ITV Interim Report

August 2008

ITV PLC INTERIM REPORT 2008

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EXECUTIVE CHAIRMAN'S STATEMENT

Michael Grade

It is just under a year since we published our Turnaround Strategy. We set out a content-led recovery plan to return the Company to sustainable revenue and earnings growth over a five-year timeframe. That growth would be based on ITV's ability to leverage a uniquely powerful combination of media assets: our mass broadcast channels; the content we create and own; and online businesses with the potential to create real scale rapidly in this exciting new market.

Some of the early operational progress we have made is reflected in the results for the first half of the year. Revenue was up by 3%. We have delivered revenue growth in television advertising, global content and online. In Broadcasting, the ITV Family of channels delivered 6% more impacts year-on-year, with good growth in the valuable upmarket and younger audiences. Overall our channels held their share of commercial impacts at 41.4% and net advertising revenue ("NAR") was up by 1%, well ahead of the market which was down 0.5%. In Global Content, revenues from external customers grew by 30%, led by strong growth in international production. Online revenues were up by 6%. Over the period, we delivered 50 million video views online. We also re-launched the core Friends Reunited reunion site on an advertising-funded basis.

Despite this progress and the growth in revenues delivered in the first half, our earnings are down, largely as a result of phasing issues, previously signalled. In particular, reflecting the impact of Euro 2008, the network sports budget increased by £29 million compared to the first half of 2007. Over the full year, this effect will reverse. ITV commissions will be weighted to the second half, which impacts on Global Content internal revenues and on profits. Online losses increased compared to the first half of 2007, but are in line with the second half of 2007, with its investment in the re-launch of itv.com and national roll out of itvlocal.com. Reflecting these factors, adjusted earnings per share, before exceptional items, amortisation and impairment and tax adjustments for the first half are 1.5 pence (2007: 2.3 pence).

As required by IAS 36 the Board has reviewed the carrying value of goodwill where there has been an indicator of impairment. As a result of reduced advertising market forecasts for 2008/09, an impairment loss against Broadcasting goodwill (which arose from ITV business combinations in 2000 and 2004) has been recognised. A non-cash impairment charge of £1,600 million is included within operating costs in the consolidated income statement.

In view of the uncertain economic outlook and the investment in programming and other areas essential to deliver the Turnaround Strategy, the interim dividend has been reduced to 0.675 pence per share. The interim dividend will be payable on 5 January 2009 to shareholders on the register as at 7 November 2008. The ex-dividend date will be 5 November 2008. The level of the final dividend will be considered in light of second half trading and the economic outlook. The Board's policy remains to deliver dividend cover of 2 to 2½ times over the medium term.

Overall the liquidity position of the Company remains strong and has been strengthened further since June. In July, we announced a £110 million Eurosterling issue of bonds with a maturity date of 20 March 2013. We have also recently secured a further £200 million of 5-year committed bi-lateral financing. Net debt at 30 June 2008 stood at £663 million, down £5 million on the end of 2007.

Outlook

Notwithstanding the operational progress we have made, ITV is not immune to wider economic pressures. With 80% of ITV's total revenues coming from Broadcasting, ITV remains a business with high operational gearing and earnings sensitive to the economic cycle. Despite some dire predictions, UK television advertising held up relatively well over the first half of the year and through the summer. ITV estimates that total TV Net Advertising Revenue (NAR) for the eight months to August will be down 1% year-on-year, with ITV plc NAR flat. However, on current estimates, the television advertising market has weakened significantly in September, where trading is impacted by tough comparisons with the successful Rugby World Cup in 2007. ITV currently estimates that ITV NAR for September will be down 20% year-on-year with the total market down 17%. ITV has limited visibility on advertising revenues beyond September.

We have not waited for the downturn before responding. We indicated in May that we were focusing on reducing our costs further. We have today announced £35 million of additional annual savings across the business to be delivered by the end of 2010. These are over and above the existing programme of cost savings which will deliver operating savings of £41 million by the end of this year and regional news savings of £40 million that we will deliver by the end of next year. By 2010, management will have taken £116 million of costs out of the business over a five year period.

Turnaround Strategy

The priority for the ITV Board and management is to ensure that any downturn does not jeopardise delivery of the Turnaround Strategy, which we are confident will return the Company to sustainable growth in earnings and revenues. By far our largest area of investment is in our network programme budget. However, slashing our investment in programming would represent a false economy, with any short-term earnings gain outweighed by the inevitable drop in our share of commercial impacts in the short-term and damage to the growth prospects of the whole business over the longer term.

Nonetheless, 2008 is proving a tougher first year for the five-year Turnaround Strategy than anyone could have predicted a year ago. The Turnaround Strategy assumed growth in total UK television advertising of 1.5-2.0% per annum. In fact, over the first three quarters of 2008, we expect the total TV market to be down by 3%. Many forecasters see weak or negative advertising growth continuing into 2009. Given the proportion of total group revenues accounted for by advertising, weakness in TV advertising clearly impacts on growth for the business as a whole. Global Content is also likely to be impacted as its main customers are advertising funded broadcasters.

Online advertising continues to grow, but at a slower rate than previously expected due to the downturn. In addition within Online, a key new product launch has been delayed by referral to the Competition Commission. Project Kangaroo, our planned online video archive service with BBC Worldwide and Channel 4, cannot now launch in 2008 as originally planned.

In light of these developments, ITV has reassessed its turnaround targets to ensure that they remain challenging and realistic. Our targets for Global Content and Online have been revised as follows:

- In Global Content, ITV is seeking to grow its annual revenues (including internal), through organic growth and acquisition, to a run-rate of £1 billion by the end of 2012. Our previous target was to double revenues to around £1.2 billion by 2012.

- In Online, ITV is seeking to grow its annual revenues to a run-rate of £150 million by the end of 2012. Although this pushes back the previous target by two years, we expect to meet our revised online target without relying on substantial acquisitions.

ITV's Broadcasting target, ITV Family share of commercial impacts of at least 38.5% in 2012, is unchanged. In addition ITV had previously set a group revenue target to 2010 of 3-5% compound annual growth. Notwithstanding revenue growth in the first half and the rapid growth we continue to target in Global Content and Online, given the current market context in particular, group revenue growth will inevitably be largely dependent on television advertising market growth.

Regulation

In a weaker market, the regulatory burden ITV bears as a legacy of analogue licensing threatens our ability to maintain high levels of investment in UK production. Likewise Contract Rights Renewal ("CRR") prevents ITV getting fair reward for its massive investment in UK programming and could undermine our ability to invest in the future.

Formal reviews of Public Service Broadcasting and of CRR are both now well underway. We have made representations to the regulator and continue to press the case for more urgent regulatory reform. We are reassured that our analysis and that of the regulator agree in substance. As the Chairman of Ofcom, Lord Currie, recently concluded, the "future compact" for ITV "will need to be much more limited, explicit and transparent".

The Board has been mindful of the prospects for rapid progress with respect to regulatory reform in taking its decision - notwithstanding the cyclical pressures on the business - to maintain investment in programming. The sudden downturn must serve to remove any possible doubt on the part of the regulator regarding the urgency of the need for substantial regulatory reform. What is at stake is ITV's position as one of the three pillars of UK broadcasting, alongside the BBC and BSkyB.

ITV Board and staff

Sir Brian Pitman retired from the Board in May 2008 following the Company's AGM. Sir Brian was Chairman of ITV plc on its formation and, on behalf of the Board and shareholders, I would like to thank Sir Brian for his contribution to the company since merger.

Lee Bartlett, who joined ITV from Fox in the US, has now taken over as Managing Director of Global Content, following the departure of Dawn Airey. Former Controller of BBC1, Peter Fincham, has also joined as Director of Television.

I remain hugely impressed by the dedication of ITV staff in all areas of the business and their shared determination to deliver. Thanks to their efforts, ITV has made considerable operational progress over the last 12 months.

In the light of economic and market conditions, the Board of ITV has taken a number of significant decisions, which are fully detailed in this report. All the decisions that we have taken - and in particular, our commitment to maintain programme investment, notwithstanding the cyclical downturn - reflect the Board's confidence in the Turnaround Strategy.

