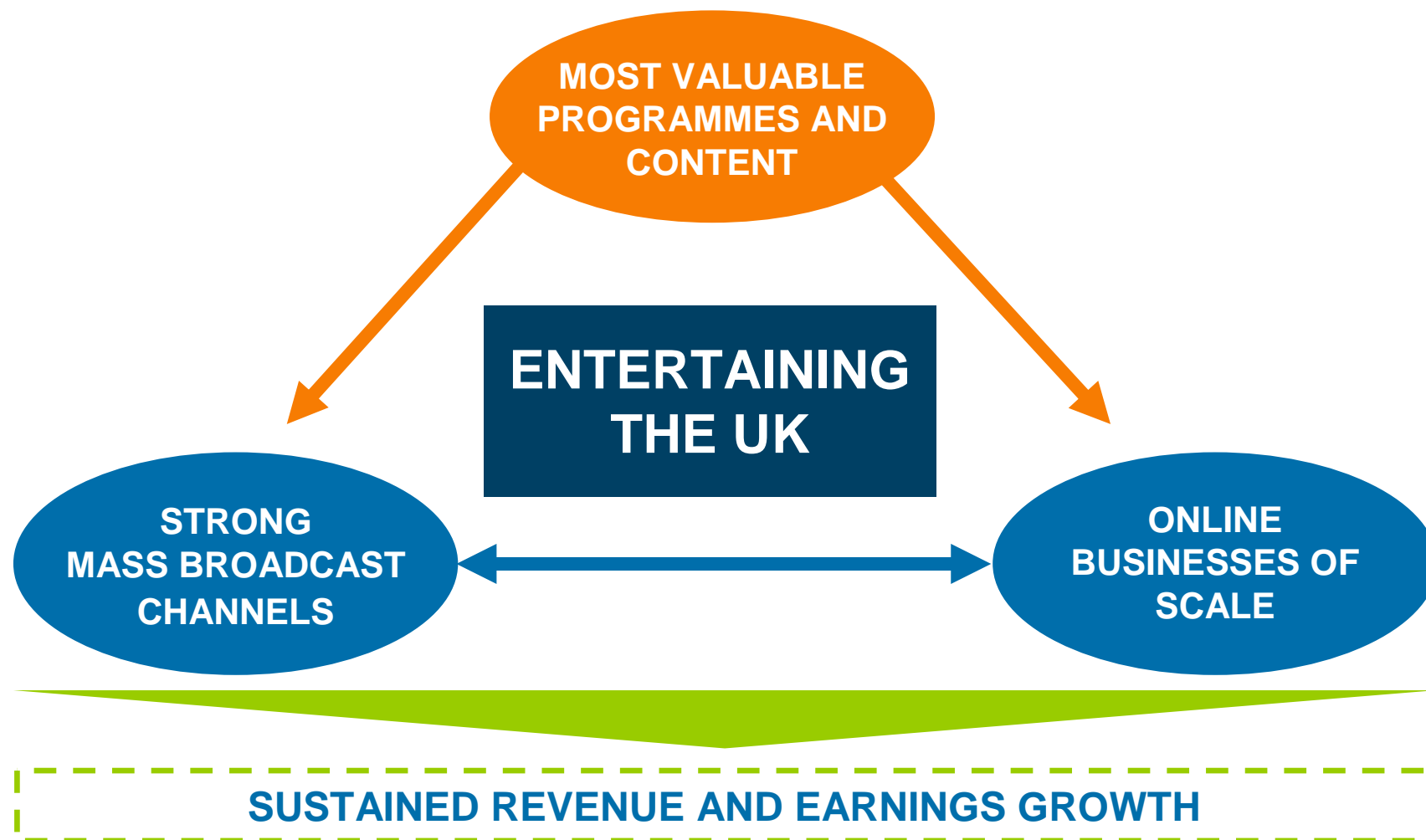
Michael Grade

Wire in the Blood



Turnaround Strategy

Content-led Growth





Turnaround Strategy

NAR Assumptions



The next 5 years:
content-led recovery

12 September 2007



Realistic and credible

- Rooted in our core skills
- Focused on fixing the fundamentals
- Based on realistic market assumptions
- Total TV NAR at 1.5-2.0% growth

Turnaround Strategy

Updated Targets

- Based on the economic context, regulatory developments and our experience to date, we have revised targets for Content and Online:

Global Content: to deliver a revenue run-rate of **£1bn** by 2012 (inc. internal revenues), vs previous target of £1.2bn in 2012

Online: to deliver a revenue run-rate of **£150m** (ex substantial acquisitions) by 2012, vs previous target of £150m in 2010

