

# ITV plc Final Results 2007

5<sup>th</sup> March 2008

# Introduction

Michael Grade  
Executive Chairman

- Introduction
- Financial and operating review
- Current trading and strategy update

## 2007 financial results

- Total revenue £2,082m (2006: £2,181m)
- Operating EBITA £311m (2006: £375m)
- Impacted by legacy issues and digital investment

## 2007 operational and strategic progress

- ITV viewing increased year-on-year for first time in over a decade
- ITV NAR stabilised at £1,489m (2006: £1,494m)
- Strengthened management team appointed
- Strategic plan and targets announced

## 2008 current trading

- ITV outperforming market in revenues and ratings

➔ **Turnaround plan on track**

# Board and management changes

- Executive Chairman term extended to four years and end of 2010
- John Cresswell becomes dedicated COO, with new FD to be appointed
- Dawn Airey and Rupert Howell join plc Board
- Peter Fincham to join as ITV Director of Television

# Financial and operating review

John Cresswell  
Chief Operating Officer

12 months to 31<sup>st</sup> Dec - £m

	2007	2006	Change
	Published	Published	%
Revenue	2,082	2,181	(5)
Operating EBITA	311	375	(17)
Amortisation			
Normal	(56)	(56)	
CSA Impairment	(28)	(20)	
Exceptional items inc gains on sales	(9)	4	
Associates, JVs and investment income	3	11	
Profit before interest and tax	221	314	(30)
Interest	(33)	(26)	27
Profit before tax	188	288	(35)

12 months to 31<sup>st</sup> Dec - £m

	2007	2006	Change
	Published	Published	%
Profit before tax	188	288	(35)
Tax	(50)	(66)	(24)
Profit after tax	138	222	(38)
Minority interests	(1)	(3)	(67)
Profit for the period	137	219	(37)
Adjusted EPS*(p)	5.0	6.3	(21)
Dividend per share (p)	3.15	3.15	-



# Segmental reporting

12 months to 31<sup>st</sup> Dec - £m

2007	2006	Change
Published	Published	%

## Broadcasting

Revenues

1,738	1,797	(3)
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EBITA

244	296	(18)
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## Global Content

External Revenues

244	281	(13)
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Internal Revenues

320	351	(9)
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EBITA

90	88	2
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## Online

Revenues

33	23	43
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EBITA

(12)	1	-
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## Other

Revenues

67	80	(16)
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EBITA

(11)	(10)	(10)
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# Decrease in net debt

12 months to 31 <sup>st</sup> Dec - £m	2007	2006
EBITDA	346	407
Working capital	(29)	(36)
Cash generated from operations	317	371
Exceptional items	(31)	(29)
Taxation and interest	(44)	(97)
Capital expenditure less sale of fixed assets	(55)	(75)
Sale/purchase of businesses and investments	60*	186
Equity dividends	(122)	(128)
Other movements	(26)	(23)
Cash generated from business activities	99	205
Share buyback	-	(251)
Defined benefit pension deficit funding	(33)	(207)
Movement in net debt	66	(253)

£m	Cash	Date
Liverpool (9.99% stake)	17	Jan 07
Arsenal (9.99% stake + option)	50	April 07
MUTV	3	Nov 07
ITFC	5	Sept 07
Property and transmission assets	28	Various
Total	103	

# Broadcasting Performance

## Revenue and EBITA

12 months to 31st Dec - £m	2007	2006	Change %
ITV1 NAR	1,224	1,281	(4)
ITV2, 3, 4, CITV, M&M NAR	209	157	33
GMTV NAR	56	56	-
<b>ITV plc NAR</b>	<b>1,489</b>	<b>1,494</b>	<b>-</b>
Sponsorship	56	53	6
Media sales, SDN and other income	140	139	1
PRS / ITV Play	53	111	(52)
<b>Total Revenue</b>	<b>1,738</b>	<b>1,797</b>	<b>(3)</b>
<b>EBITA</b>	<b>244</b>	<b>296</b>	<b>(18)</b>

# Broadcasting Performance

## Programme costs

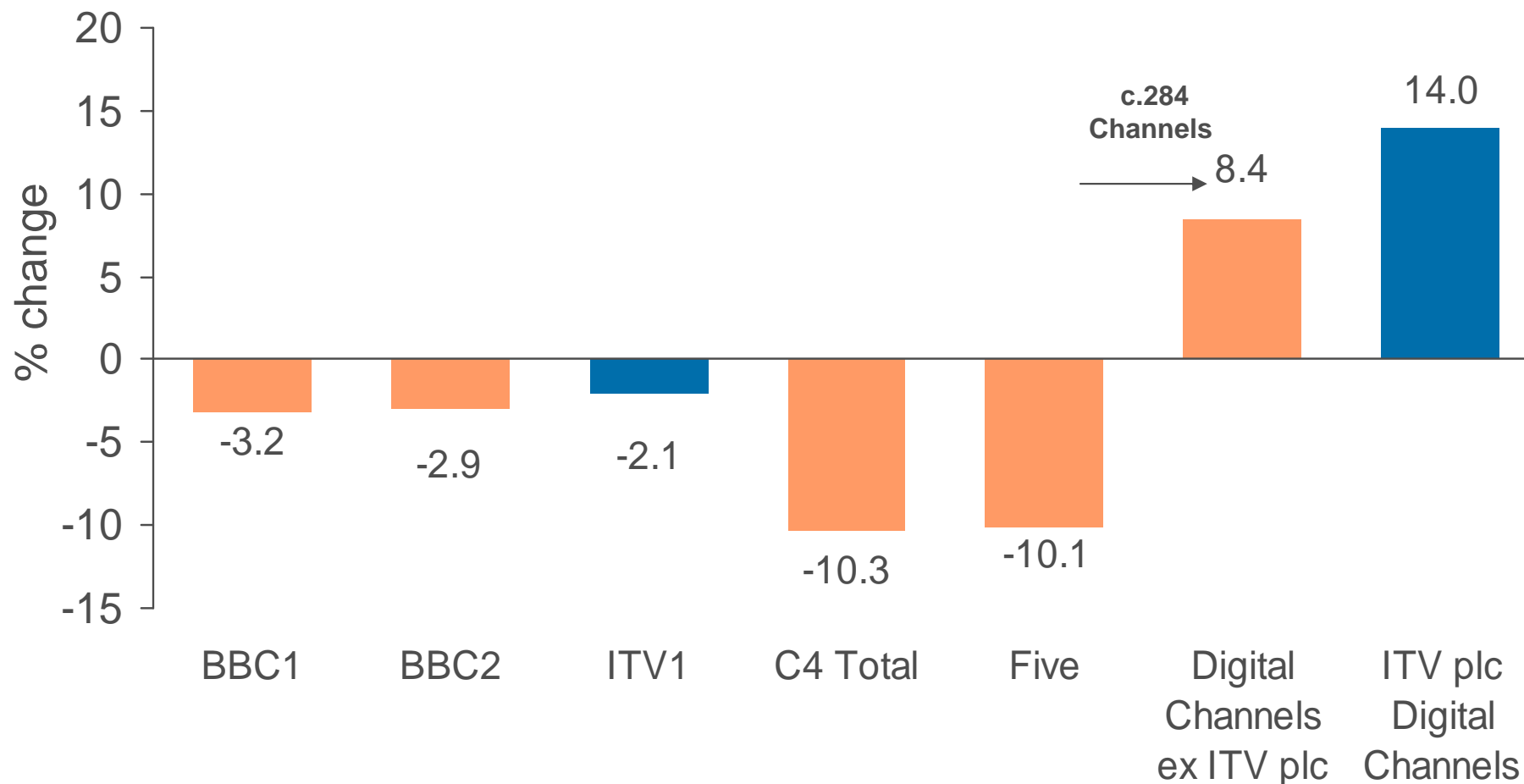
### ITV Network Programme Costs

12 months to 31st Dec - £m	2007	2006	Change %
Commissions	612	584	5
Sport	140	168	(17)
Acquired	48	44	9
ITN news & weather	37	44	(16)
<b>Total ITV1</b>	<b>837</b>	<b>840</b>	<b>-</b>
Regional news & non news	114	119	4
<b>Total ITV1</b>	<b>951</b>	<b>959</b>	<b>(1)</b>
ITV2, 3, 4, CITV, M&M	101	75	35
GMTV	35	36	(3)
<b>Total Schedule Costs</b>	<b>1,087</b>	<b>1,070</b>	<b>2</b>