By holding our focus on delivering the Turnaround Strategy, we are confident ITV will be strongly positioned to grow as the economy recovers. ITV's long-term goal remains to create greater value for shareholders in the digital world from our position as the UK's favourite source of free entertainment.

BUSINESS REVIEW

OUR MARKET ENVIRONMENT

Advertising market trends

Following a strong finish to 2007, the UK television advertising market declined by around 0.5% over the first six months of 2008 compared to the same period last year. There has been further evidence of weakness going into the second half. We currently expect the total market in the third quarter to decline by around 9%.

Internet advertising has continued to grow strongly. However there are some indications that the wider slowdown in advertising will impact online revenue. Nonetheless, as broadband video delivery continues to increase, we expect to see further internet video advertising growth, which our online properties will seek to exploit.

Platform growth

By the end of the first quarter 2008, nearly 90% of UK homes had access to digital television. Freeview has continued to account for the majority of digital growth with nearly 40% of UK homes using Freeview on their primary set. In addition, Freeview is the main driver of non-primary set digital sales, the majority of which – Ofcom estimates – are now converted for digital reception.

Around one third of UK homes are BSkyB subscribers and a further 12.5% subscribe to Virgin Media. Nearly 3% of homes access digital television via satellite without subscription, including the Freesat service offered by the BBC and ITV.

The final switchover to fully digital transmission starts in the Border region in the second half of 2008. By 2012 the whole of the UK will have converted fully to digital with the cessation of analogue terrestrial broadcasting.

Commercial impacts

Digital platform growth has the effect of growing the volume of commercial impacts in the UK market. One commercial impact is defined as one person viewing one 30-second television advertisement. As digital penetration increases, the BBC – which delivers no commercial impacts – is losing audience to commercial digital channels. In addition the established commercial terrestrial channels – ITV1, Channel 4 and five – lose share to digital commercial channels which are permitted to carry more advertising minutage. Both these trends have the effect of increasing the volume of commercial impacts in the market. In the first half of 2008, the total volume of commercial impacts in the UK market increased by over 6% compared to the previous year.

In particular for ITV1 under the Contract Rights Renewal mechanism, the channel's share of commercial impacts is a key determinant of the advertising revenue and share it can attract.

Content

In the UK market place, the main commissioners of original programming are the BBC, ITV, Channel 4 and – to a lesser extent – five. The regulator Ofcom has estimated that the four main terrestrial channels account for around 90% of UK commissions. For the most part, exclusively digital broadcasters, such as BSkyB, Virgin and UKTV rely on acquired programmes and repeats, sport, and films, with low levels of original commissioning.

The main UK producers include the BBC, ITV Productions and Fremantle (owned by RTL), plus the independent sector, which comprises many hundreds of production companies. Exploiting the value of content across multiple channels, platforms and territories is increasingly critical to success in the production sector.

Regulation

Ofcom is currently undertaking its second review of Public Service Broadcasting. Following its first review, there were significant changes to ITV1's programme requirements, including a reduction in regional non-news programming. The future of news – in particular regional news on ITV1 – is a core focus of the current review. A publication from Ofcom marking the second phase of the review process is expected in September, with the full review concluding in early 2009.

The Office of Fair Trading ("OFT") opened a review into the Contract Rights Renewal mechanism in January 2008 following an application from ITV. The review is being conducted in partnership with Ofcom. If the OFT recommends change, the Competition Commission will undertake its own review. Any change to CRR is unlikely to come into effect until contracts for 2010 are negotiated (in late 2009).

With respect to both PSB and CRR, ITV is making the case that the current weakness in the television advertising market argues for more urgent and comprehensive regulatory reform.

On the 30 June 2008, the OFT referred the anticipated joint venture between ITV, BBC Worldwide Limited and Channel Four Television Corporation (known as "Project Kangaroo") to the Competition Commission. The review is expected to take several months.

Following the Competition Commission's ruling that BSkyB must sell their 17.9% stake in ITV plc down to 7.5%, BSkyB have appealed against this decision and this is currently being reviewed by the Competition Appeals Tribunal.

Corporate Responsibility (CR)
ITV has focused on addressing much-publicised shortcomings with respect to use of premium rate services in competitions and voting by implementing compulsory trust and compliance training for ITV staff. In addition ITV made provision for reimbursing all affected viewers in full, donating £7.8 million of unclaimed funds set aside for reimbursements to a number of charities in early 2008. A £5.7 million fine was imposed by Ofcom relating to failings with respect to PRS in ITV programming in May 2008 and is included in the exceptional items for the first half.

ITV continues to seek to meet all programme requirements, where practicable. For example, by the end of 2007, ITV had exceeded Ofcom quotas for access services (subtitling and audio description). ITV also continues to meet its licence requirements with respect to independent and original production, plus its quotas for news, current affairs, regional news and regional non-news programming. In addition, ITV provides high levels of PSB programming in the genres of arts, children and religion. A shortfall with respect to ITV1's out-of-London network production requirement – which is set higher for ITV1 than for any other UK channel – is currently being investigated by the regulator.

Following the success of the People's Millions and Carer of the Year, ITV continues to develop innovative social action programming and campaigns, building in particular on its network of regional services and their strong links with their respective communities.

OPERATING REVIEW

BROADCASTING

ITV1

ITV1 increased by 1% the volume of impacts delivered over the half year compared to the equivalent period in 2007. The quality of ITV1's impacts also improved. ITV1 was the only terrestrial broadcaster to see an increase in the volume of impacts in the important and valuable 16-34 year old group, where ITV1 impacts rose by 3.9%. The volume of ABC1 impacts increased by 2.5% and the volume of ABC1 male impacts rose by an impressive 5.9%.

Despite this rise in impact volumes, ITV1's share of commercial impacts (SOCI) for the period was 30.5% (2007: 32.2%), a decline of 5.1%. The decline in ITV1's share of impacts was offset by increases in the digital channels giving a flat share for the ITV family of 41.4% (2007: 41.4%).

ITV1's schedule was re-launched early in the year with the return of News at Ten and a number of new drama launches, including notable successes such as The Fixer and the innovative Moving Wallpaper, both of which have been re-commissioned for a second series. These new shows supplemented a large number of successful returning series, such as Kingdom and Wild at Heart. Entertainment and comedy saw a very successful return of Benidorm and the launch of ground-breaking animation series Headcases from the creator and director of Spitting Image, which debuted with 4 million viewers. Against these successes, there were inevitably a number of programmes which did not deliver the level of audiences we had hoped for, including Honest and The Palace. However, given the level of schedule change and the number of new shows launched, we are pleased with the early performance of the new ITV1 schedule.

In the first half of the year, six of the top ten programmes across all channels were broadcast on ITV1, and included four of the top five. Top shows included long-running classics such as Coronation Street and Emmerdale, along with returning entertainment series Dancing on Ice, and returning drama, Lewis. ITV1 has broadcast the top programme of the year so far, with 13.9 million viewers watching the final of Britain's Got Talent (56.3% share) and the top comedy programme, Harry Hill's TV Burp. ITV remains the only commercial channel which can regularly attract big audiences, accounting for 99% of commercial programmes attracting more than 5 million viewers and showing all of the top 375 commercial programmes for the first half of the year.

ITV continues to perform well in sport. ITV1 showed the top rating sports event of the first six months with the UEFA Champions' League final achieving an audience of over 10 million. The 2008 European Championships were screened in June, performing well despite the lack of any home nations in the tournament. Going forward ITV has retained the rights to broadcast UEFA Champions' League matches as part of a new three-year deal covering the 2009-2012 seasons. For the next four years, ITV will be the home of premium live football on free-to-air television – broadcasting live UEFA Champions' League, FA Cup and home England international matches until 2012. Given this significant investment in football and consistent with ITV's commitment to hold the ITV1 network programme budget flat in 2009, ITV elected to exit its Formula 1 motor-racing contract after the 2008 season ends.

Major events coming up over the next few months include the new show Britannia High, a unique musical drama that promises to be one of the television events of 2008, with music penned by Gary Barlow. This will run alongside autumn schedule highlights The X Factor, I'm A Celebrity…Get Me Out of Here!, the climax of the 2008 Formula 1 season and England home football internationals, including the first World Cup qualifier.