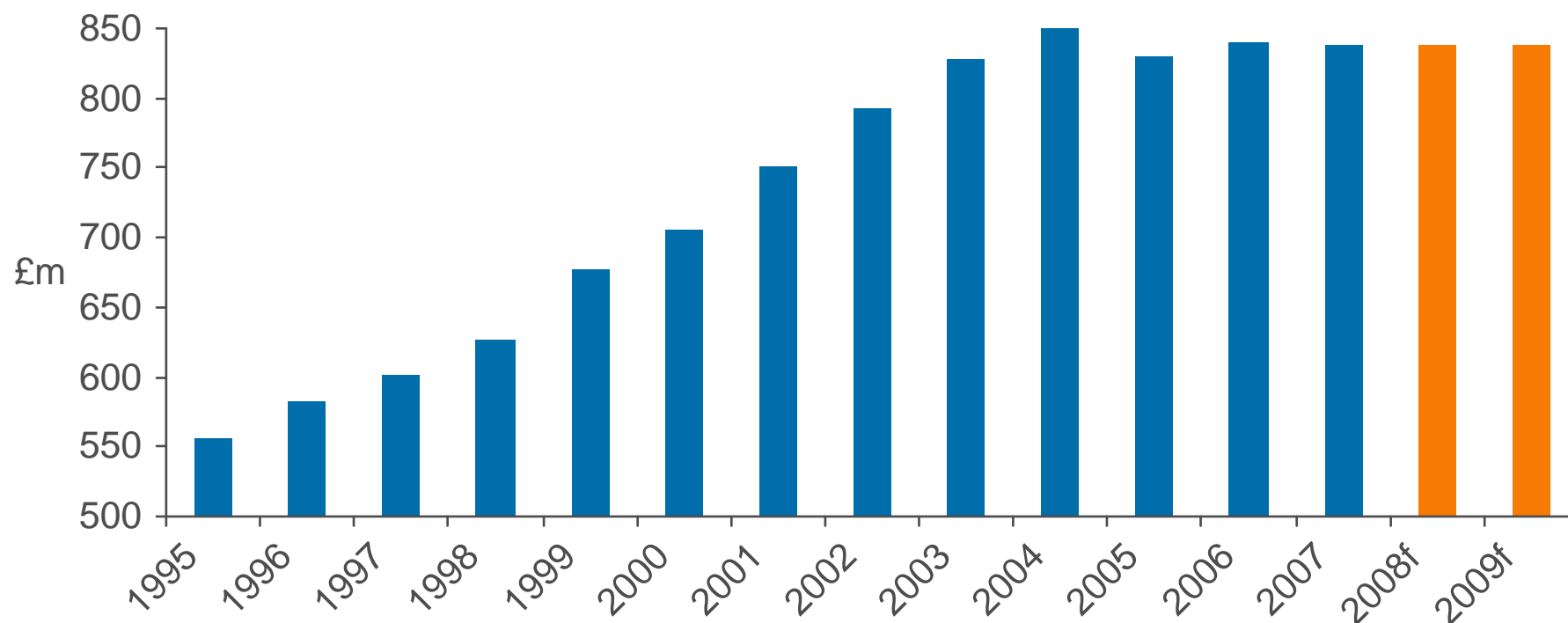
- **Broadcasting** target of ITV Family SOCI of at least **38.5%** in 2012 remains unchanged
- Group revenue growth will be dependent on the level of growth in the television advertising market