# Broadcasting Performance

Year on year % change in all time share of viewing

Individuals

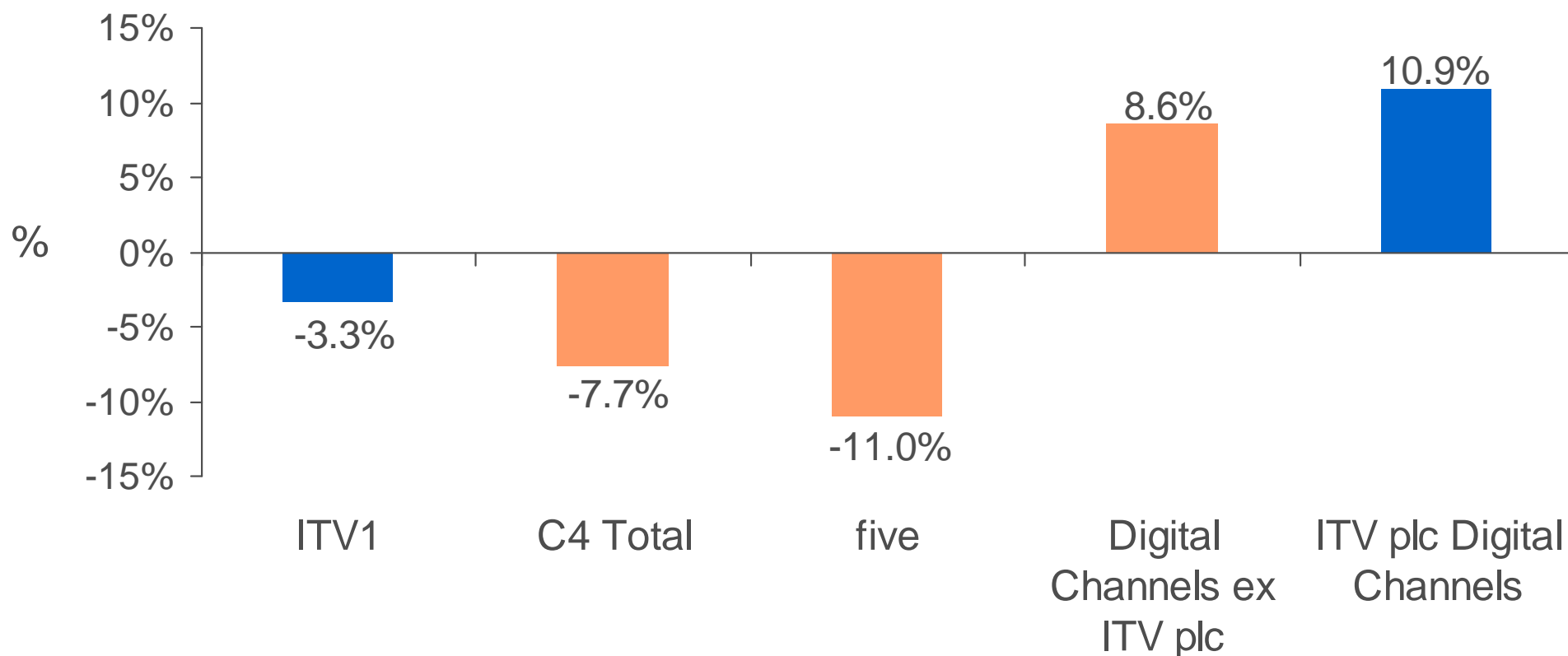




# Broadcasting Performance

## Adult SOCI year on year % change

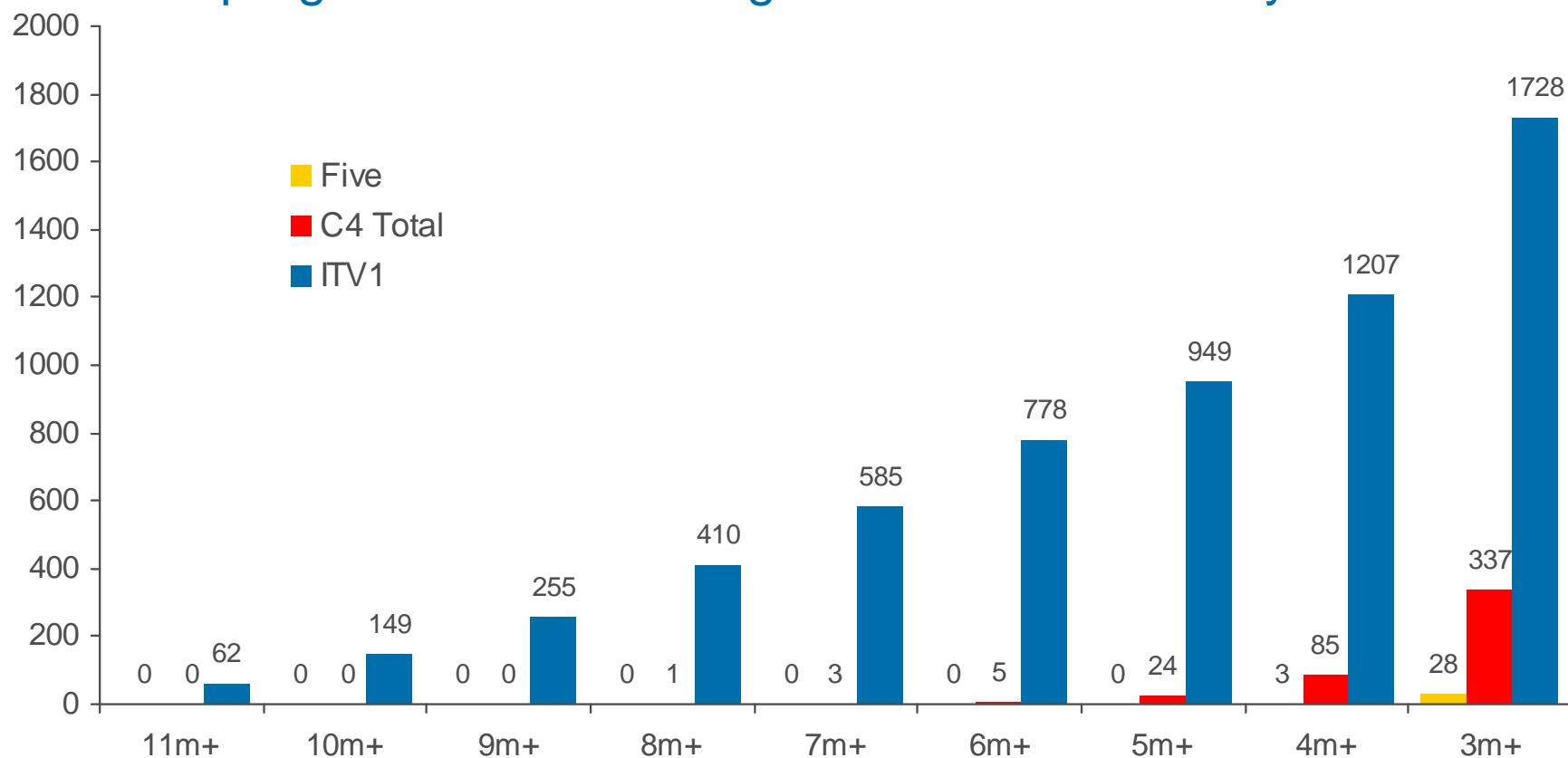
All time in All homes



# Broadcasting Performance

ITV1 remains the only UK commercial channel consistently delivering mass audiences