Peter Fincham took over as ITV Director of Television from Simon Shaps in May and is bringing new ideas to programme commissioning and scheduling across ITV1 and all ITV's digital channels.

Digital Channels

ITV's Family of digital channels continues to grow ahead of the market in terms of ratings and revenues. Across the first half, ITV's digital channel NAR was up by 19% and the channels' combined SOCI was up around 25%. ITV2, ITV3 and ITV4 all rank in the top ten non-terrestrial channels based on SOCI, with ITV2 and ITV3 taking first and second positions respectively. In addition ITV2 and ITV3 remain the top performing non-terrestrial channels in Freeview homes.

In May 2008, a new, free, digital satellite television service, Freesat was launched. Freesat is a joint venture between the BBC and ITV and carries the BBC's HD channel and ITV's HD service. It can reach 98% of all UK households and is expected to play a key role for those households who cannot receive DTT.

ITV2

ITV2 continues to perform well against the competition, with the channel reaching 8.5 million more adults than Sky One in an average week. In the first half ITV2 recorded its best performance ever with an audience of 3 million viewers for its US acquisition, Bionic Woman. Other successes included the second series of Britain's Got More Talent, averaging 1 million viewers, and the 'Ghosthunting with…' series.

ITV2's SOCI was 3.9% for the period (2007: 3.2%) an increase in share of 20.3%. ITV2's volume of impacts increased by 27.7%.

ITV3
In the first half of 2008 ITV3's SOCI was 3.0% (2007: 2.4%) an increase in share of 24.0%. ITV3's volume of impacts increased by 31.8%. The most popular programmes broadcast on ITV3 include Midsomer Murders and A Touch of Frost.

ITV4
ITV4 is now the 6th most popular channel for men in multichannel homes (2007: 15th). The channel has achieved year on year impact volume and SOCI growth every month so far in 2008 for its key male audiences.

ITV4's SOCI was 1.4% for the period (2007: 0.8%) an increase in share of 78.8%, boosted in part by an extension in transmission hours. ITV4's volume of impacts increased by 90.0%.

SDN
Our wholly-owned DTT multiplex operator, SDN, enjoyed a successful first half of the year in 2008. There have been no major new contracts, although a video stream available from 2009 is currently being auctioned. The regulator has confirmed the process for the renewal of the SDN licence from 2010. Ofcom has confirmed that there will be no spectrum payments associated with the licence until 2015 at the earliest.

GLOBAL CONTENT
In the first half we have continued to make progress in our Global Content division. New acquisitions and partnerships have included Silverback in Scandinavia, Crackit in the UK and a programming partnership with 20th Century Fox in the US.

Lee Bartlett joined ITV from Fox Broadcasting and was appointed the Managing Director of Global Content in June. Lee has extensive international experience, which will help meet the objectives of the Turnaround strategy and deliver 360 degree value to our content properties.

ITV Productions
In the first six months of 2008 ITV Productions made six out of the top ten highest-rating programmes on ITV1 excluding sport (2007: six out of ten).

The first half of the year also saw ITV Productions earn a number of international awards. Highlights were three Golden Globes for the drama Longford (Channel 4/HBO) including Best Mini Series or Motion Picture Made for Television. Amongst the awards won at the New York Festivals Television Broadcasting Awards, Prime Suspect: The Final Act (ITV1) received Gold World Medals for Best Performance, Best Writing and Best Direction and Dracula (BBC1) picked up Gold for Best Costume Design. The Jimmy McGovern series, The Street (BBC1) received a Special Mention at the Rose d'Or festival and in the UK for the second year running it won the coveted Drama Series award at both the BAFTA Television Awards and the RTS Programme Awards. An RTS Programme award was also picked up by Come Dine With Me (Channel 4) for Daytime Programme.

Coronation Street and Emmerdale have both performed well for ITV1 in the first half with average audiences of 10.0 million and 7.2 million viewers respectively. Coronation Street ranks as the top performing soap on any channel with its best episode this year pulling in 13.0 million viewers.

Non-ITV UK Production
We continued to produce programmes for the other main UK broadcasters, with our external UK production revenue up by 65% in the period.

Programming successes include Come Dine with Me for Channel 4, which averaged an audience of 2.6 million and a 12% share of all viewing for Channel 4. This was first commissioned by Channel 4 in 2004 for their daytime schedule. The 4th series aired in early 2008 in prime time. This format has proved to be popular around the world, with versions of the show sold to numerous regions including Germany, France, Spain and the US.

Other successes include University Challenge and The Street for the BBC and Countdown for Channel 4.

The integration of 12 Yard was completed following its acquisition at the end of 2007. A major re-commission has been secured from the BBC and the company is in advanced discussions regarding a new peak time ITV1 commission. A further UK acquisition has been made by ITV, with a 25% equity investment in Crackit, a new independent production start-up company established by the former MD of Endemol's Brighter Pictures.

International Production
International production revenue was up 62% at £55 million in the first half with growth in each of our US, German and Australian businesses.

In the US ITV entered into a ground-breaking international programming partnership with 20th Century Fox. The companies will look to identify properties and formats from each other's rosters of hits that can be developed for their home markets. In addition, the two companies announced the establishment of a co-financed joint development fund to formulate original programming which they may develop and produce either separately or together for exploitation internationally.

The acquisition of Scandinavian independent producer and programme formats business, Silverback, gives ITV the exclusive international rights to all content, formats and series developed by Silverback and establishes ITV's presence in the Scandinavian market.

International distribution and exploitation
External sales in our international distribution and exploitation business were £4 million higher in the first half at £57 million in comparison to the same period last year.

During the period we have expanded our international distribution, with June seeing the launch of our pan-regional general entertainment channel across Asia, exploiting ITV's production archive.

We continue to be focused on producing formats which have 360 degree exploitation potential. Successes in this area include Dancing on Ice, Hell's Kitchen, Jeremy Kyle and Coronation Street.

ONLINE
itv.com
Following the re-launch of the itv.com site last year unique user numbers have continued to increase throughout 2008. Between January and June unique users rose by 23%, peaking in May with 6.8 million users. Average daily unique users have doubled since the re-launch.

Video views on itv.com grew threefold between January and June, peaking at almost 8 million in May. On Sunday, 1 June, the day after ITV's hit entertainment finale show for Britain's Got Talent, 1.1 million video views were recorded across itv.com and over 8,000 hours of video watched on the Britain's Got Talent site.

During the period ITV announced that a selection of its award-winning programming is now available for purchase or download from the iTunes Store in the UK. iTunes customers can now choose from over 260 hours of ITV programming, including series Lewis and Cold Feet. Additional programming will follow throughout the year.

itvlocal.com
ITV Local has now been rolled out across all ITV regions. In June the site had almost 1 million unique users, a 34% increase on January 2008. 1,000 hours of programming are now available through video on demand across the itvlocal.com network. The public have submitted 11,000 videos and pictures.

The content plan for itvlocal.com is on course. New channels have been added such as 'Traffic and Travel' with live pictures from the country's motorways, and the new crime channel in association with Crimestoppers. A new Job Finder service has been launched in association with Career Builder and the Scoot online directory service is set to be re-launched in September.

ITV Mobile
Our mobile business continues to be developed. We have secured a deal with Nokia to pre-load ITV on a range of UK devices later in the year. ITV's mobile site is now the number two mobile entertainment site in the UK.

Friends Reunited
Friends Reunited, one of the UK's largest membership-based websites, dropped its subscription fees and was re-launched as a free website in May. In addition, a range of new social networking tools have been added to the site such as the 'Timeline' feature.

The Genes Reunited and Friends Reunited Dating sites also continue to be developed, increasing traffic for the group.

OUTLOOK
Television advertising revenue for the third quarter is estimated to be down 10% year-on-year for ITV and down 9% for the market as a whole. September is estimated to be down 20% for ITV and 17% for the market, impacted by the year-on-year comparisons with September 2007, when television advertising grew strongly, thanks in part to ITV's successful broadcasting of the Rugby World Cup. The Company has limited visibility with respect to the market beyond September 2008.