Turnaround Strategy

Maintaining Programme Investment

ITV NPB 1995 - 2009



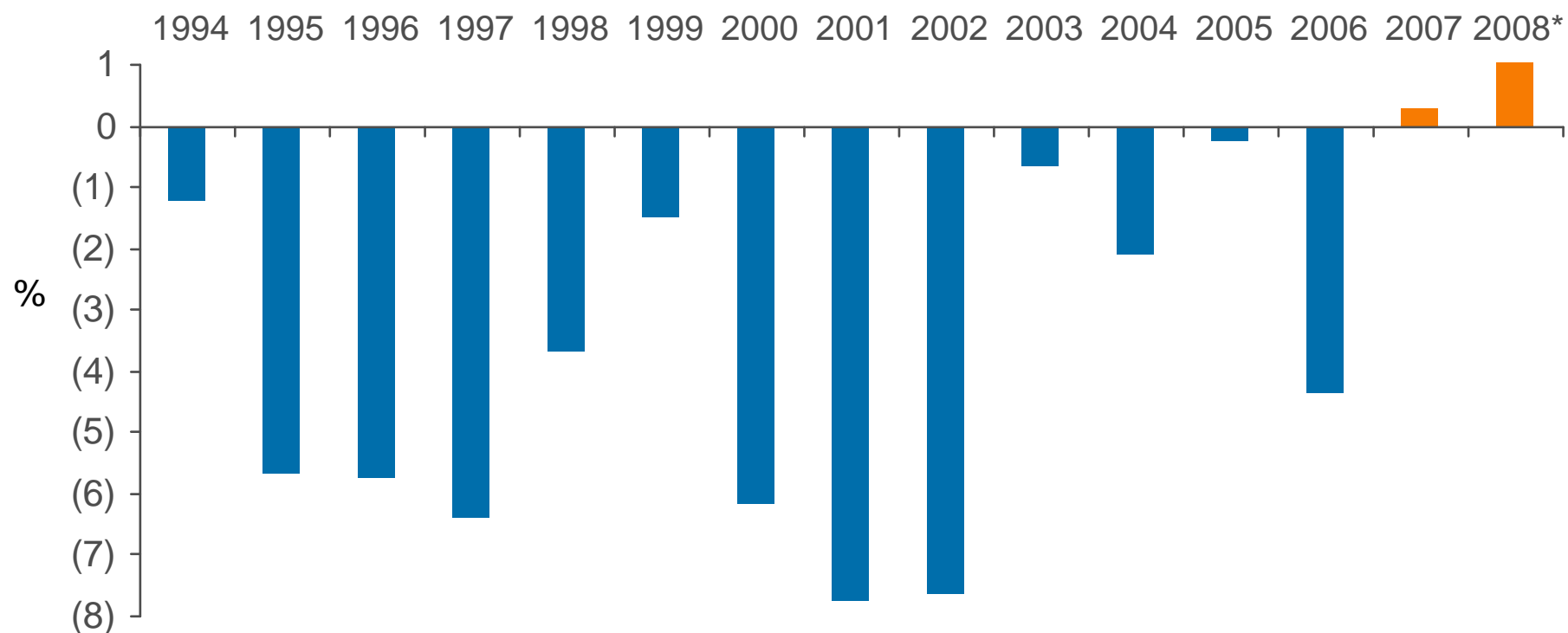
Source: ITV



Turnaround Strategy

Increasing Share of Viewing

ITV family year-on-year change in viewing share (%)



Source: BARB TNS Ratings Analyser (pre-2001)/ Infosys (2001-2007), 2008* = Jan-June 2008 vs Jan-June 2007

Turnaround Strategy

Investment Focus on Long Term Value

- Operational progress being made in difficult market conditions
- Core investment in the business is working
- Board determined to maintain investment necessary to deliver the Turnaround Strategy
- Interim dividend has been reduced to 0.675p
- Full year dividend will be considered in the light of H2 trading and outlook
- Board policy remains to deliver 2-2.5 times dividend cover over the medium term

- NAR downturn increases urgency of regulatory change

Contract Rights Renewal

- Ofcom / OFT review underway
- Full process expected to complete ahead of autumn 2009

Public Service Broadcasting

- Relief beyond regional news essential to avoid PSB costs diverting investment from network programming
- Cross-subsidy of PSB obligations - and minority licensees - is unsustainable

- Significant progress in Broadcasting, Global Content and Online
 - Revenue growth delivered in all key areas over a difficult H1
- UK television advertising market has weakened in H2
 - TV NAR growth diverging from Turnaround strategy assumptions
 - Tight control of costs, but maintaining investment in programming
- Focus on delivering the Turnaround strategy remains
 - Targets updated, but remain challenging and achievable
 - Securing rapid regulatory relief on PSB and CRR is imperative

Forward-looking statement

ITV is providing the following cautionary statement. This document 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) adverse changes to the current outlook for the UK television advertising market, (ii) adverse changes in tax laws and regulations, (iii) the risks associated with the introduction of new products and services, (iv) pricing, product and programme initiatives of competitors, including increased competition for programmes, (v) changes in technology or consumer demand, (vi) the termination or delay of key contracts and (vii) fluctuations in exchange rates.