## Number of programmes exceeding audience volumes by channel

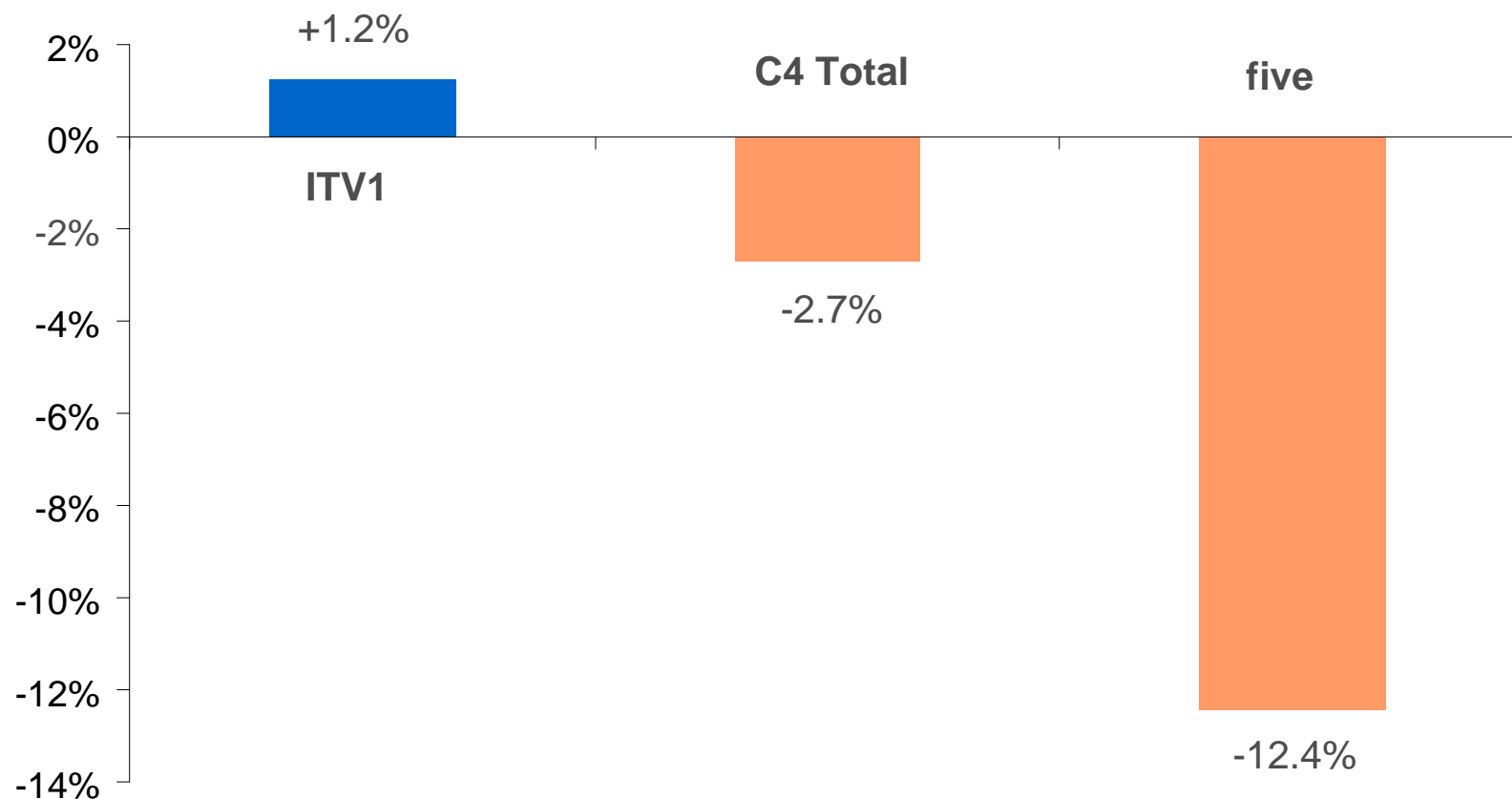




# Broadcasting Performance

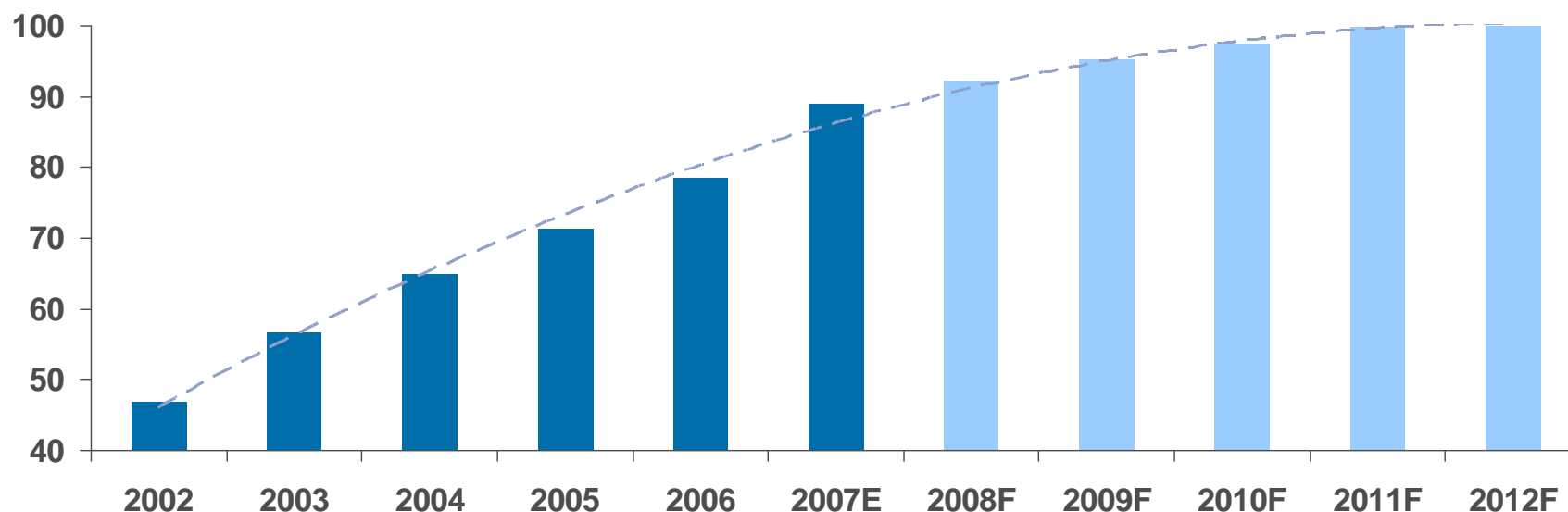
## ITV1 is delivering ABC1 impact volumes

ABC1 impact volume, year on year change in 2007



# Broadcasting Performance

## Market fragmentation slowing



(E) = estimate  
(F) = forecast

Multi-channel take up since Freeview launch / projections to DSO

# Global Content Performance

## Revenue and EBITA

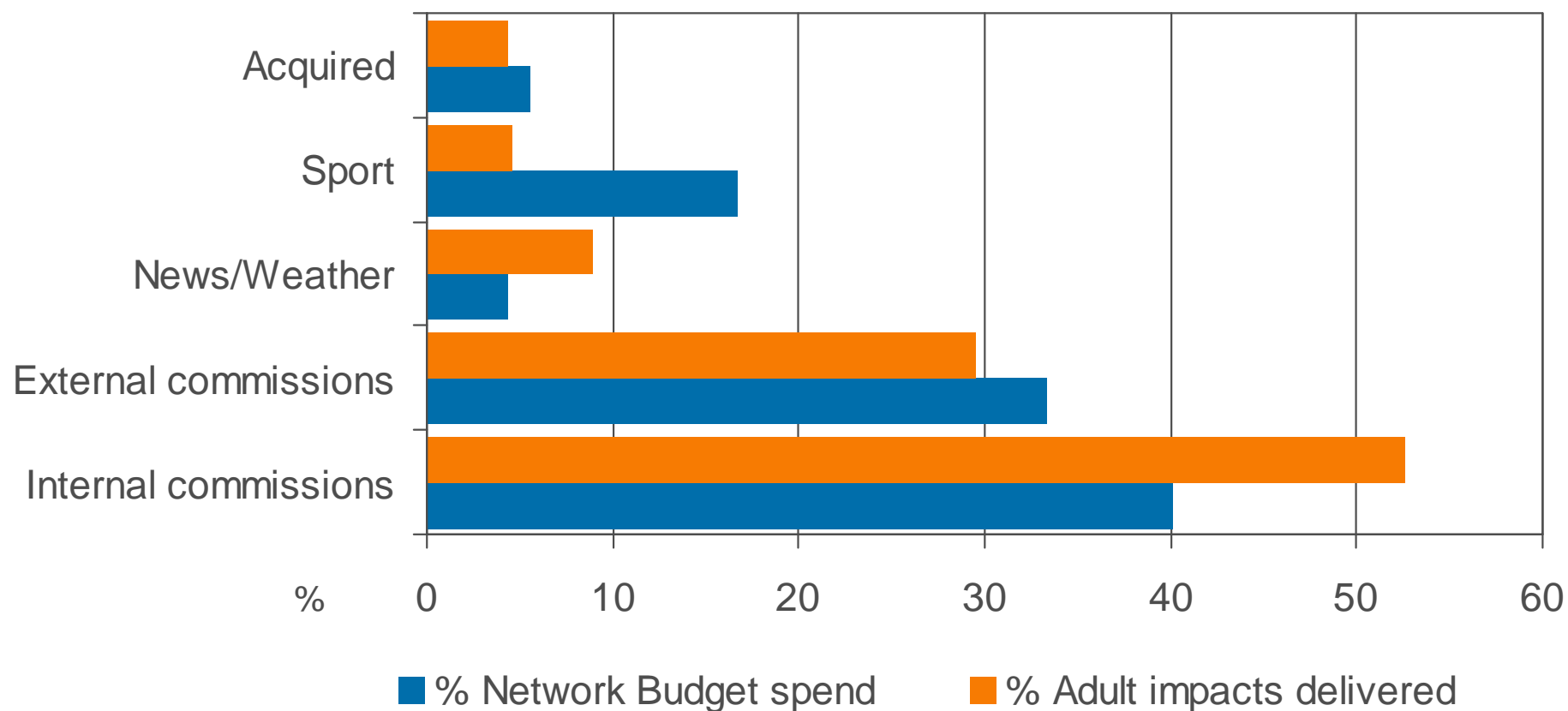
12 months to 31st Dec - £m	2007	2006	Change %
UK production	48	73	(34)
Resources	19	20	(5)
International	177	188	(6)
International production	63	65	
Distribution and exploitation	114	123	
<b>Total revenue</b>	<b>244</b>	<b>281</b>	<b>(13)</b>
Original supply to ITV	320	351	(9)
<b>Total revenue (inc ITV supply)</b>	<b>564</b>	<b>632</b>	<b>(11)</b>
<b>EBITA</b>	<b>90</b>	<b>88</b>	<b>2</b>

# Internal Production

Most cost effective for ITV1

12 months to Dec 2007

Network programme spend vs. Adult impact delivery



- Peter Iacono joins ITV Worldwide as President and MD from Sony
- Paul Buccieri joins Granada America as President and CEO from Fox's 20<sup>th</sup> TV
- Hell's Kitchen USA series 4&5 plus Kitchen Nightmares for Fox