Although the advertising market is uncertain, we are looking forward to a strong autumn schedule on-screen, with some of our most popular returning series and major events including the conclusion of the Formula 1 season. In addition, from the start of the 2008/9 season, ITV will offer live FA Cup, UEFA Champions' League, England internationals and UEFA Cup, becoming the home of premium, live football on free-to-air television. With television viewing levels in the UK remaining stable and ITV actually delivering more commercial impacts year on year via ITV1 and ITV's family of channels, we remain confident in the power and effectiveness of television advertising overall and via ITV's family of channels in particular. Given the strength of the schedule, we are well-positioned to continue to outperform the wider television market in share terms over the full year.

In Global Content, we anticipate growth in internal ITV commissions over the second half, with international production and UK production outside ITV both showing growth over the full year. In Online, following the recent conversion of the core Friends Reunited site to a free model, we have commenced on-air marketing which will continue over the course of the second half with a view to building on recent growth in user numbers. As unique users and video views grow across all ITV online sites, building the online video advertising market represents a key ITV priority going forward.

Significant progress with respect to important regulatory issues is anticipated. In September 2008, the regulator Ofcom is due to publish their phase two document and recommendations as part of the PSB review. Important reviews are also ongoing with respect to product placement and advertising minutage. The first phase of the CRR review, involving the OFT and Ofcom, is expected to finish around the end of the year, with any recommendations being considered by the Competition Commission during the course of 2009.

KEY PERFORMANCE INDICATORS

ITV's Key Performance Indicators (KPIs) are the core measures used by the company to assess its own performance and allow shareholders and other stakeholders to judge how the business is doing.

ITV's KPI framework seeks to provide stakeholders with a means of assessing ITV's progress towards the objectives set out in the Turnaround Strategy. It includes a balance of financial and non-financial KPIs.

Financial KPIs

The financial performance of the company depends on our ability to sustain growth in the revenues we are able to attract and in the profits we are able to earn on those revenues. This dual focus is reflected in ITV's financial KPIs for revenues and for profits. Further detail on our performance in these areas is set out in the Operating and Financial Reviews.

Revenues

The Turnaround Strategy seeks to return ITV as a whole to sustainable revenue growth. Achieving this target will depend on ITV's ability to maximise its television advertising revenues, which still account for the majority of overall group revenues. In addition, ITV has adopted challenging targets for the growth of Global Content and Online revenues.

£m	**2008**	2007
Total ITV revenues	**1,031**	1,004
ITV plc NAR	**723**	717
Global Content revenue (inc. internal revenue)	**285**	277
Online revenues	**17**	16

Profits

Operating EBITA remains ITV's key profit indicator, reflecting operating profit before amortisation, impairment and operating exceptional items. Adjusted earnings per share relates tax-adjusted earnings to the Company's share capital and demonstrates underlying value creation per share. Operating EBITA in 2008 has been affected by the timing of sports programming costs, as explained elsewhere in this report.

	2008	2007
Operating EBITA (£m)	**121**	151
Adjusted basic EPS (pence)	**1.5**	2.3

Non-financial KPIs

ITV has set out an ambition to be recognised as the UK's favourite source of free entertainment and seeks to be a company where the best people want to work. These goals are reflected in non-financial KPIs applying to audiences and to ITV staff.

Audiences

ITV has set a long-term target that in 2012 its family of channels will continue to command at least 38.5% of all UK TV commercial impacts. ITV1 delivers the majority of ITV's total audience share and maintaining the volume of impacts delivered by the UK's leading commercial channel is a key imperative.

As set out in the 2007 Annual Report, ITV is seeking to develop a robust methodology for reporting online traffic for the next annual report, together with revised data for the brand commitment indicator based on an online survey.

	2008	2007
ITV family SOCI (%)	**41.4**	41.4
ITV1 adult impact volume (bn)	**119.6**	118.7

Staff engagement

ITV's key staff engagement indicator is drawn from the annual survey of all ITV staff and is based on the average proportion of respondents agreeing that they have pride in their work, are proud to work for ITV or speak highly about ITV's services. Indicators based on the latest ITV staff survey will be published in the Annual Report.

RISKS AND UNCERTAINTIES

The 2007 Annual Report sets out the most significant risk factors relating to ITV's operations in the Company's judgment at the time of that report. ITV does not consider that these principal risks and uncertainties have changed. However additional risks and uncertainties not currently known to ITV, or that ITV does not currently deem material, may also have an adverse effect on its business.

With respect to the risks and uncertainties identified within the Annual Report, ITV currently highlights the following significant developments over the first half of 2008.

ITV identified that a reduction in television advertising represented a material risk for its Broadcasting segment. In 2007 the UK television advertising market grew by 3% year on year. To September 2008, ITV currently estimates that total UK television advertising revenues will fall by around 3% year on year. The downturn in the UK television market has a significant impact on ITV as a substantial participant in that market. Total ITV plc advertising revenue is estimated to be down by 3% for the nine months to September 2008, with ITV1 advertising revenues down approximately 6%. Actions taken by the Company to mitigate the effects of the downturn on earnings include cost initiatives, development of new revenue streams beyond broadcast advertising and a continuing dialogue with the regulator over rapid regulatory reform.

Failure to deliver new online propositions on a business to consumer model was also identified by ITV as a risk. In June 2008 the OFT confirmed that the proposed online archive joint venture between ITV, BBC Worldwide and Channel 4 – known as "Project Kangaroo" – was being referred to the Competition Commission. The reference process is expected to take a number of months. The launch of the new service has therefore been delayed at least into 2009. In May 2008 ITV re-launched the core Friends Reunited reunion site on a free advertising funded model, withdrawing subscription payments. The re-launch has been supported by a substantial marketing campaign, including on-air advertising, to drive usage.

Refinancing of maturing debt and bank facilities was also previously identified as a risk. In July 2008 ITV issued a £110 million bond with a maturity date of March 2013. ITV has also confirmed that a further £200 million of 5 year committed bi-lateral financing has been secured by the Company. With existing liquidity and facilities which do not include financial covenants, ITV has funding to repay the £250 million Eurobond maturing in March 2009 and to meet normal trading requirements thereafter. In addition, ITV also has available an undrawn £450 million financing facility which runs until 2011. The next significant bond repayment beyond 2009 is in October 2011.

DISCLAIMER ON FORWARD LOOKING STATEMENTS

This interim report may contain forward-looking statements based on current expectations of, and assumptions and forecasts made by, management. Various known and unknown risks, uncertainties and other factors could lead to substantial differences between actual future results, financial situations, development or performance of the Group and the estimates and historical results given herein. Undue reliance should not be placed on forward looking statements which speak only as of the date of this document. The Group accepts no obligation to publicly revise or update these forward-looking statements or adjust them to future events or developments, whether as a result of new information, future events or otherwise, except to the extent legally required.

FINANCIAL REVIEW

Revenue

Total revenue for the six months to 30 June 2008 was up 3% at £1,031 million (2007: £1,004 million). The increase in revenue was driven by an increase in Global Content revenues of 30%, an increase in Online revenues of 6% and an increase in 'Other' revenues of 6%. These increases have been partially offset by a decline in Broadcast revenues of 1%.

Our reportable segments were redefined for the 2007 year end following the adoption of IFRS 8. The six month results to 30 June 2007 have been restated accordingly.

Six months to 30 June	**2008 £m**	2007 £m	Change £m
Broadcasting revenue	**832**	842	(10)
Broadcasting EBITA	**89**	112	(23)
Global Content revenue	**149**	115	34
Global Content EBITA	**39**	44	(5)
Online revenue	**17**	16	1
Online EBITA	**(8)**	(3)	(5)
Other revenue	**33**	31	2
Other EBITA	**1**	(2)	3
Total revenue	**1,031**	1,004	27
Total EBITA before operating exceptional items	**121**	151	(30)

Note: EBITA is stated before operating exceptional items, amortisation and impairment of intangible assets.

Broadcasting

Broadcasting revenues comprise NAR, sponsorship income, interactive revenues, SDN and other revenues.

ITV plc NAR increased by 1% as a decrease in ITV1 NAR of 2% was more than offset by an increase in multichannel NAR. Other Broadcasting revenues declined by 13%, primarily due to a reduction in PRS revenues, resulting from the closure of the ITV Play channel in May 2007. Overall Broadcasting revenues declined by 1%.

