ITV plc preliminary results for year ended 31 December 2009

A strong platform for change

- ITV held EBITA before exceptional items at £202m (2008: £211m) in a declining television advertising market.
- Adjusted earnings per share flat at 1.8p* (2008: 1.8p).
- Cost savings of £169m delivered, ahead of £155m target for the year.
- Audience share held and share of the TV advertising market increased.
- Adjusted cashflows up by £200m and net debt reduced by over £100m.
- Pension deficit stands at £436m (2008: £178m), after £110m credit to reflect actions taken during the year.
- ITV television advertising revenues forecast to be up an estimated 7% in the first quarter of 2010, with early forecasts for April indicating revenues up 15-20%.
- Review of strategy underway.
- Adam Crozier joining ITV as Chief Executive on Monday, 26 April 2010.

* ITV has amended its calculation of adjusted profit and adjusted EPS as set out below

John Cresswell, Interim Chief Executive Officer, ITV plc, said:

"Faced with the worst television advertising downturn on record, we took decisive action to improve our operational performance, deliver substantial cost savings and strengthen our balance sheet.

"We won back share of the TV advertising market, grew our audiences in peak time and online, and increased our international production presence. We took out costs of £169m, substantially reduced our headcount and lowered net debt by over £100m.

"Whilst ITV advertising revenues are up 7% in the first quarter, this is against the unprecedented declines of the previous year and, over the medium term, we remain cautious. We recognise also that ITV still faces formidable challenges. However, with the concerted action we have taken, ITV can address these from a stronger position, both financially and operationally."

Archie Norman, Chairman, ITV plc, said:

"Over the last year the team has secured the platform for change - and change is now an imperative. The way people consume media is being transformed and the consequences for established broadcasters will be profound.

"Under Adam Crozier's leadership, ITV will set out on the journey to become a very different business over the next five years. ITV's challenge is to reduce its dependence on a free-to-air model threatened by digital media and besieged by legacy regulation. We have great talent and a strong brand and our future is in our own hands."

Broadcasting
ITV television advertising revenues were down 9% at £1,291m (2008: £1,425m), ahead of the total market which was down 11%.

Despite reduced programming spend, ITV channels delivered a strong on-screen performance:

- ITV channels share of peak time viewing was 28.2% (2008: 27.8%)
- ITV channels share of commercial impacts was 40% (2008: 41%)
- ITV1 share of commercial impacts was down 5% (2008: down 6%)

Online
itv.com continued to demonstrate the potential for ITV online, with video views reaching 215m (2008: 85m) and monthly unique users increasing by 33% to 8.7m. However ITV trails key competitors in terms of online viewing and online revenues remain limited in relation to the market opportunity. Excluding Friends Reunited, ITV's online revenues were £24m (2008: £18m).

ITV Studios
ITV Studios held EBITA stable at £91m (2008: £90m). ITV's UK production business had a challenging year, impacted by a significant reduction in ITV commissions. Overall revenues were down 4% at £597m, with UK decline offset by growth in international production helped by a currency benefit of £23m.

Strategy Review
ITV has embarked on a strategy review which will help map out the journey of change in channel strategy, content development, culture and organisation required to return ITV to sustainable earnings growth. This review will also help determine the nature and extent of any further investment required.

Cost savings and investment
Across 2009, ITV delivered £50m of efficiency savings and reduced schedule costs by £119m. ITV continues to keep a tight rein on costs in 2010 and programming budgets have been set for the year with no increase in schedule costs. Any near term increase in spend will depend on greater certainty regarding the outlook for market growth and the potential return via on-screen performance. ITV continues to invest to support the launch of ITV1 HD, ITV1+1 and Canvas.

Current trading and outlook
The marked bounce-back in advertising spend in early 2010 should be seen against the context of steep declines last year. In the second half and particularly the fourth quarter, comparatives are more challenging and the wider economic outlook after the forthcoming election remains uncertain. In the light of advertising market volatility and limited revenue visibility, ITV continues to plan on a cautious basis.