**Ich Bin Ein Star**  
RTL, Germany



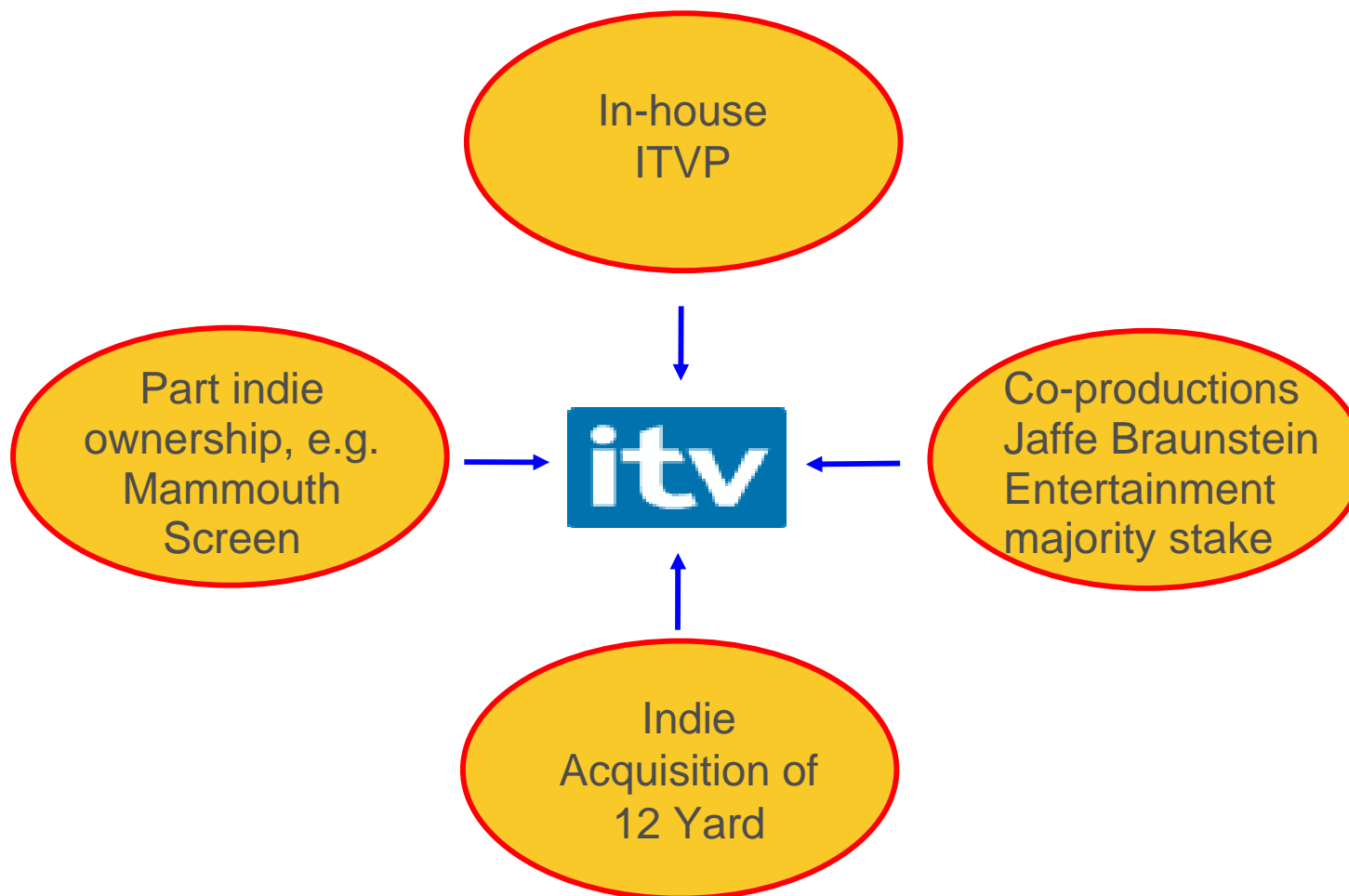
**Hell's Kitchen**  
Fox Network, USA



**Friday Night Takeaway**  
Hunan TV, China

# Global Content Partnerships/Acquisitions

## New flexibility

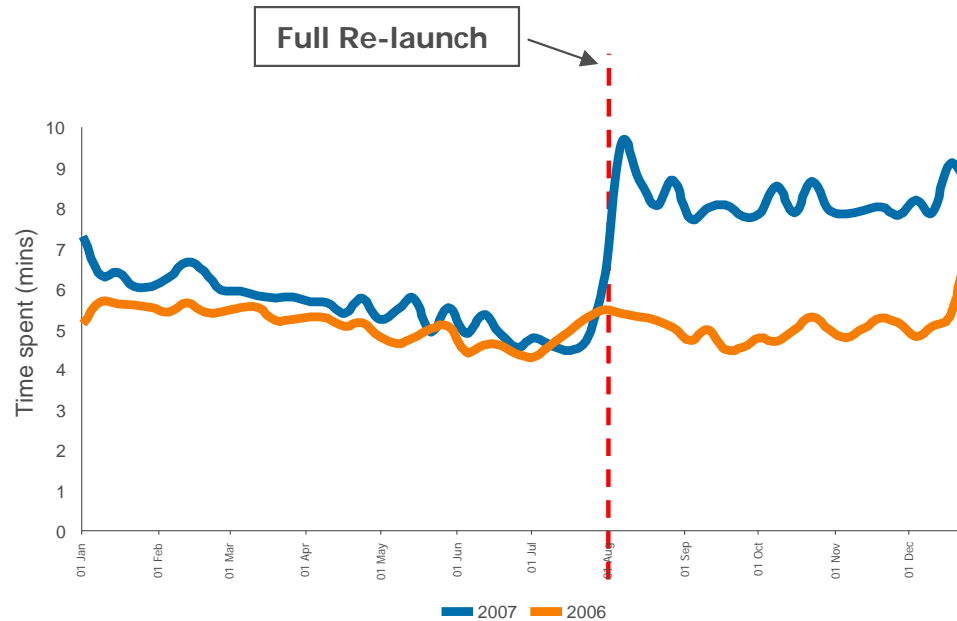


# Online performance

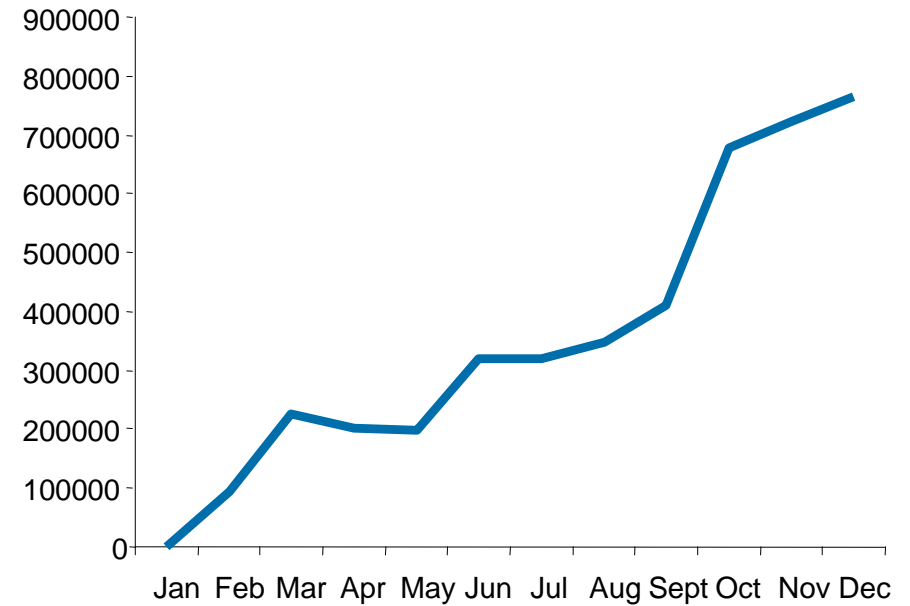
## Online revenues

12 months to 31st Dec - £m	2007	2006	Change %
itv.com and other*	11	7	57
Friends Reunited	22	16	36
Total revenue	33	23	43
EBITA	(12)	1	-