	2008 £m	2007 £m	Change £m
ITV1 NAR	**583**	595	(12)
Multichannel NAR	**113**	95	18
GMTV	**27**	27	–
ITV plc NAR	**723**	717	6
Other Broadcasting revenues	**109**	125	(16)
Total Broadcasting revenues	**832**	842	(10)

Broadcasting EBITA declined by 21% to £89 million principally due to the front weighting of the Network Programme Budget into the first half of the year and lower PRS revenues, offset by increased NAR and cost savings.

Global Content

	2008 £m	2007 £m	Change £m
UK production	**28**	17	11
International production	**55**	34	21
Distribution and exploitation	**57**	53	4
Resources	**9**	11	(2)
External revenues	**149**	115	34
Internal revenues	**136**	162	(26)
Total Global Content revenues	**285**	277	8

External production in the UK and internationally grew strongly by 30%. UK production for other broadcasters increased by 65% to £28 million and International production increased by 62% to £55 million. Including internal revenues, total Global Content revenues were up by 3%.

Despite higher revenues, Global Content EBITA was £39 million, down 11% compared to 2007, when the level of internal sales, including repeat sales, was higher.

Online

	2008	2007	Change
	£m	£m	£m
itv.com and other*	**7**	5	2
Friends Reunited	**10**	11	(1)
Total Online revenues	**17**	16	1

* includes itvlocal.com, ITV Mobile and other revenues.

Total online revenues increased by 6%, due to an increase in itv.com advertising revenues following its relaunch in the prior year.

Online EBITA was a loss of £8 million (2007: loss of £3 million) due to relaunch investment in online businesses.

Other

Outside the main segments, revenues from Carlton Screen Advertising (CSA) were £33 million (2007: £31 million). On the 10 July 2008, ITV completed the sale of certain assets of CSA to Digital Cinema Media Limited, a joint venture vehicle formed between Cineworld Group plc and Odeon Cinemas Limited, for cash consideration of £0.5 million.

Operating profit

Operating profit before amortisation and exceptional items was down 20% at £121 million (2007: £151 million) principally as a result of the decline in Broadcasting EBITA, together with reduced Global Content EBITA and increased operating losses in Online.

Exceptional items

The operating exceptional items for the period total £15 million and include £9 million reorganisation and integration costs relating to the efficiency savings programme outlined in the 2007 Annual Report and a £6 million PRS fine levied by Ofcom on ITV1 and ITV2.

Impairment of intangible assets

A £1,600 million goodwill impairment charge arose during the period in the Broadcasting cash generating unit which forms part of the Broadcasting segment. The impairment charge is due to the downturn in the short term outlook for the advertising market which is an area highly exposed to the general downturn in the economy. The goodwill being impaired arose on business combinations in 2000 and 2004 respectively.

The £28 million impairment charge in 2007 related to CSA. £20 million of the impairment related to goodwill and the remaining £8 million to other intangible assets.

Disposal of investments and other assets

During the period, as part of the ongoing process to dispose of non-core businesses and investments, the Group sold its 50% interests in Arsenal Broadband Limited and Liverpool FC.tv Limited, resulting in gains of £12 million and £13 million respectively. These gains were partially offset by £8 million of closure costs relating to CSA.

Tax

There is an overall tax credit for the period as a result of £24 million of prior period items. The underlying rate of tax on operating profits is 35% as shown below:

	£m
– Loss before tax as reported	(1,537)
– Exceptional items (net)	(2)
– Amortisation and impairment	1,630
– Share of profits and losses of joint ventures and associates	4
Profit before tax, exceptional items, amortisation and impairment and share of profits of joint ventures and associates	95
– Tax credit as reported	(3)
– Net credit for exceptional items	3
– Credit in respect of amortisation	9
– Credit in respect of prior period items	24
Underlying tax charge	33
Underlying rate of tax	35%

Earnings per share

The £1,600 million impairment charge has resulted in a loss per share in the period of 39.6 pence (2007: earnings of 2.1 pence). Adjusted basic earnings per share before amortisation, impairment and exceptional items were down 35% at 1.5 pence (2007: 2.3 pence).

Dividend

The interim dividend is 0.675 pence per share (2007: 1.35 pence). This is covered 2.2 times (2007: 1.70 times) by the adjusted earnings per share (before amortisation, impairment and exceptional items) of 1.5 pence (2007: 2.3 pence).

Net debt

The principal movements in net debt during the period are shown in the table below:

	£m	£m
Net debt at 31 December 2007		(668)
Cash generated from operations	122	
Net interest paid	(36)	
Taxation net receipts	13	
Equity dividends paid	(55)	
Expenditure on property, plant, equipment and intangible assets	(26)	
Acquisition of subsidiary undertakings	(5)	
Proceeds from sale of assets held for sale	25	
Other movements	(3)	
		35
Defined benefit pension deficit funding		(30)
Net debt at 30 June 2008		(663)

Cash generated from operations was £122 million (2007: £117 million) and was up on the prior year as a result of an improvement in working capital. The £4 million working capital inflow for the half year (2007: £33 million outflow) was primarily due to timing differences on programme costs.

Net cash interest paid on the Group's net debt position was £36 million. Net taxation receipts of £13 million reflect taxation repayments from prior periods more than offsetting payments relating to the current period. The 2007 interim dividend of £52 million was paid at the start of the period along with a £3 million payment for the dividend reinvestment plan (in respect of the 2007 final dividend) giving a £55 million total outflow. Expenditure on property, plant, equipment and intangible assets totalled £26 million. During the period the Group acquired 100% of the shares in Silverback AB for an initial consideration of £5 million. Proceeds from the sale of investments include £14 million from the disposal of the Group's investment in Arsenal Broadband Ltd and £11 million from its investment in Liverpool FC.tv Limited, a further £5 million is due in December 2008.

Pensions

The IAS 19 deficit at 30 June 2008 was £221 million (31 December 2007: £112 million). The increase in the deficit is primarily due to a reduction in the value of assets partially offset by £30 million of deficit funding made in the period.

Condensed consolidated Interim Financial Statements prepared in accordance with IAS 34 'Interim Financial Reporting'

Consolidated income statement

For the six months ended 30 June:	Note	**2008 £m**	2007 £m
Revenue	4	**1,031**	1,004
Operating costs before amortisation and impairment of intangible assets and exceptional items		**(910)**	(853)
Operating costs – exceptional items	5	**(15)**	(10)
Earnings before interest, tax and amortisation (EBITA)		**106**	141
Amortisation of intangible assets	8	**(30)**	(28)
Impairment of intangible assets	8	**(1,600)**	(28)
Total operating costs		**(2,555)**	(919)
Operating (loss)/profit		**(1,524)**	85
Financing income		**107**	94
Financing costs		**(133)**	(121)
Net financing costs		**(26)**	(27)
Share of (loss)/profit of associates and joint ventures		**(4)**	2
Investment income		**–**	1
Gain on sale of property – exceptional items	5	**–**	9
Gain on sale and closure of businesses and investments – exceptional items	5	**17**	35
(Loss)/profit before tax		**(1,537)**	105
Taxation		**3**	(21)
(Loss)/profit for the period		**(1,534)**	84
Attributable to:			
Equity shareholders of the parent company		**(1,535)**	83
Minority interests		**1**	1
(Loss)/profit for the period		**(1,534)**	84
Basic (loss)/earnings per share	6	**(39.6)p**	2.1p
Diluted (loss)/earnings per share	6	**(39.6)p**	2.1p

All results are from continuing operations.

Dividends paid during the period and shown in the consolidated cash flow statement totalled £55 million (2007: £55 million). Subsequent to the balance sheet date the Company has declared a dividend in respect of the six months ended 30 June 2008 of 0.675 pence (six months ended 30 June 2007: 1.35 pence) per ordinary share which, based on the shares in issue on 30 June 2008, totals £26 million (six months ended 30 June 2007: £52 million).