ITV plc Interim Results 2008

6th August 2008

Lost in Austen



Movement from reported to adjusted

2008

	Per Interim Report	Operating Exceptional items	Gain on sale of property	Gain on sale of subsidiaries & investments	Amortisation	Other tax adjustments	Adjusted
Operating EBITA	106	15					121
Amortisation	(1,630)				1,630		-
JV's & Associates	(4)						(4)
Investment Income	-						-
Gain on sale of property	-						-
Gain on sale of sub's & inv's	17			(17)			-
PBIT	(1,511)	15	-	(17)	1,630		117
Interest	(26)						(26)
Profit before tax	(1,537)						91
Tax	3	(3)			(9)	(24)	(33)
Profit after tax	(1,534)	12	-	(17)	1,621	(24)	58
Minority interests	(1)						(1)
Earnings	(1,535)						57
Weighted Average	3,876						3,876
EPS	(39.6p)						1.5p



ITV plc

Movement from reported to adjusted

2007

	Per Interim Report	Operating Exceptional items	Gain on sale of property	Gain on sale of subsidiaries & investments	Amortisation	Other tax adjustments	Adjusted
Operating EBITA	141	10					151
Amortisation	(56)				56		-
JV's & Associates	2						2
Investment Income	1						1
Gain on sale of property	9		(9)				-
Gain on sale of sub's & inv's	35			(35)			-
PBIT	132	10	(9)	(35)	56		154
Interest	(27)						(27)
Profit before tax	105						127
Tax	(21)	(3)			(11)	(3)	(38)
Profit after tax	84	7	(9)	(35)	45	(3)	89
Minority interests	(1)						(1)
Earnings	83						88
Weighted Average	3,875						3,875
EPS	2.1p						2.3p

Segmental Analysis

6 months to 30th June - £m

2008

2007

Change %

Broadcasting

Revenue	832	842	(1)
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EBITA	89	112	(21)
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Global Content

External Revenue	149	115	30
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Internal Revenue	136	162	(16)
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Total Revenue	285	277	3
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EBITA	39	44	(11)
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Online

Revenue	17	16	6
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EBITA	(8)	(3)	(166)
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Other

Revenue	33	31	6
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EBITA	1	(2)	150
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ITV Broadcasting

Jan-Jun 2008 Top Ten Advertising Categories

Top 10 advertising categories

Category	YTD 2008 Rev £m	% of NAR	£m growth/ (decline) yoy
Retail	132.0	17.3	17.7
Food	72.4	9.5	(3.2)
Finance	63.3	8.3	(14.0)
Entertainment & Leisure	59.0	7.7	13.5
Cosmetics & Toiletries	58.5	7.7	2.1
Cars and Car Dealers	56.5	7.4	(7.8)
Household Stores	41.5	5.4	(4.2)
Telecommunications	37.2	4.9	(6.9)
Pharmaceuticals	31.6	4.1	2.0
Government	29.2	3.8	5.4

Source: Datawarehouse, ITV1, ITV2, ITV3, ITV4, CITV, Men and Motors. YTD =Jan-June 08



ITV Broadcasting Licence Fees

6 months to 30th June - £m	2008	2007	Saving
Cash bid payment	2	2	-
PQR Levy and digital licence rebate	13	21	8
Total	15	23	8



ITV – JVs, Associates & Inv Income

6 months to 30th June - £m		2008	2007
JV's	Screenvision	(2)	2
	Freesat	(4)	-
	AFC/LFC	4	-
Associates	ITN	(1)	-
	Other	-	1
Interest and Tax		(1)	(1)
Total		(4)	2
Investment Income		-	1
Total		(4)	3

Exceptional Items

6 months to 30th June - £m

2008

2007

Reorganisation and integration costs

(9)

(1)

PRS Fine

(6)

-

CSA contract provision

-

(9)

Total exceptional items

(15)

(10)

Underlying Rate of Tax

6 months to 30th June - £m

	2008	2007
Profit before tax as reported	(1,537)	105
Exceptional items (net)	(2)	(34)
Amortisation	1,630	56
Share of profits of joint ventures and associates	4	(2)
Profit before tax, exceptional items, amortisation and share of profits of JV's and associates	95	125
Tax (credit)/charge as reported	(3)	21
Net credit for exceptional items	3	3
Credit in respect of amortisation	9	11
Credit in respect of prior period items	24	3
Underlying tax charge	33	38
Underlying rate of tax	35%	30%

Interest Charge

6 months to 30th June - £m

	2008	2007
£200m at 7.625% Jun 07	-	(7)
£250m at 5.625% Mar 09	(7)	(7)
€500m Eurobond at 4.75% Oct 11	(8)	(8)
£325m at 5.375% Oct 15	(9)	(9)
£250m Eurobond at 6.125% Jan 17	(8)	(8)
	(32)	(39)
Swap/Bond fair value movements	(8)	(9)
Imputed interest on net pension deficit	8	9
Interest on cash and other	6	12
P&L charge	(26)	(27)
Cash - Imputed interest on net pension deficit	(8)	(9)
Swap and bond fair value and timing differences	(2)	(1)
Cash interest	(36)	(37)