## itv.com average dwell times 2007 vs 2006

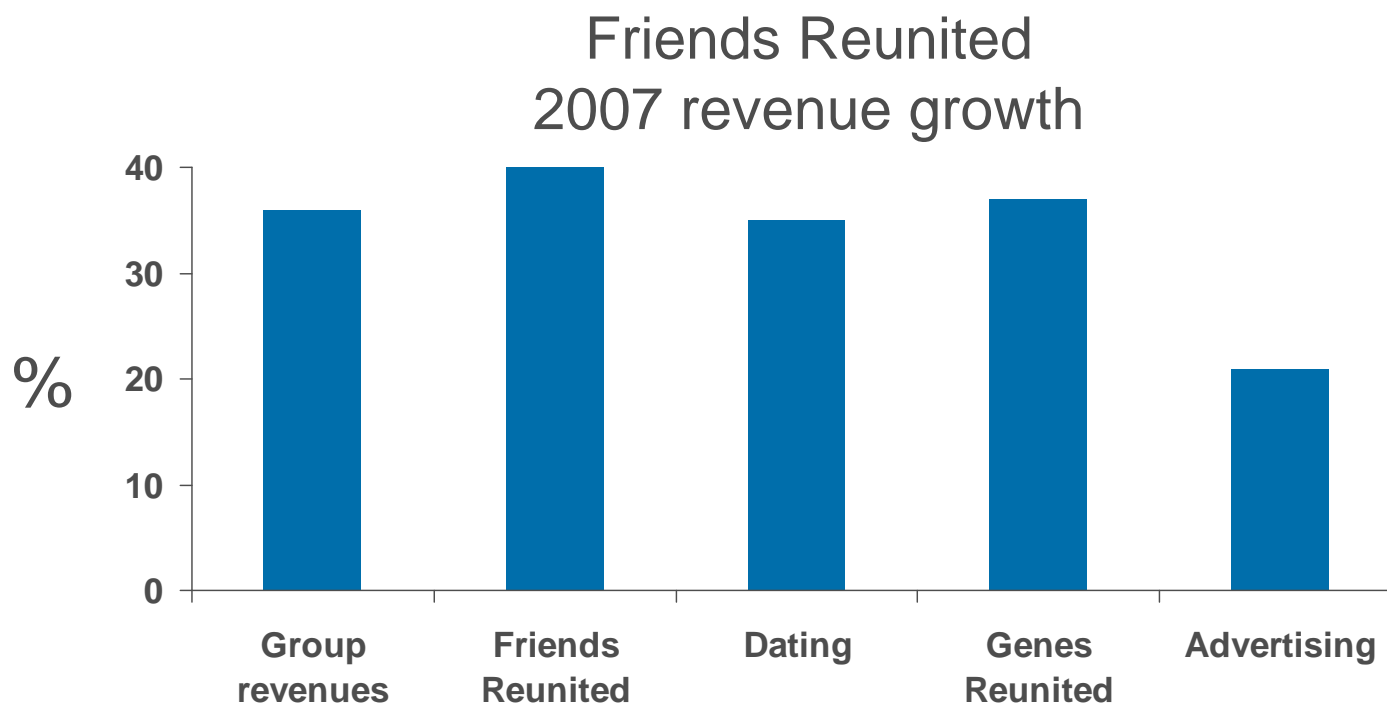


## ITV Local unique users per month, 2007





- Total revenues up 36%
- Strong growth in Genes, Dating and core reunions site
- Total subscribers up 35% to 2.6 million
- Benefiting from ITV1 promotion and programme sponsorship



- Agreement announced in December 2007
- Single destination for over 10,000 hours of quality entertainment content
- Launch anticipated in H2 2008
- itv.com and BBC iPlayer demonstrate appetite for streaming / downloading

# Financial and operating review

## Summary

- EBITA impacted by investment in digital channels and online, plus PRS revenue decline
- ITV family NAR stabilised with digital channel growth and ITV1 outperforming CRR
- ITV family outperformed competition and delivered increase in share of viewing
- Global Content new leadership and team in place
- Online momentum with itv.com, itvlocal, Friends Reunited, Kangaroo