Consolidated statement of recognised income and expense

For the six months ended 30 June:	**2008 £m**	2007 £m
Exchange differences on translation of foreign operations	**3**	–
Revaluation of available for sale investments	**–**	(9)
Disposals transferred from available for sale reserve to income statement	**–**	(16)
Movements in respect of cash flow hedges	**4**	–
Actuarial gains and losses on defined benefit schemes	**(147)**	106
Taxation on items taken directly in equity	**42**	(36)
Net (expense)/income recognised directly in equity	**(98)**	45
(Loss)/profit for the period	**(1,534)**	84
Total recognised income and expense for the period	**(1,632)**	129
Attributable to:		
Equity shareholders of the parent company	**(1,633)**	128
Minority interests	**1**	1
Total recognised income and expense for the period	**(1,632)**	129

Consolidated balance sheet

	Note	30 June 2008 £m	31 December 2007 £m	30 June 2007 Restated £m
Non-current assets				
Property, plant and equipment		**204**	211	200
Intangible assets	8	**2,262**	3,873	3,847
Investments in joint ventures and associates	10	**81**	79	67
Available for sale financial assets	11	**9**	10	29
Held to maturity investments	12	**100**	100	–
Derivative financial instruments		**58**	32	8
Distribution rights		**7**	7	9
		2,721	4,312	4,160
Current assets				
Assets held for sale		**54**	59	72
Programme rights and other inventory		**477**	440	451
Trade and other receivables due within one year		**415**	399	394
Trade and other receivables due after more than one year		**8**	8	7
Trade and other receivables		**423**	407	401
Derivative financial instruments		**7**	4	–
Cash and cash equivalents	12	**473**	498	582
		1,434	1,408	1,506
Current liabilities				
Borrowings	12	**(257)**	(33)	(4)
Derivative financial instruments		**(6)**	(1)	(3)
Liabilities held for sale		**–**	–	(2)
Trade and other payables due within one year		**(767)**	(677)	(679)
Trade and other payables due after more than one year		**(15)**	(9)	(28)
Trade and other payables		**(782)**	(686)	(707)
Current tax liabilities		**(209)**	(206)	(191)
Provisions		**(28)**	(27)	(17)
		(1,282)	(953)	(924)
Net current assets		**152**	455	582
Non-current liabilities				
Borrowings	12	**(1,038)**	(1,263)	(1,221)
Derivative financial instruments		**(9)**	(9)	(30)
Defined benefit pension deficit	13	**(221)**	(112)	(162)
Deferred tax in respect of pension scheme deficits		**62**	31	45
Other deferred tax balances		**(103)**	(106)	(81)
Net deferred tax liability		**(41)**	(75)	(36)
Other payables		**(15)**	(65)	(56)
Provisions		**(3)**	(4)	(13)
		(1,327)	(1,528)	(1,518)
Net assets		**1,546**	3,239	3,224
Attributable to equity shareholders of the parent company				
Share capital	14	**389**	389	389
Share premium	14	**120**	120	120
Merger and other reserves	14	**1,102**	2,702	2,702
Translation reserve	14	**11**	4	(3)
Available for sale reserve	14	**4**	4	(8)
Retained earnings	14	**(87)**	14	18
Total attributable to equity shareholders of the parent company	14	**1,539**	3,233	3,218
Minority interest	14	**7**	6	6
Total equity	14	**1,546**	3,239	3,224

Consolidated cash flow statement

For the six months ended 30 June:	2008 £m	2008 £m	2007 £m	2007 £m
Cash flows from operating activities				
Operating (loss)/profit before exceptional items	**(1,509)**		95	
Depreciation of property, plant and equipment	**18**		15	
Amortisation and impairment of intangible assets	**1,630**		56	
Movement in working capital	**4**		(33)	
Cash generated from operations before exceptional items		**143**		133
Cash flow relating to exceptional items:				
Operating loss	**(15)**		(10)	
Decrease in payables and provisions*	**(6)**		(6)	
Cash outflow from exceptional items		**(21)**		(16)
Cash generated from operations		**122**		117
Defined benefit pension deficit funding	**(30)**		–	
Interest received	**30**		34	
Interest paid on bank and other loans	**(64)**		(69)	
Interest paid on finance leases	**(2)**		(2)	
Investment income	**–**		1	
Taxation received (net)	**13**		5	
		(53)		(31)
Net cash from operating activities		**69**		86
Cash flows from investing activities				
Acquisition of subsidiary undertakings, net of cash and cash equivalents acquired	**(5)**		(3)	
Proceeds from sale of property, plant and equipment	**–**		4	
Acquisition of property, plant and equipment	**(13)**		(23)	
Acquisition of intangible fixed assets	**(13)**		(5)	
Acquisition of investments	**(1)**		–	
Proceeds from sale of assets held for sale	**25**		72	
Loans made to investments	**(12)**		–	
Loans repaid by investments	**7**		1	
Net cash from investing activities		**(12)**		46
Cash flows from financing activities				
Purchase of own shares via employee benefit trust	**–**		(6)	
Repayment of loan by employee benefit trust	**2**		–	
Bank and other loans – amounts repaid	**(24)**		(441)	
Capital element of finance lease payments	**(4)**		(2)	
Dividend paid to minority interest	**–**		(2)	
Equity dividends paid	**(55)**		(55)	
Net cash used in financing activities		**(81)**		(506)
Net decrease in cash and cash equivalents		**(24)**		(374)
Cash and cash equivalents at 1 January		**498**		961
Reclassification as asset held for sale		**–**		(3)
Effects of exchange rate changes and fair value movements on cash and cash equivalents		**(1)**		(2)
Cash and cash equivalents at 30 June		**473**		582

*Includes £nil (2007: £1million) relating to expenditure against provisions held in respect of activities which have been previously discontinued.

Notes to the accounts

1 Basis of preparation

These condensed consolidated interim financial statements for the six months ended 30 June 2008 have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and with IAS 34, "Interim financial reporting" as adopted by the European Union. The condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2007, which were prepared in accordance with IFRS as adopted by the European Union.

The preparation of interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amount of assets and liabilities, income and expense. Actual results may differ from these estimates. Except as described below, in preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying the Group accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements as at and for the year ended 31 December 2007.

For the purposes of interim reporting the defined benefit pension schemes' key assumptions and asset values have been reviewed to assess whether material net actuarial gains and losses have occurred during the period (see note 13). As there have been material movements in the key underlying assumptions and asset values during the period a formal revaluation has been carried out and actuarial gains and losses have been recognised through the statement of recognised income and expense. A full valuation will take place at 31 December 2008 in accordance with IAS 19.

During the six months ended 30 June 2008, management also reassessed its estimates in respect of the recoverable amount of goodwill (see note 8).

The comparative information at 30 June 2007 and 31 December 2007 is abridged and therefore not ITV plc's statutory accounts for those periods.

The accounts for the year ended 31 December 2007 have been reported on by ITV plc's auditor. The report of the auditor was unqualified and did not contain a statement under section 237(2) or (3) of the Companies Act 1985 and did not include reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report. This is a statutory disclosure required by the Companies Act 1985.

The 30 June 2007 balance sheet has been restated as a result of IFRS 7 "Financial instruments: Disclosures and the Amendment to IAS 1 Presentation of Financial Statements: Capital Disclosures" effective for annual periods beginning on or after 1 January 2007. This has involved the use of the same balance sheet captions as the current period in classifying financial instruments.

2 Accounting policies

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2007, as described in those annual financial statements.

Taxes on income in interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

New standards, amendments and interpretations effective in 2008 and endorsed by the EU		
Relevant to the Group's results		
IFRIC 11	IFRS 2 – Group and treasury share transactions	This interpretation provides guidance on whether share-based transactions involving group entities should be accounted for as equity settled or cash settled transactions, and addresses issues concerning share-based payment arrangements that involve two or more entities within the same group. This IFRIC was endorsed by the EU in June 2007 and is applicable for annual periods beginning on or after 1 March 2007.
IFRIC 14	IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction	This interpretation applies to all post-employment defined benefits and other long-term employee defined benefits. The interpretation addresses when refunds or reductions in future contributions should be regarded as available in accordance with IAS 19, how a minimum funding requirement might affect the availability of reductions in future contributions and when a minimum funding requirement might give rise to a liability.
Neither of these new interpretations has had a material effect on the Group's results as at 30 June 2008.		
Not relevant to the Group's results		
IFRIC 12	Service concession arrangements	This interpretation gives guidance on the accounting by operators for public-to-private service concession arrangements.