Over the seven weeks to 21 February, share of commercial impacts for ITV channels stood at 40.6% (2009: 40.7%) and for ITV1 at 28.5% (2009: 29.4%).

Financial position
Early action to secure the balance sheet resulted in substantial re-phasing of liabilities and improvement in cash flow. Profit to cash conversion increased significantly with adjusted operating cash flow increased by £200m to £358m.

Since the year end, ITV has bought back a further £23m of its 2011 bonds and £42m of its 2015 bonds. Net of currency hedges, ITV's debt repayment in 2011 has been reduced to £15m. The 2015 bond repayment has been reduced to £383m.

Pension
The increase in the deficit on an IAS 19 basis reflects higher assumed inflation and a lower discount rate both of which increased expected future liabilities, partly offset by an increase in asset values, deficit funding and benefits estimated at £110m from changes to the Defined Benefit scheme.

ITV continues to consult with the Trustees over its proposal to use SDN to provide asset backing to the scheme.

Regulation
ITV remains one of Britain's most highly regulated companies and strongly believes that the inheritance of legacy regulation is detrimental to the interests of the UK's creative industries as a whole. In the light of the Competition Commission's draft ruling, ITV expects no material change in CRR and very limited regulatory relief in the current year.

Dividend
In the light of the continuing economic uncertainty, the Board is not proposing the payment of a final dividend.

Changes to adjusted profit and earnings
ITV has changed its calculation of adjusted profit and EPS to exclude certain non-cash items including imputed pension interest and the mark to market on swaps and to include amortisation costs in relation to internally-generated intangible assets. On this basis, adjusted earnings per share were 1.8p (2008: 1.8p). On the prior basis, adjusted earnings for 2009 would have been 1.5p (2008: 2.7p).

Board and Chief Executive
Following Archie Norman's appointment as Chairman, the Board has been streamlined with the departure of four non-executive directors. Mike Clasper has taken on the role as Senior Independent Director. In addition, Baroness Prashar has informed the Board that, in the light of her other commitments, she will be retiring from the Board prior to the AGM.

Adam Crozier will join ITV plc as Chief Executive on Monday, 26 April 2010.

NOTES TO EDITORS

1. The full ITV plc Report and Accounts 2009 will be available from 22 March 2010 at http://www.itvplc.com

2. **Financial summary:**

12 months to 31 December (£m)	2009	2008	Change %
Group revenue	1,879	2,029	-7
EBITA before exceptional items	202	211	-4
Broadcasting and Online	111	120	-8
ITV Studios	91	90	+1
Profit / (Loss) before tax			
Reported	25	(2,732)	-
Adjusted*	108	112	-4
Net debt	612	730	-
EPS (pence per share)			
Reported	2.3	(65.9)	-
Adjusted*	1.8	1.8	-

* before exceptional items, amortisation, impairment of acquired intangible assets, and financing cost and tax adjustments, including exclusion of imputed pension interest and mark to market on swaps.

3. As set out above, ITV has revised its calculation of adjusted profits and EPS. PBT and earnings calculated using the previous methodology are set out below:

12 months to 31 December	2009	2008
Adjusted PBT on previous methodology (£m)	94	167
Adjusted EPS on previous methodology (pence)	1.5	2.7

4. Share of viewing data is for the year to 31 December 2009, compared to equivalent period in 2008, based on BARB / Infosys data for individuals viewing. ITV Family includes: ITV1, ITV2, ITV3, ITV4, CITV, GMTV1, GMTV2, Men&Motors and associated "+1" channels. ITV Family share of viewing in 2009 was 23.1% (2008: 23.2%).

5. Average monthly unique users are based on Omniture data. Video views are based on internal Company data for itv.com.

6. Figures for ITV plc and market NAR are based on ITV estimates and current forecasts.

7. Adjusted cashflows are defined as cash generated from operations before exceptional items, less cash related to the acquisition of non-current assets, but before amortisation of internally generated intangible assets.

8. This announcement contains certain statements that are or may be forward-looking with respect to the financial condition, results or operations and business of ITV plc. 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, (vii) fluctuations in exchange rates and (viii) volatility in financial markets.

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