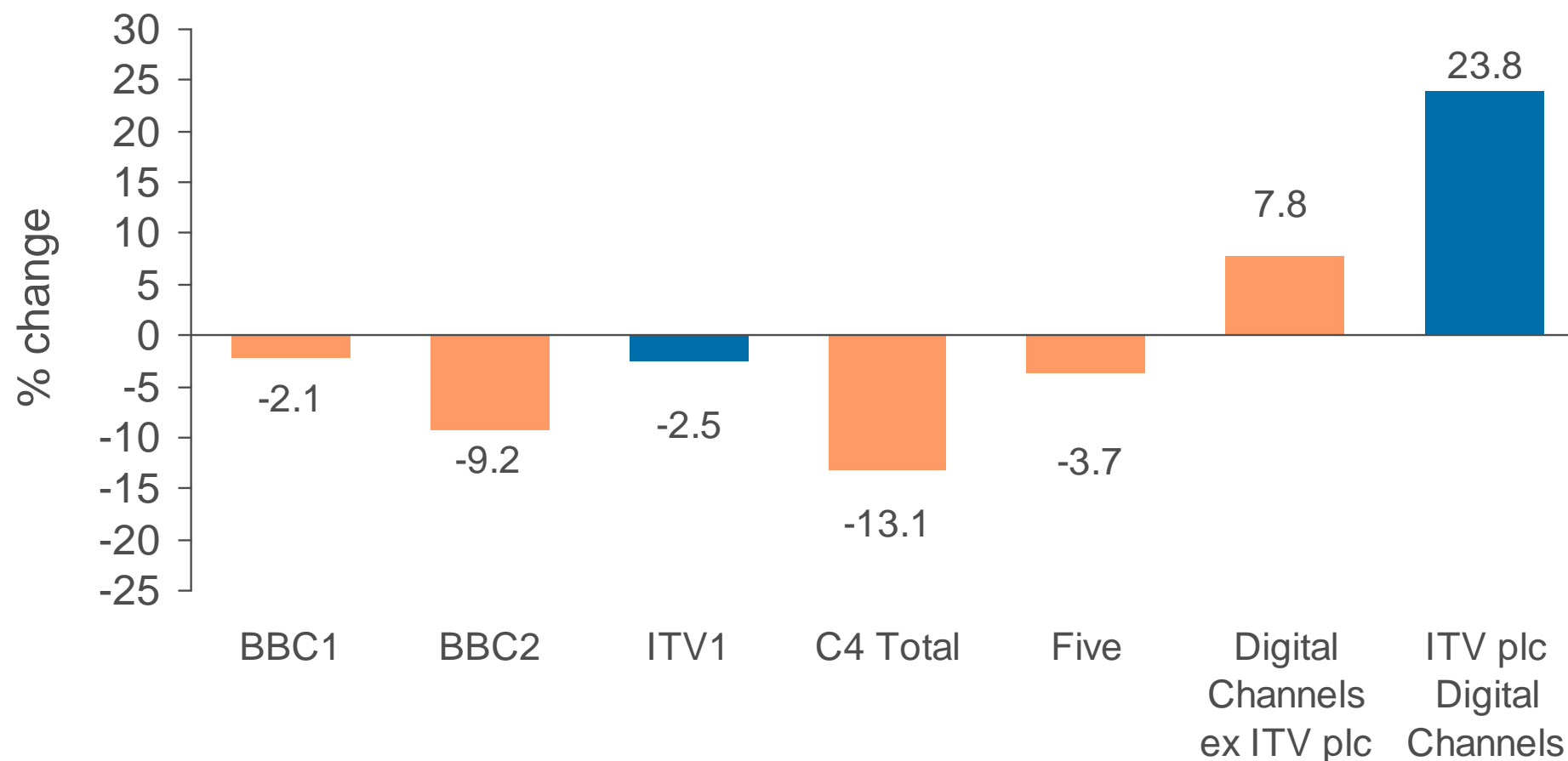
# Current Trading and Strategy Update

Michael Grade  
Executive Chairman

# 2008 Current performance

Year on year % change in share of viewing

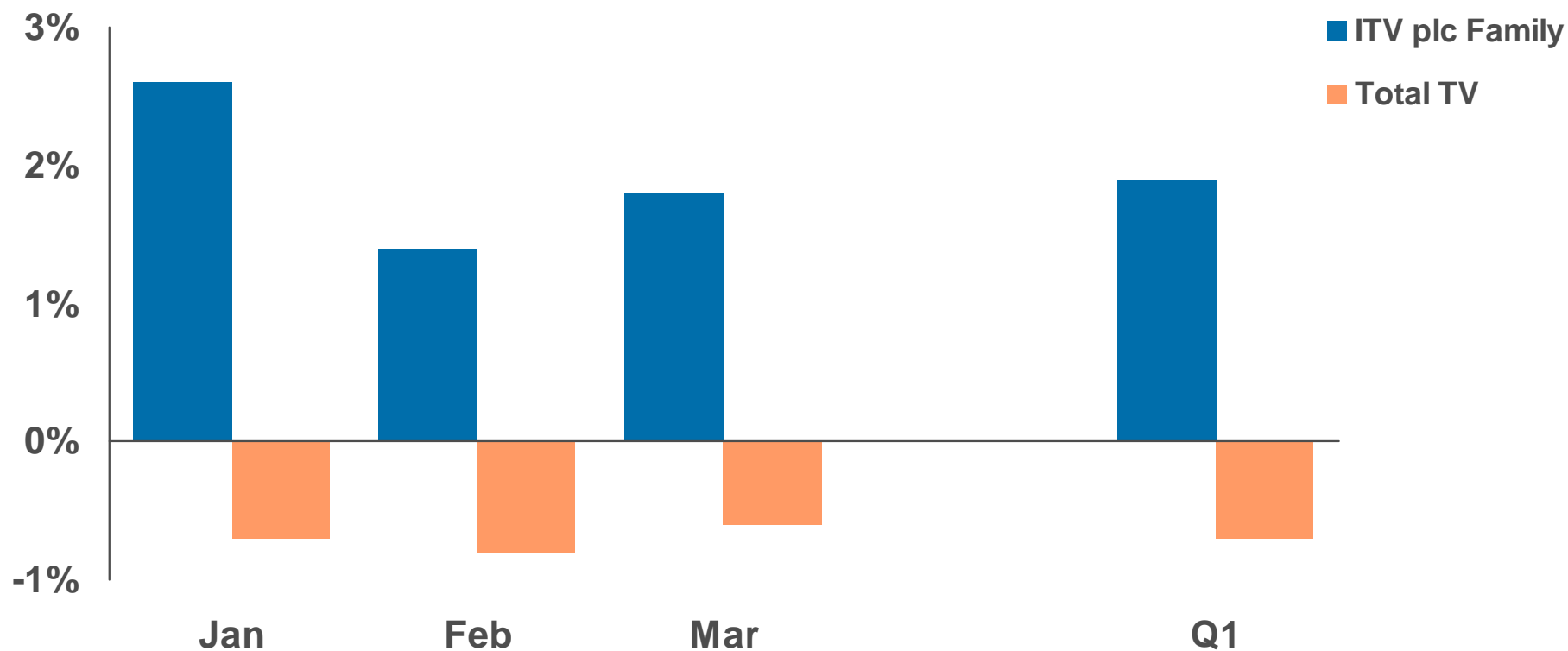
## Individuals



# Current Trading

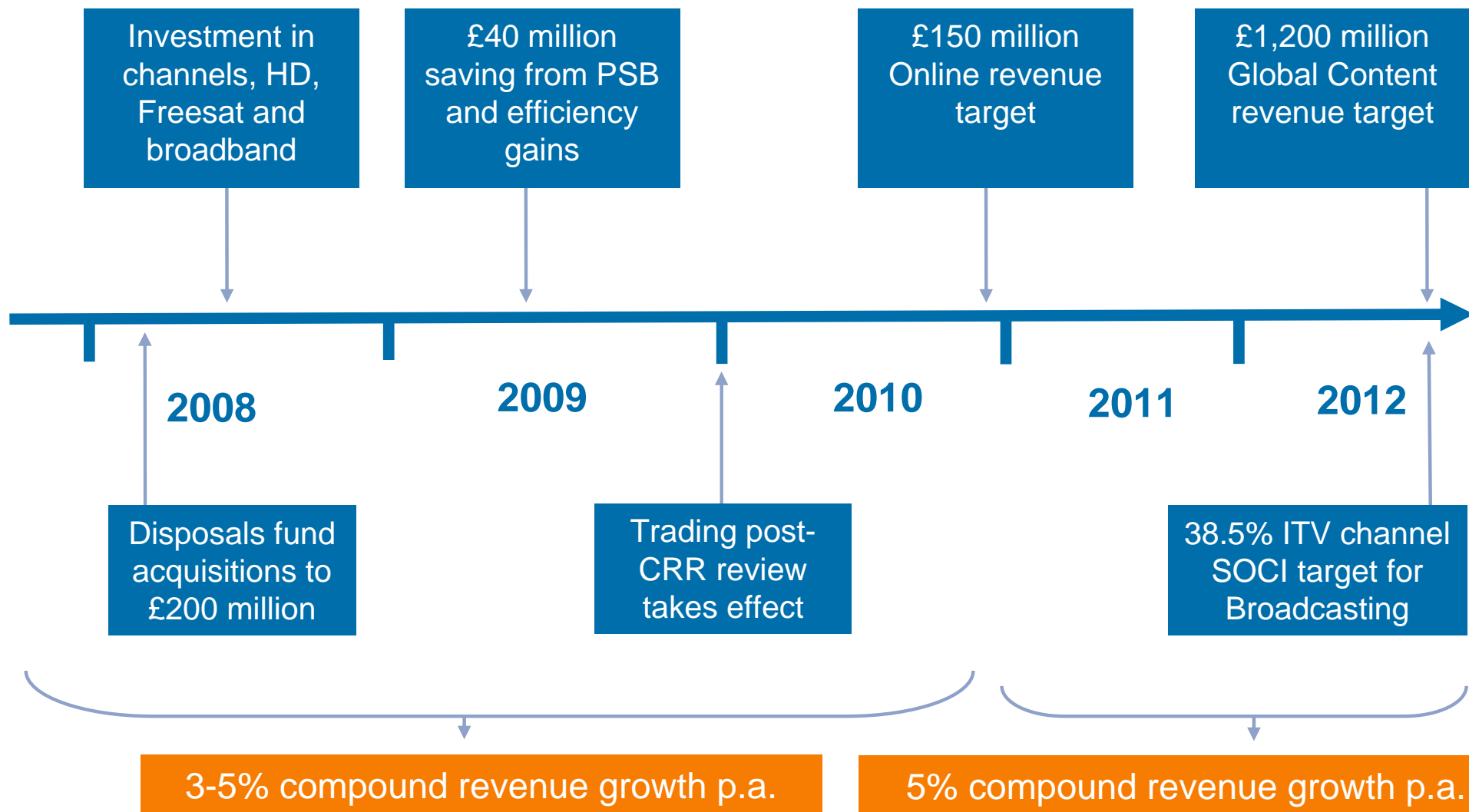
ITV is out-performing the market in Q1

2008 NAR, year on year change



# Turnaround strategy

## 5 year plan



# Turnaround plan: Objectives and Actions

## Content

**Double content revenues by 2012**

- Grow share of ITV1 schedule to 75% over time
- Double content revenues by 2012



1. New global content division
2. Focus on high value genres
3. Development spend up by 50%
4. New talent strategy
5. Targeted acquisitions
6. International expansion

## Broadcast

**Achieve ITV family SOCI 38.5% in 2012**

- Accelerate ITV1's SOCI recovery
- Invest in ITV2 to become No3 commercial network for 16-34s



1. New ITV1 peak-time strategy
2. Stable ITV1 budget
3. Aim to secure new ITV1 PSB remit
4. Work to replace CRR
5. ITV2 investment up by £20m
6. Bigger share of advertiser budgets
7. Future-proof Freeview; launch Freesat
8. Launch ITV1 HD

## Online

**Deliver £150m in online revenues by 2010**

- itv.com to become a top-10 UK entertainment site by 2010



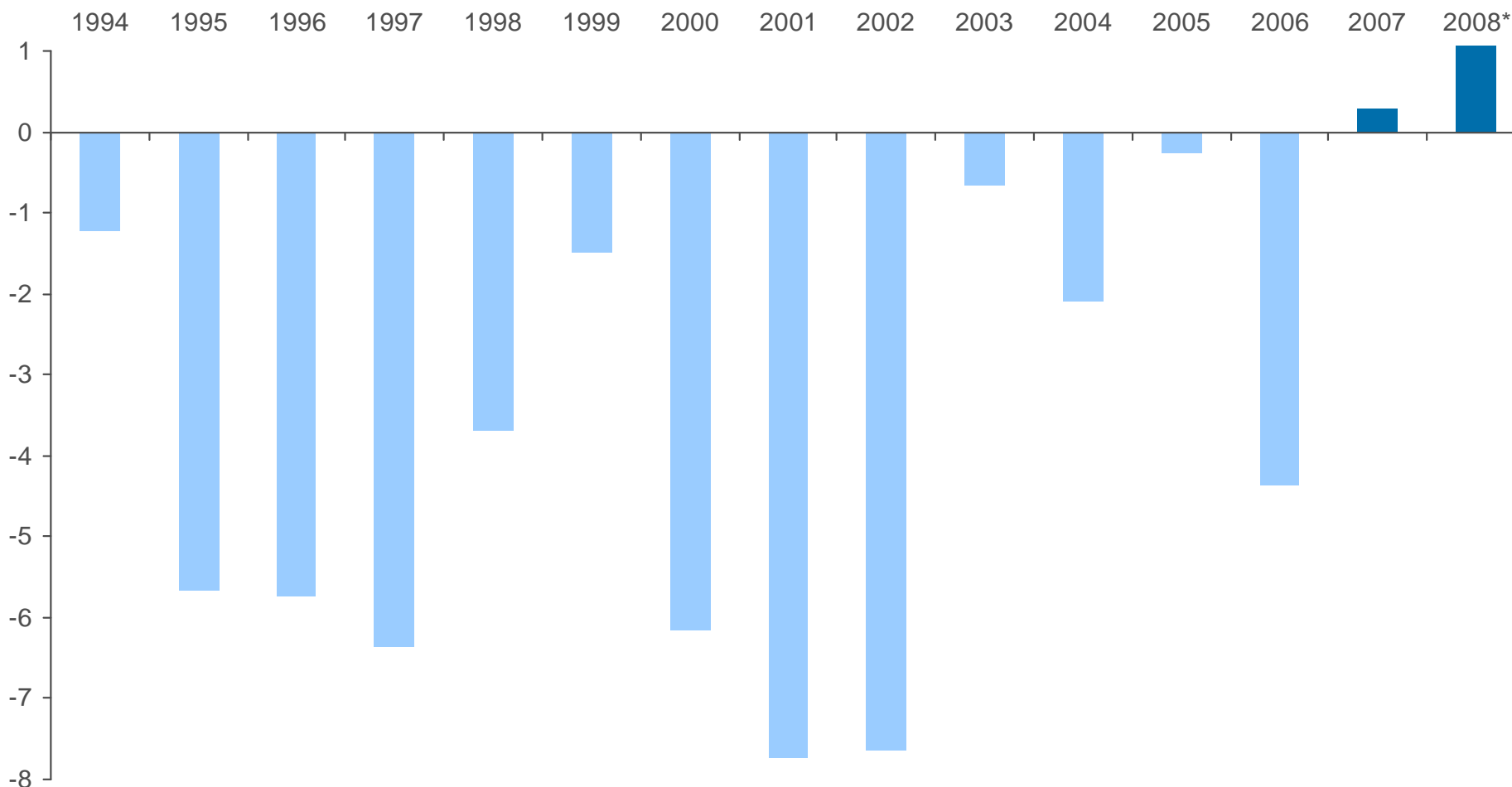
1. Increase viewing of ITV on-demand content
2. Specific sites around key programme brands and communities
3. Excellence in online ad sales
4. New online businesses