3 Seasonality and cyclicality

Revenues are impacted by underlying economic conditions and the cyclical demand for advertising and seasonality of programme sales. Major events, including sporting events, will impact the seasonality of schedule costs. Other than this, there is no significant seasonality or cyclicality affecting the interim results of the operations.

4 Segmental analysis

The Management Committee considers the business primarily from a product perspective. The reportable segments are therefore Broadcasting, Global Content, Online and Other. Comparatives for 2007 have been restated following the adoption of IFRS 8 "Operating segments" in 2007 and are reported in a manner which is consistent with that of the 2007 annual report.

	Broadcasting		Global Content		Online		Other		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
For the 6 months ended 30 June:	**£m**	£m	**£m**	£m	**£m**	£m	**£m**	£m	**£m**	£m
Total segment revenue	**836**	850	**285**	277	**17**	16	**33**	31	**1,171**	1,174
Inter-segment revenue	**(4)**	(8)	**(136)**	(162)	**–**	–	**–**	–	**(140)**	(170)
Revenue from external customers	**832**	842	**149**	115	**17**	16	**33**	31	**1,031**	1,004
EBITA before exceptional items	**89**	112	**39**	44	**(8)**	(3)	**1**	(2)	**121**	151

A reconciliation of EBITA before exceptional items to (loss)/profit before tax is provided as follows:

	2008	2007
For the six months ended 30 June:	**£m**	£m
EBITA before exceptional items	**121**	151
Operating costs – exceptional items	**(15)**	(10)
Amortisation and impairment of intangible assets	**(1,630)**	(56)
Net financing costs	**(26)**	(27)
Share of (losses)/profits of joint ventures and associates	**(4)**	2
Investment income	**–**	1
Gain on sale of property – exceptional items	**–**	9
Gain on sale and closure of businesses and investments – exceptional items	**17**	35
(Loss)/profit before tax	**(1,537)**	105

The only material change in segment assets from the information disclosed in the 2007 annual report is the £1,600 million goodwill impairment impacting the Broadcasting CGU (detailed further in note 8).

5 Exceptional items

For the six months ended 30 June:	**2008** **£m**	2007 £m
Operating items:		
Reorganisation and integration costs	**(9)**	(1)
PRS fine	**(6)**	–
Carlton Screen Advertising onerous contract provision	**–**	(9)
	(15)	(10)
Non-operating items:		
Profit on disposal of investment in Arsenal Broadband Limited	**12**	–
Profit on disposal of investment in Liverpool FC.tv Limited	**13**	–
Loss on closure of Carlton Screen Advertising Limited	**(8)**	–
Profit on disposal of investment in Arsenal Holdings plc and option over investment in Arsenal Broadband Limited	**–**	28
Profit on disposal of investment in Liverpool Football Club and Athletic Grounds plc	**–**	7
Gain on sale of businesses and investments	**17**	35
Gain on sale of property	**–**	9
Total exceptional items	**2**	34

6 Earnings per share

	2008		2007	
For the six months ended 30 June:	**Basic** **£m**	**Diluted** **£m**	Basic £m	Diluted £m
(Loss)/profit for the period attributable to shareholders	**(1,535)**	**(1,535)**	83	83
Exceptional items (including related tax effect of £3 million, 2007: £3 million)	**(5)**	**(5)**	(37)	(37)
(Loss)/profit before exceptional items	**(1,540)**	**(1,540)**	46	46
Amortisation and impairment of intangible assets (including related tax effect of £9 million, 2007: £11 million)	**1,621**	**1,621**	45	45
Prior period tax adjustments	**(24)**	**(24)**	(3)	(3)
Profit for the financial period before exceptional items, amortisation and impairment of intangible assets	**57**	**57**	88	88
Weighted average number of shares in issue – million	**3,876**	**3,876**	3,875	3,875
Dilution impact of share options – million	**–**	**10**	–	23
	3,876	**3,886**	3,875	3,898
(Loss)/ earnings per ordinary share	**(39.6)p**	**(39.6)p**	2.1p	2.1p
Adjusted earnings per share				
Basic (loss)/earnings per share	**(39.6)p**	**(39.6)p**	2.1p	2.1p
Less: Earnings per share on exceptional items	**(0.1)p**	**(0.1)p**	(0.9)p	(0.9)p
(Loss)/ earnings per share before exceptional items	**(39.7)p**	**(39.7)p**	1.2p	1.2p
Add: Loss per ordinary share on amortisation and impairment of intangible assets	**41.8p**	**41.8p**	1.2p	1.2p
Less: Profit per ordinary share on prior year tax adjustments	**(0.6)p**	**(0.6)p**	(0.1)p	(0.1)p
Earnings per share for the period before exceptional items, amortisation and impairment of intangible assets	**1.5p**	**1.5p**	2.3p	2.3p

All profits and losses arise from continuing operations. Adjusted earnings per share has been disclosed because in the view of the directors this gives a fairer reflection of the results of the underlying business.

7 Dividends

Dividends are recognised in equity during the period in which they are declared. Dividends recognised in equity for the six months ended 30 June 2008 total £70 million (six months ended 30 June 2007: £70 million) and represents the 2007 final dividend proposed by the Company on 5 March 2008 and approved at the annual general meeting held on 15 May 2008 (six months ended 30 June 2007: 2006 final dividend proposed on 7 March 2007).

Subsequent to the balance sheet date the Company has declared a dividend in respect of the six months ended 30 June 2008 of 0.675 pence (six months ended 30 June 2007: 1.35 pence) per ordinary share which, based on the shares in issue on 30 June 2008, totals £26 million (six months ended 30 June 2007: £52 million) that will be paid on 5 January 2009 to shareholders on the register at 7 November 2008. The ex-dividend date will by 5 November 2008.

8 Intangible assets

	Goodwill £m	Brands £m	Licences £m	Customer contracts and relationships £m	Software development £m	Film libraries and other £m	Total £m
Cost							
At 31 December 2007	3,478	199	121	338	26	83	4,245
Additions	5	1	–	–	12	1	19
At 30 June 2008	**3,483**	**200**	**121**	**338**	**38**	**84**	**4,264**
Amortisation							
At 31 December 2007	40	68	29	212	1	22	372
Charge for period	–	9	4	11	1	5	30
Impairment charge*	1,600	–	–	–	–	–	1,600
At 30 June 2008	**1,640**	**77**	**33**	**223**	**2**	**27**	**2,002**
Net book value							
At 30 June 2008	**1,843**	**123**	**88**	**115**	**36**	**57**	**2,262**
At 31 December 2007	3,438	131	92	126	25	61	3,873

* The carrying amount of the Broadcasting cash generating unit (CGU) has been reduced to its recoverable amount through recognition of an impairment loss against goodwill. This loss has been included in 'operating costs' in the income statement.

Impairment tests for goodwill

Impairment tests are carried out annually, or when indicators show that assets may be impaired. Current market estimates imply a downturn in the advertising market in 2008 and 2009 which constitutes an impairment indicator for the Broadcasting cash generating unit (CGU). There were no such impairment indicators for the other CGUs.

The recoverable amount of a CGU is based on value-in-use calculations. These calculations require the use of estimates and use pre-tax cash flow projections based on the Group's current five year plan. Cash flows beyond the five-year period are extrapolated using an estimated growth rate of 2% for the Broadcasting CGU.

The main assumptions on which the forecast cash flows were based include television's share of the UK advertising market, ITV's share of commercial impacts and programme costs. The key assumptions in assessing the recoverable amount of this goodwill are the growth in the total television advertising market and ITV's share within that market. These assumptions have been determined by using a combination of long term trends, industry projections and in-house estimates. Regional news savings are assumed from 2009 but no regulatory reform is assumed with respect to CRR. Cost savings expected to arise from future restructurings are also excluded from the forecast. It is assumed that ITV elects to renew its broadcasting licences in 2014.

A pre-tax discount rate of 12.2% has been used in discounting the projected cashflows. The pre-tax discount rate used in the previous year for the Broadcasting CGU was 11.9%.

