# Revenue and profit growth as ITV strategy begins to deliver

- External revenues up 4% at £2,140m (2010: £2,064m) driven by non-advertising revenues
- Total non-NAR revenues up £93m or 11% to £922m (2010: £829m), mainly due to revenue growth from UK and international studios businesses
- ITV Family NAR up 1% - outperforming the TV advertising market
- ITV Family SOV up 1% with strong performance by digital channels up 10%
- EBITA before exceptional items up 13% to £462m (2010: £408m)
- Adjusted PBT up 24% to £398m (2010: £321m)
- Adjusted EPS up 23% at 7.9p (2010: 6.4p)
- Cost savings of £20m delivered – funding investments aligned to the Transformation Plan – with a further £20m identified for 2012
- Positive net cash position of £45m (2010: net debt of £188m), with profit to cash conversion again over 100%
- Continued improvement in the efficiency of the balance sheet with £339m of bonds bought back in 2011
- The Board has proposed a final dividend of 1.2p to give a total dividend for 2011 of 1.6p
- We expect ITV Family NAR to be down 2% in Q1 and April broadly flat. While we remain cautious on the outlook for advertising, we expect to outperform the market over the full year.

Adam Crozier, CEO of ITV, said:

“We’re now almost two years into our five-year Transformation Plan and our continued growth in revenue and profit - at a time when the advertising market is broadly flat - demonstrates that we’re performing in line with our strategic priorities. The increase in non-advertising revenues of £93m, driven by our studios and online businesses, is clear evidence of progress in rebalancing the Company and our ability to grow new revenue streams.

‘Our financial position was further strengthened during the year through our ongoing focus on cash generation and cost reduction. We have our first positive net cash position since ITV was created in 2004 and more than delivered our targeted cost savings.

‘ITV Studios, under the new management team, has made real progress creatively and operationally both in the UK and internationally. We have delivered double digit revenue growth and a 28% increase in new commissions to 111, of which 45 are international.

‘On screen we have grown family SOV and we continue to outperform the advertising market. We have seen strong growth in online video views as ITV Player was rolled out across more platforms. The VOD and pay deals we recently signed with Sky, Netflix and Lovefilm open up new pay revenue streams, which we will continue to build as part of our pay strategy.

‘Although ITV Family NAR has started the year better than we anticipated, it is expected to be down 2% in Q1 against tough comparatives. We remain cautious on the market outlook for 2012 but we expect to outperform the market for the full year.

‘We’ve made good progress and we remain focused on rebalancing the business and delivering the Transformation Plan. We will increasingly look to content, pay and online as the engines of growth in the UK and internationally as we invest further in our key strategic priorities.

## FULL YEAR RESULTS

| Year ended 31st December (£ million) | 2011 | 2010 | Change | Change |
|---|---|---|---|---|
| Broadcasting & Online revenue | 1,820 | 1,771 | 49 | 3% |
| ITV Studios (external) revenue | 320 | 293 | 27 | 9% |
| Group external revenue | 2,140 | 2,064 | 76 | 4% |
| Broadcasting & Online EBITA | 379 | 327 | 52 | 16% |
| ITV Studios EBITA | 83 | 81 | 2 | 2% |
| EBITA before exceptional items | 462 | 408 | 54 | 13% |
| Adjusted profit before tax* | 398 | 321 | 77 | 24% |
| Adjusted earnings per share (EPS)* | 7.9p | 6.4p | 1.5p | 23% |
| Dividend | 1.6p | - | 1.6p | - |

*Adjusted profit before tax and adjusted EPS remove the effect of exceptional items, impairment of acquired intangible assets, amortisation of intangible assets acquired through business combinations, financing cost adjustments, and prior period and other tax adjustments from the statutory numbers.

### Financial position

We have retained our tight focus on cost and cash management in 2011, delivering £20m of cost savings which is ahead of our £15m target. Our 13% increase in EBITA and continued strong cash conversion saw us end the year with positive net cash of £45m (2010: net debt of £188m). Profit to cash conversion was 103%, well ahead of our rolling three-year target of 90%. We bought back bonds to the value of £339m during the year and now have no debt repayments due until 2014. We will continue to look at options for the balance sheet that make economic sense but we are conscious of the uncertain economic environment and the need to maintain flexibility to deliver the Transformation Plan.

We invested £28m in the year to support our strategic objectives and will invest a further £25m in 2012. Capital expenditure rose to £43m in 2011, focused mainly on fixing our core business technology and the Manchester site move to MediaCity. This will increase to £70-80m in 2012.

### Broadcasting and Online

Broadcasting and Online revenues rose 3% in 2011 to £1,820m (2010: £1,771m), driven by 13% growth in non-NAR revenues. ITV Family NAR was up 1%, outperforming the television advertising market which was up 0.7%.

EBITA before exceptional items increased 16% in 2011 to £379m (2010: £327m). This was driven by the revenue uplift falling through to profit, our tight focus on cash and costs and the 2010 Football World Cup costs dropping out, although this was offset to some extent by our investment in brand defining content for the digital channels. We will continue to invest in our channels in 2012 although the total ITV programme budget will remain at around £1bn.