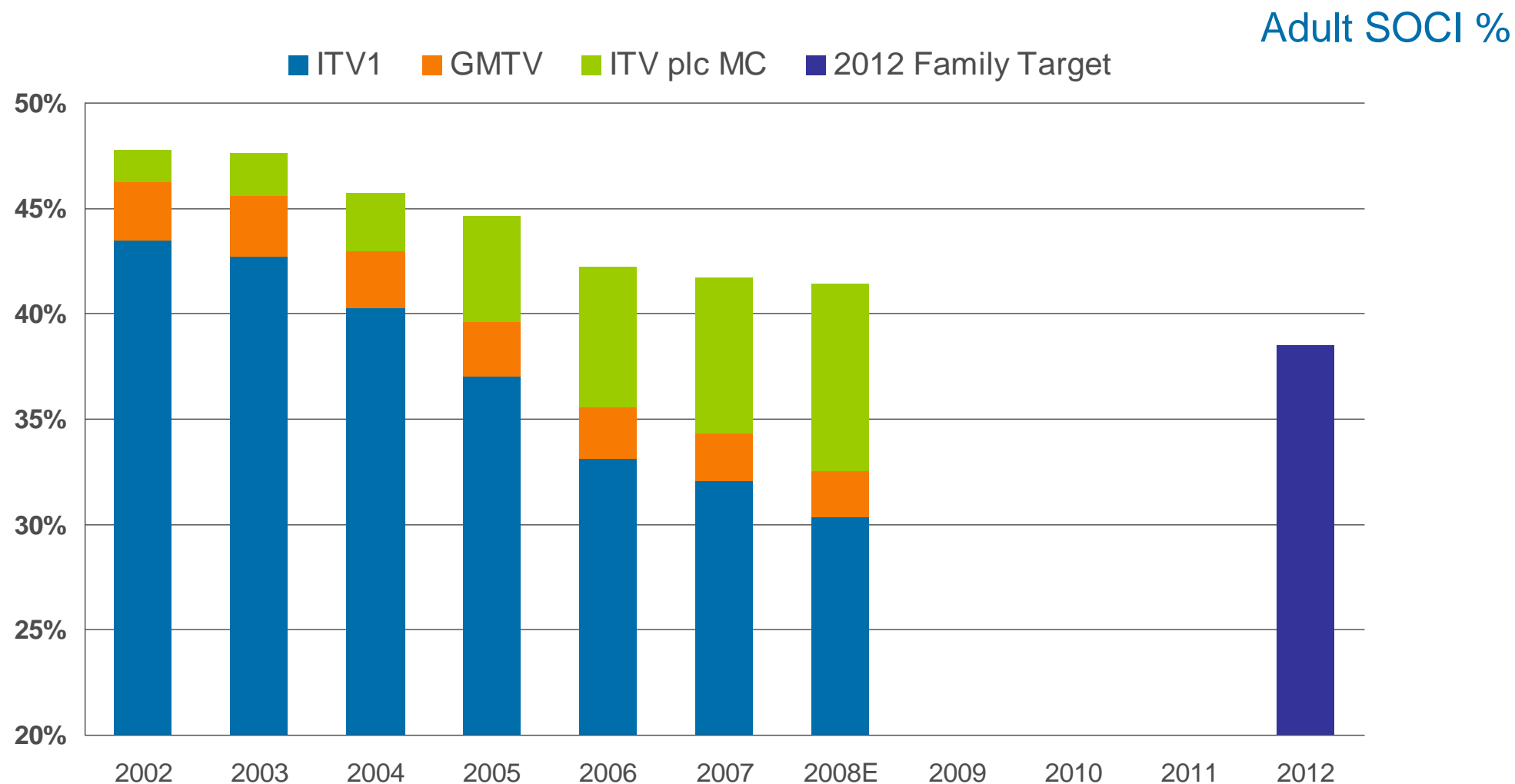
# ITV share of viewing

## 1994 to 2007

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

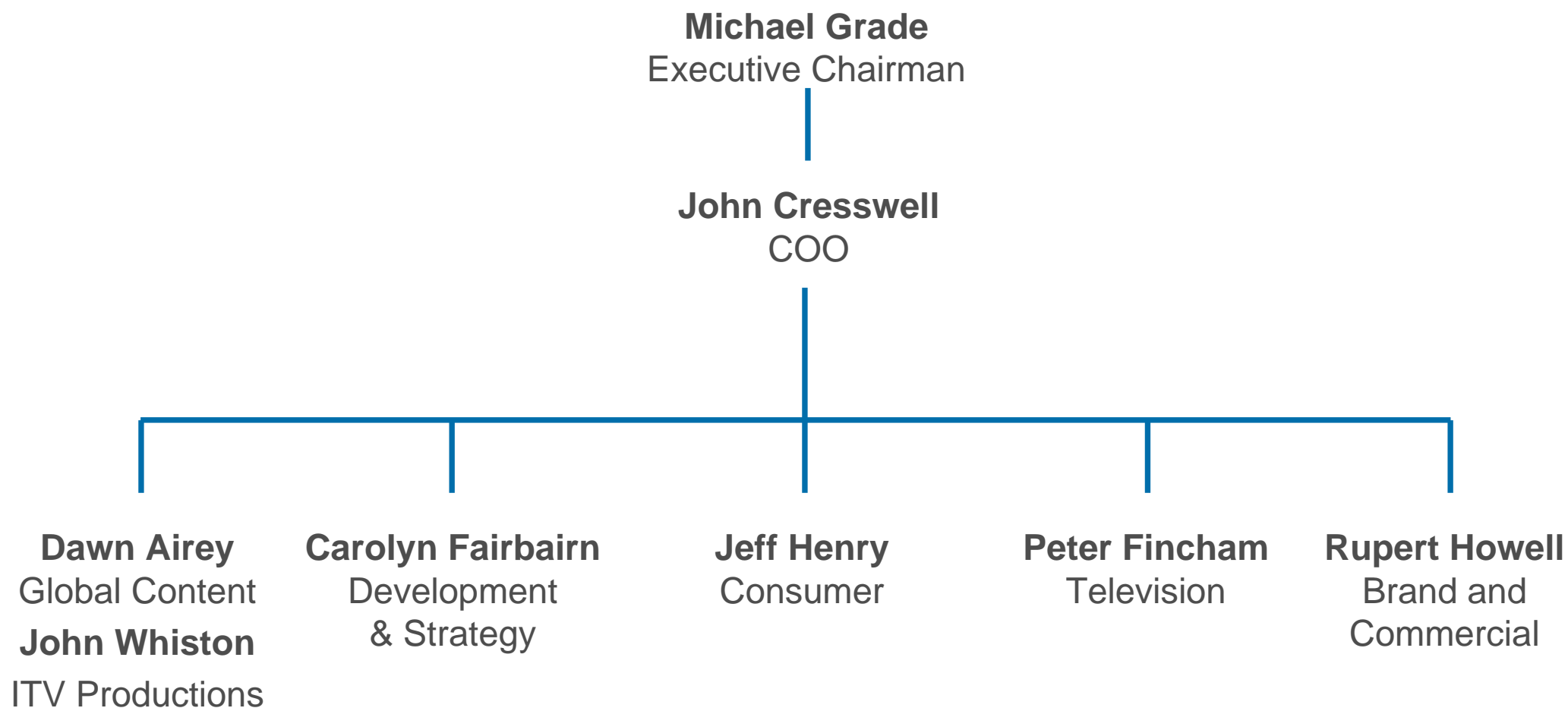


# ITV Family SOCI target on track



- ITV viewing and advertising revenues stabilised in 2007
  - ITV outperforming broadcast market in ratings and revenues in 2008
  - Global Content building platform for expansion in UK and internationally
  - Online line-up completes with Kangaroo launch and evolution of Friends Reunited
  - Regulatory progress on PSB and CRR
  - New strengthened executive team in place
- ➔ Implementation of turnaround strategy on track

# New executive team



# 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 Broadcasting

## Licence fees

12 months to 31 <sup>st</sup> Dec - £m	2007	2006	Saving
Cash bid payment	4	4	-
PQR Levy	180	187	7
Digital licence rebate	(140)	(134)	6
Adjustment in respect of prior years	-	(6)	(6)
Total	44	51	7