Analysis of Net Debt

	Jun 2008	Dec 2007
£250m Eurobond Mar 09	247	249
€500m Eurobond [^] Oct 11	335	335
£325m Eurobond Oct 15	322	322
£250m Eurobond ⁺ Jan 17	248	248
Other loans & loan notes	3	27
Finance leases [#]	81	85
UBS Note	(100)	(100)
Cash & cash equivalents	(473)	(498)
Statutory net debt	663	668

[^] Net of £59m cross-currency swap asset (Dec 07: £30m)

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

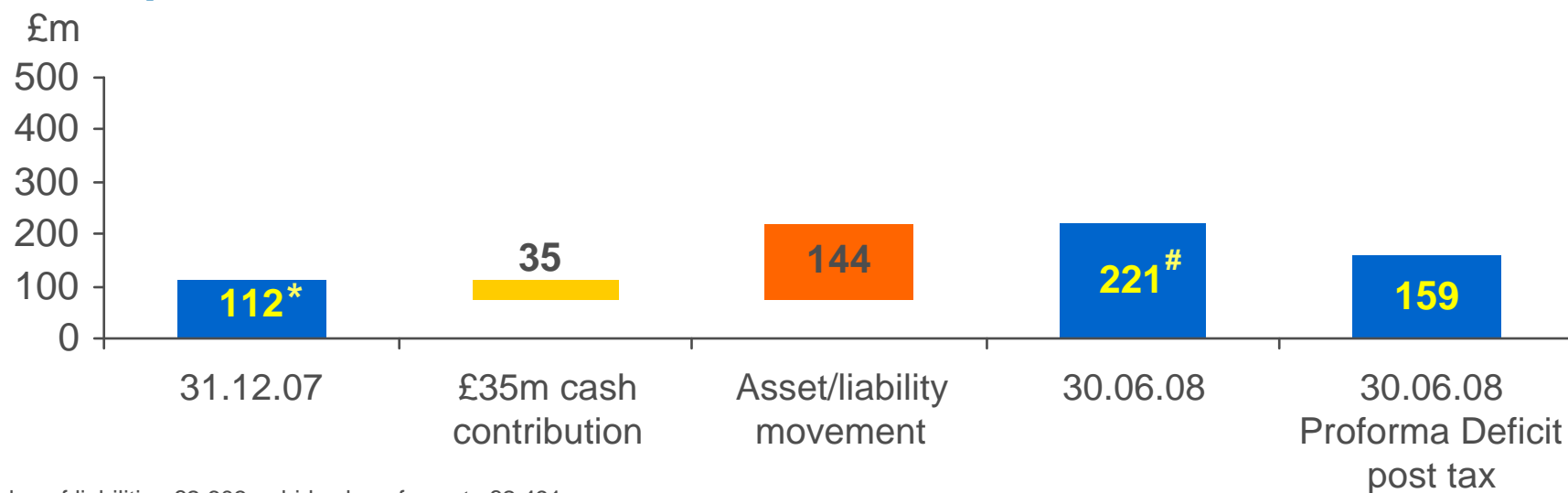
Interim Results

Pension Deficit

H1 2008 £m

Current service cost	(6)
Net interest credit	8
Total income statement	2

IAS 19 pension deficit



* Value of liabilities £2,603m, bid value of assets £2,491m

Value of liabilities £2,620m, bid value of assets £2,399m

£m	Cash	Date
1. Liverpoolfc.tv	£16m*	5 th March 2008
2. Arsenal Broadband	£14m	7 th April 2008
Total	£30m	
3. CSA assets	£0.5m	10 th July 2008

Non-core assets remaining: Screenvision, property

* £5m due in December 2008

Operating efficiencies on track

Operating cost savings	2006	2007	2008
Back Office	2	11	15
Property	0	1	1
Systems and Technology	0	4	7
Transmission	0	6	7
Staff Related	0	4	6
Procurement	0	3	5
Cumulative Total	2	29	41
Cumulative Cost of Change	7	15	26

2007 highlights

- PRS response, reimbursement of £7m through Charities Aid Foundations
- Improved internal governance through 'trust' courses and whistle-blowing
- Improvement in subtitling and audio description
(up to 91.4% and 10.5% respectively on ITV1)
- Support given to Communities through Carer of The Year and People's Millions
- World's first carbon foot-printed programming: The Sunday Edition and Lewis

2008 approach

- Strengthening CR governance through a new CR Committee and with full Executive Board buy-in
- Development of a new CR strategy in-line with and to support the turnaround plan
- Improvement to volunteering and community engagement
- Improvements related to environmental efficiencies: waste & energy