ITV Family share of viewing (SOV) was up 1% in 2011, with a strong performance from our digital channels which were up 10%. ITV1 SOV, which benefited from the successful launch of ITV1+1, was down 2% – below where we want it to be and we will work to improve this performance in 2012. ITV Family share of commercial impacts (SOCI) was down 1% at 39.5% in 2011.

Online revenues increased by 21% to £34m (2010: £28m). Within Online, we are continuing to invest in fixing our legacy technology and in improving the quality and distribution of ITV Player. It is now available on Android and Apple devices, Freesat and PS3, contributing to a 44% increase in long form views to 376m (2010: 261m). Our pay strategy is beginning to gain momentum through recent content deals with Netflix, Lovefilm and Sky in addition to the pay HD channels on Sky. We plan to launch our Pay Player later in the year, while YouView will also launch in 2012.

### ITV Studios

Under the new ITV Studios management team we have seen operational improvements and early signs of growth.  Total revenues have increased by 10% in 2011 to £612m (2010: £554m) driven by growth in both UK and international production. EBITA before exceptional items increased by £2m to £83m, the return from the increased revenues offsetting £8m of investment.

Our new management team is providing the creative leadership needed to transform the internal capability of the business. We had 111 new commissions in 2011, with 66 in the UK and 45 internationally, including our co-production of Titanic which was prefunded and has been sold to 86 countries. We have also had 101 recommissions. We will continue to invest in our strategy which is based on a 'mixed economy' approach of attracting new creative talent, building partnerships and investing internationally. In time, we may look to make acquisitions but we remain focused initially on growing the business organically. While the long lead times within production mean that it will take a while for the results to show through, there are signs of progress for ITV Studios' creative output.

### Adjusted EPS

Adjusted EPS was up 23% to 7.9p (2010: 6.4p) reflecting the strong trading performance.

Adjusted financing costs are £50m (2010: £69m) helped by the impact of the £339m of buy-backs and the higher level of cash. In 2012 we expect adjusted financing costs to be broadly flat on 2011 with the full year impact of the bond buy-backs likely to be offset by the step up in costs on the 2019 debt. The adjusted effective tax rate of 23% is significantly lower than the statutory rate of UK corporation tax and is, as previously stated, expected to be maintained around this level for the next two years.

### Statutory EPS

Statutory EPS is lower than 2010 at 6.4p (2010: 6.9p) due to the recognition of an exceptional deferred tax asset of £68m in 2010.

### Pension

The aggregate IAS 19 deficit on the defined benefit schemes at 31st December 2011 was £390m (31st December 2010: £313m), increasing due to lower discount rates and the one-off costs associated with the longevity swap contract which was entered into by the Trustees in August. This measure was implemented as part of our long-term strategy to manage the risks and uncertainties associated with the Scheme. The one-off impact of the swap on the overall Scheme deficit was an increase of around £65m on both an accounting and a funding basis. This equates to around a one year change in life expectancy.

On 8th July we extended the SDN pension partnership, which was originally agreed between the Group and the Trustees last year, increasing the value of SDN by £50m to £200m in total.

### STV

On 27th April ITV and ITV Network agreed a wide ranging settlement with STV Group plc over the various legal actions that existed at the time. All legal actions ceased with immediate effect and the terms of the settlement included an £18m payment by STV to ITV to settle the court claims, payable in full by June 2013.

### Dividend

The Board has proposed a final dividend of 1.2p. With the interim dividend of 0.4p, this gives a total dividend of 1.6p for 2011. The Board is committed to a progressive dividend policy, taking into account the outlook for earnings per share while balancing the need to invest in the business and to maintain financial prudence against the backdrop of an uncertain economic environment.

### Outlook for 2012

We expect ITV Family NAR to be down 2% in Q1 with April broadly flat. We remain cautious on the economic outlook but expect to outperform the television advertising market for the full year.

## NOTES TO EDITORS

1. Operational summary

### Broadcasting and Online performance indicators

| Year ended 31st December | 2011 | 2010 |
|---|---|---|
| ITV Family SOV | 23.1% | 22.9% |
| ITV1 SOV | 15.6% | 16.0% |
| ITV Family SOCI | 39.5% | 39.8% |
| ITV1 SOCI | 26.3% | 27.3% |
| ITV1 adult impacts | 234 bn | 237 bn |
| Total long form video views (all platforms) | 376m | 261m |

Share of viewing and share of commercial impact data is for the twelve months to 31st December 2011, compared to equivalent period in 2010, based on BARB / AdvanetEdge data. Share of viewing data is for individuals and SOCI data is for adults. ITV Family includes: ITV1, ITV2, ITV3, ITV4, CITV, CITV Breakfast, Men&Motors and associated 'HD' and '+1' channels.

Video views are based on internal Company and ComScore Digital Analytix data for itv.com.

2. ITV Family NAR was down 4% in January and down 4% in February. We expect it to be up 2% in March and down 2% for Q1 overall. We also expect it to be broadly flat in April.

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

3. Dividend payment date is 1 June 2012 and dividend record date is 4 May 2012.

4. 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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