# ITV Broadcasting

## 2007 Top Ten Advertising Categories

### Top 10 advertising categories

Category	2007 Rev £m	% of NAR	£m growth/ (decline) yoy
Retail	283.8	20.8	11.0
Food	140.3	10.3	(12.5)
Finance	135.2	9.9	(13.3)
Entertainment & Leisure	129.0	9.5	(4.1)
Cosmetics & Toiletries	127.1	9.3	0.9
Cars & Car Dealers	109.8	8.0	(6.1)
Household Stores	82.4	6.0	(1.4)
Telecommunications	79.3	5.8	0.7
Pharmaceuticals	60.4	4.4	2.8
Publishing & Broadcasting	56.8	4.2	9.2



## 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
<b>Cumulative total</b>	<b>2</b>	<b>29</b>	<b>41</b>
Cumulative cost of change	7	15	26

## 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	(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

## Movement from reported to adjusted

2006	Per Annual Report	Operating Exceptional items	Gain on sale of property*	Gain on sale of subsidiaries & investments	Amortisation	Businesses Disposed	Other tax adjustments	Adjusted
Revenues	2,181					(8)		2,173
Operating EBITA	340	35						375
Amortisation	(76)				76			0
JV's & Associates	8							8
Investment Income	3							3
Gain on sale of property	4		(4)					0
Gain on sale of sub's & inv's	35			(35)				0
PBIT	314	35	(4)	(35)	76			386
Interest	(26)							(26)
Profit before tax	288							360
Tax	(66)	(4)		6	(17)		(24)	(105)
Profit after tax	222	31	(4)	(29)	59	0	(24)	255
Minority interests	(3)							(3)
Earnings	219							252
Weighted Average	4,017							4,017
EPS	5.5							6.3

# ITV plc

## JVs, Associates & Inv income

ITV share of results – EBITA

12 months to 31<sup>st</sup> Dec - £m

		2007	2006
JVs	Screenvision	5	7
	Liverpool.com/Arsenal.com	3	2
	Freesat	(2)	-
Associates	ITN	1	2
	TV3*	-	3
	Other	(1)	(1)
Interest and Tax		(4)	(5)
Total		2	8
Investment income	SMG/Other	1	2
	Seven Network*	-	1
Total		1	3

## Income Statement to cash tax payment

12 months to 31 <sup>st</sup> Dec - £m	2007	2006
Tax charge	50	66
Deferred tax	(20)	(75)
Prior period adjustments	25	48
Current income statement tax charge for the period	55	39
Cash payments 50% of 2007 charge paid in 2007	2	
Cash payments relating to 2006 paid in 2007	4	
Cash repayments re prior periods	(24)	
Cash tax net repayments in 2007	(18)	

# ITV plc

## Underlying rate of tax

	£m
Profit before tax as reported	188
Exceptional items (net)	9
Amortisation	84
Share of profits of joint ventures and associates	(2)
Profit before tax, exceptional items, amortisation and share of profits of JV's and associates	279
Tax charge as reported	50
Net credit for exceptional items	6
Credit in respect of amortisation	19
Credit in respect of prior period items	11
Underlying tax charge	86
Underlying rate of tax	31%

# ITV plc

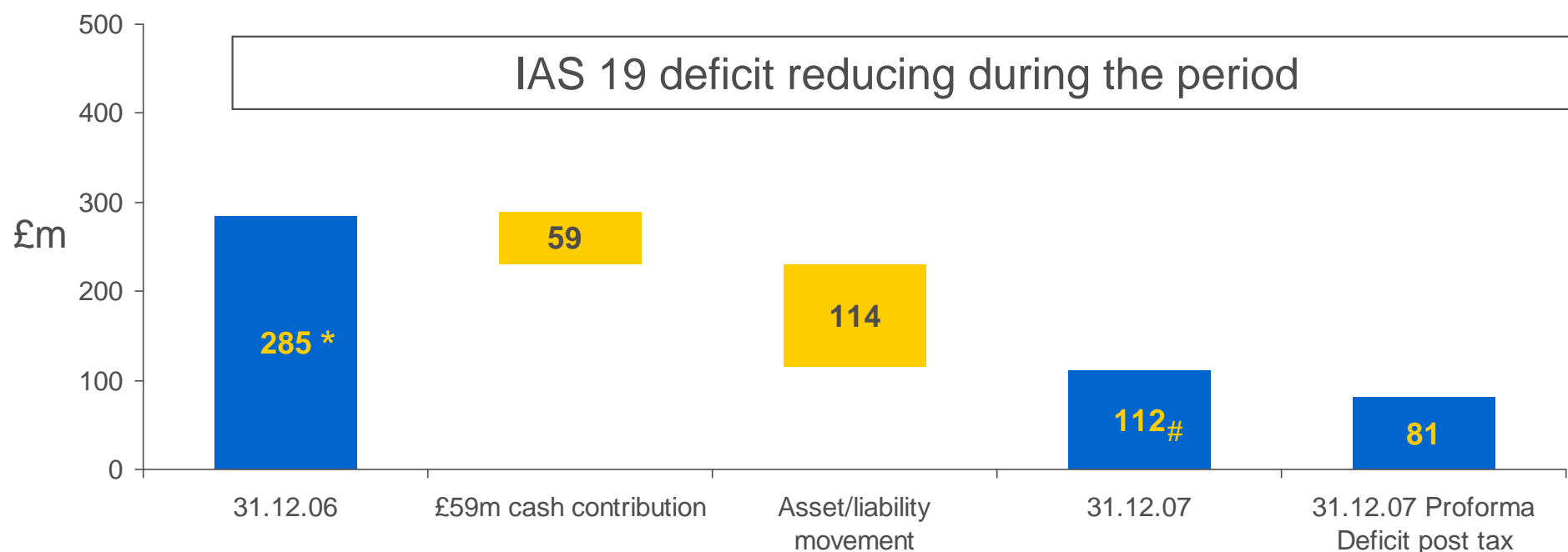
## Interest charge

12 months to 31 <sup>st</sup> Dec £m	2007	2006
€355.7m Exchangeable at 2.25% Jan 07	-	(5)
£200m at 7.625% Jun 07	(7)	(15)
£250m at 5.625% Mar 09	(14)	(14)
€500m Eurobond at 4.75% Oct 11	(17)	(4)
£325m at 5.375% Oct 15	(17)	(17)
£250m Eurobond at 6.125% Jan 17	(15)	(4)
Other bonds, loan notes and finance leases	(5)	(5)
	(75)	(64)
Swap/Bond fair value movements	(7)	(2)
Imputed interest on net pension deficit	18	18
Interest on cash and other	31	22
P&L charge	(33)	(26)
Cash - Imputed interest on net pension deficit	(18)	(18)
Swap and bond fair value and timing differences	(11)	(3)
Cash interest	(62)	(47)

## Net debt and Pension deficit

2007	£m
Movement in net debt	66
Opening net debt	(734)
Closing net debt	668

2007	£m
Current service cost	(15)
Net interest credit	18
Total income statement	3





# ITV plc

## Analysis of net debt

£m	Dec 2007	Dec 2006
€355.7m Exchangeable Jan 07*	-	240
£200m Eurobond Jun 07*	-	201
£250m Eurobond Mar 09	249	248
€500m Eurobond <sup>+</sup> Oct 11	335	334
£325m Eurobond Oct 15	322	322
£250m Eurobond <sup>+</sup> Jan 17	248	248
Other loans & loan notes	27	27
Finance leases <sup>#</sup>	85	75
UBS Note	(100)	-
Cash & cash equivalents	(498)	(961)
Statutory net debt	668	734

\* Bond matured in 2007

+ Issued in October 2006

^ Net of £30m cross-currency swap asset

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

# Exceptional items

Total exceptional items

12 months to 31<sup>st</sup> Dec - £m

	2007	2006
PRS	(18)	-
CSA provision	(9)	-
Fees in relation to takeover approaches	-	(14)
Other	(8)	(21)
	(35)	(35)
Sale of fixed assets	9	4
Profit on sale of businesses	43	57
SMG write down*	(26)	(22)
Total exceptional items	(9)	4

- Integral part of how we do business, guided by our values: customer-focus, collaboration, commitment, boldness, excellence and integrity.
- Member of Dow Jones Sustainability Index.
- Member of FTSE4Good.
- Silver ranking in Business in the Community's CR Index.



# Corporate Responsibility Highlights

## On air:

### Climate Change - Make a Difference

- Flagship regional news programmes helped raise awareness of climate change.
- 4,000 people pledged to take up one or more energy saving challenges on dedicated website.
- Over 2 million viewers tuned in to regional programmes looking into the issue of global warming.

### ITV Carer of the Year

- Highlighting the work and contribution of carers across the country.
- 16 regional finalists were selected by viewers.
- Miriam Bennett awarded ITV Carer of the Year at the Daily Mirror Pride of Britain Awards in October – with 7 million people watching.

## Online:

- Content guidance introduced for post watershed programmes on itv.com.
- Member of the Broadband Stakeholder Group
- Member of the Association for Television On-Demand

## Behind the Scenes:

- Launched payroll giving scheme for employees with 100% company match.
- ITV to take over the Theatre Director training scheme from Channel 4.
- Progress in areas of energy and waste management, and carbon footprinting of productions such as 'Lewis'.
- Internal Communications team won 'Communicators in Business' award for communicating corporate responsibility to employees.