An impairment charge of £1,600 million arose in the Broadcasting CGU during the course of the first half of 2008, resulting from the carrying value of the CGU being written down to its recoverable amount. The impairment charge arose as a result of the downturn in the short term outlook for the TV advertising market which is an area highly exposed to economic cycles.

If the estimated TV advertising market growth for 2008 used in the value-in-use calculation for the Broadcasting CGU (included in the 'Broadcasting' segment) had been 1% lower than the estimate used at 30 June 2008 the Group would have recognised a further impairment against goodwill of £127 million.

If the estimated pre-tax discount rate applied to the discounted cash flows for the Broadcasting CGU (included in the 'Broadcasting' segment) had been 0.5% higher than management's estimates the Group would have recognised a further impairment against goodwill of £92 million.

9 Acquisitions and disposals of businesses and investments

Acquisitions

On 13 May 2008, the Group acquired 100% of the shares in Silverback AB, a Swedish based independent production company and programme formats business. The fair value of the initial consideration, including costs associated with the acquisition, is £5 million with an additional £3 million being treated as acquisition compensation contingent on the retention of key employees and the future performance of the acquired business. This represents the present value of the expected contingent consideration which may be up to £9 million dependent on the satisfaction of those conditional factors. The intangible assets recognised at fair value of £1 million represent formats. A deferred tax liability of less than £1 million was recognised in respect of these intangible assets. Goodwill of £5 million was also recognised representing the benefits of this acquisition to the Global Content segment, and of those intangibles not requiring valuation under IFRS 3 (Business Combinations). The amounts recognised at the acquisition date for each class of Silverback's assets and liabilities and the amount of profit since the acquisition date have not been separately disclosed as all figures are less than £1 million.

Disposals

During the period the Group disposed of its interests in Arsenal Broadband Limited and Liverpool FC.tv Limited. The Group's 50% interest in Arsenal Broadband Limited was sold for a total cash consideration of £14 million and resulted in a gain on disposal of £12 million. The Group's 50% interest in Liverpool FC.tv Limited was sold for a total cash consideration of £16 million and resulted in a gain on disposal of £13 million.

10 Investments in joint ventures and associates

	Joint ventures £m	Associated undertakings £m	Total £m
At 31 December 2007	63	16	79
Additions	6	7	13
Share of attributable (losses)/profits	(8)	1	(7)
Repayment of loans	–	(4)	(4)
Foreign exchange movement and other	1	(1)	–
At 30 June 2008	**62**	**19**	**81**

The £7 million of losses above excludes £3 million in respect of a loan previously written off which has now been repaid. , this amount is included in the share of loss of associates and joint ventures in the income statement.

11 Available for sale financial assets

	£m
At 31 December 2007	10
Revaluation to fair value	(1)
At 30 June 2008	**9**

12 Analysis of net debt

	31 December 2007 £m	Net cash flow £m	Currency and non-cash movements £m	**30 June 2008 £m**
Cash	381	(24)	–	**357**
Cash equivalents	117	(2)	1	**116**
Cash and cash equivalents	498	(26)	1	**473**
Held to maturity investments	100	–	–	**100**
Loans and loan notes due within one year	(27)	24	(247)	**(250)**
Finance leases due within one year	(6)	3	(4)	**(7)**
Loans and loan notes due after one year	(1,184)	–	220	**(964)**
Finance leases due after one year	(79)	–	5	**(74)**
	(1,296)	27	(26)	**(1,295)**
Swap held against €500m bond	30	–	29	**59**
Net debt	(668)	1	4	**(663)**

Included within cash equivalents is £68 million (31 December 2007: £71 million) the use of which is restricted to meeting finance lease commitments.

13 Pension schemes

The IAS 19 deficit at 30 June 2008 is £221 million compared with a deficit of £112 million at 31 December 2007. The increase in the deficit reflects considerable falls in equity and bond markets and an increase in the market expectation of long-term inflation from 3.4% at 31 December 2007 to 3.9% at 30 June 2008. These movements were partially offset by deficit funding of £30 million during the period and an increase in the discount rate from 5.7% to 6.2%.

14 Consolidated statement of changes in equity

	Attributable to equity shareholders								
	Share capital £m	Share premium £m	Merger and other reserves £m	Translation reserve £m	Available for sale reserve £m	Retained earnings £m	Total £m	Minority interest £m	Total equity £m
At 31 December 2007	389	120	2,702	4	4	14	3,233	6	3,239
Total recognised income and expense	–	–	–	7	–	(1,640)	(1,633)	1	(1,632)
Transfer from merger reserve	–	–	(1,600)	–	–	1,600	–	–	–
Movements due to share-based compensation	–	–	–	–	–	9	9	–	9
Dividends paid to minority interests	–	–	–	–	–	–	–	–	–
Equity dividends	–	–	–	–	–	(70)	(70)	–	(70)
At 30 June 2008	**389**	**120**	**1,102**	**11**	**4**	**(87)**	**1,539**	**7**	**1,546**

An amount equal to the intangible asset impairment has been transferred out of the merger reserve to retained earnings as it relates to the goodwill originally created on the United and Carlton business combinations in 2000 and 2004 respectively.

	Share capital £m	Share premium £m	Merger and other reserves £m	Translation reserve £m	Available for sale reserve £m	Retained earnings £m	Total £m	Minority interest £m	Total equity £m
	Attributable to equity shareholders								
At 31 December 2006	401	120	2,690	(3)	17	(69)	3,156	7	3,163
Cancellation of deferred shares	(12)	–	12	–	–	–	–	–	–
Total recognised income and expense	–	–	–	–	(25)	153	128	1	129
Movements due to share-based compensation	–	–	–	–	–	4	4	–	4
Dividends paid to minority interests	–	–	–	–	–	–	–	(2)	(2)
Equity dividends	–	–	–	–	–	(70)	(70)	–	(70)
At 30 June 2007	389	120	2,702	(3)	(8)	18	3,218	6	3,224

15 Related party transactions

The nature of related parties disclosed in the consolidated financial statements for the Group as at and for the year ended 31 December 2007 has not changed. During the six months to 30 June 2008, purchases of £24 million were made from an associated undertaking. These transactions arose in the normal course of business on an arm's length basis. There have been no other significant related party transactions in the six month period ended 30 June 2008.

16 Post balance sheet event

On 1 July 2008 the Group issued a £110 million floating rate note which matures in 2013. On 10 July 2008, ITV completed the sale of certain assets of Carlton Screen Advertising Limited to Digital Cinema Media Limited, a joint venture vehicle formed between Cineworld Group plc and Odeon Cinemas Limited, for cash consideration of £0.5 million.

Copies of this report are available on the Company's website, www.itvplc.com , and in hard copy from the Company Secretary, ITV plc, 200 Gray's Inn Road, London WC1X 8HF. Tel: 020 7156 7300.

Statement of directors' responsibilities

The interim management report is the responsibility of, and has been approved by, the directors of ITV plc. Accordingly, the directors confirm that to the best of their knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the EU;

- the interim management report includes a fair review of the information required by:

DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and

DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

The directors of ITV plc are listed in the ITV plc Annual Report for 31 December 2007, with the exception of the following changes in the period: Ms Dawn Airey appointed on 28 February 2008 and resigned on 29 April 2008, Mr Rupert Howell appointed on 28 February 2008 and Sir Brian Pitman retired from the Board on 15 May 2008. A list of current directors is maintained on the ITV plc website: www.itvplc.com.

By order of the Board

James Tibbitts
Company Secretary

6 August 2008

Independent review report by KPMG Audit Plc to ITV plc

Introduction

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2008 which comprises the Consolidated income statement, Consolidated statement of recognised income and expense, Consolidated balance sheet, Consolidated cash flow statement and the related explanatory notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with the terms of our engagement to assist the company in meeting the requirements of the Disclosure and Transparency Rules ("the DTR") of the UK's Financial Services Authority ("the UK FSA"). Our review has been undertaken so that we might state to the company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FSA.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the EU. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with IAS 34 “Interim Financial Reporting” as adopted by the EU.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2008 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FSA.

KPMG Audit Plc
Chartered Accountants
Registered Auditor
PO Box 695
8 Salisbury Square
London EC4Y 8BB

6 August 2008