ITV plc Interim Results for the half year ended 30 June 2013

ITV delivers strong growth and continues to rebalance

Continued double digit growth in Non-NAR revenues
- Total Non-NAR revenues up 11% to £568m driven by ITV Studios and Online, Pay & Interactive
- Total ITV Studios revenues up 11% to £395m
- Online, Pay & Interactive revenues up 19% to £56m
- ITV Family NAR down 3% as expected
- Total external revenues up 1% to £1,144m

Improved margins and double digit profit growth
- EBITA before exceptional items up 11% to £291m
  - ITV Studios EBITA up 26% to £63m
  - Broadcast & Online EBITA up 7% to £228m
- Adjusted PBT up 16% to £270m
- Adjusted EPS up 15% to 5.3p

Investing in strategic acquisitions and delivering increased shareholder returns
- ITV Studios completed acquisitions in the UK and the US
- £20m cost savings on track
- Profit to cash conversion strong at 100%
- Net debt of £52m following acquisitions, dividends and further debt repayments
- Board has declared an interim dividend of 1.1p up 38%

Positive outlook underpins performance for the rest of 2013
- Expect ITV Family NAR for nine months to the end of September to be broadly flat following a good Q3 up 9%
- Confident of delivering double digit revenue growth in Online, Pay & Interactive and ITV Studios over the full year

Adam Crozier, ITV Chief Executive, said:

"We're making good progress with our strategy of growing and rebalancing the business as we build new revenue streams and improve margins.

In the first six months of the year ITV continued to increase group profits and revenues despite the expected fall in our H1 advertising revenues. Non-advertising revenues were up by 11% to £568m, driven by significant growth in Online, Pay & Interactive and in ITV Studios.

ITV Studios delivered further growth in the UK and internationally both organically and through selective acquisitions in our key target markets – with total Studios revenues up 11%. We're showing real momentum in our strategy of creating a robust international content business and in building substantial strength and scale in the US market.

The improved variety and quality of the ITV schedule has driven a strong on-screen performance in the first half of the year with ITV Family SOV up 1%.

Our cash generation remains strong and we continue to have a robust balance sheet to support the strategy and invest in our future growth.

As we anticipated, the shape of the television advertising market this year is very different to 2012. In spite of monthly volatility we expect ITV Family NAR to be broadly flat for the nine months to the end of September with Q3 up 9%. We expect both ITV Studios and Online, Pay & Interactive to deliver double digit revenue growth for the year as a whole as we continue to rebalance and strengthen ITV."

ITV plc Interim Results for the half year ended 30 June 2013 continued

Half year results

Six months ended 30 June (£ million)	2013	2012*	Change (£m)	Change (%)
Broadcast & Online revenue	**914**	924	(10)	(1)
ITV Studios revenue	**395**	355	40	11
Total revenues	**1,309**	1,279	30	2
Internal supply	**(165)**	(149)	(16)	(11)
Group External revenues	**1,144**	1,130	14	1
Broadcast & Online EBITA	**228**	213	15	7
ITV Studios EBITA	**63**	50	13	26
EBITA before exceptional items	**291**	263	28	11
EBITA margin	**25%**	23%		
Adjusted profit before tax	**270**	233	37	16
Adjusted earning per share (EPS)	**5.3p**	4.6p	0.7p	15
Dividend	**1.1p**	0.8p	0.3p	38

* Following revisions to IAS 19, we have restated our prior period results which has resulted in a £2 million decrease in EBITA before exceptional items and a £2 million decrease in adjusted profit before tax and a 0.1p decrease in adjusted EPS for 2012.

Adjusted profit before tax and adjusted EPS remove the effect of exceptional items which include professional fees and performance based contingent payments relating to acquisitions, impairment of intangible assets, amortisation of intangible assets acquired through business combinations, net financing cost adjustments, and prior period and other tax adjustments. The profit before tax and basic EPS from the Condensed Consolidated Income Statement are as follows:

Six months ended 30 June (£ million)	2013	2012*	Change (£m)	Change (%)
Profit before tax	**179**	161	18	11
Basic earnings per share (EPS)	**3.4p**	3.1p	0.3p	10
Diluted earnings per share	**3.3p**	3.0p	0.3p	10

* Following revisions to IAS 19, we have restated our prior period results which has resulted in a £6 million decrease in profit before tax and a 0.1p decrease in Basic EPS for 2012.

Financial performance

We have delivered a good performance in the first half of the year growing revenues and delivering double digit growth in adjusted EPS even with ITV Family NAR down 3% as we expected. This strong financial performance was driven by non-NAR revenues which grew 11% as we continued to strengthen and rebalance the business and maintain our focus on cash and costs. Our £20m cost saving target remains on track and we will use these savings to fund our investments in our creative and commercial capabilities.

We have ended the first half with net debt of £52m following the acquisitions we have made in the UK and US, dividend payments, debt buybacks, pension contributions and the acquisition of our London headquarters. Our profit to cash conversion remains strong at 100%.

Broadcast & Online

Although Broadcast & Online saw a 1% decline in revenues it delivered a 7% improvement in EBITA before exceptional items (EBITA) because of the higher margin Online, Pay & Interactive revenues and our focus on costs. Schedule costs were down in the first half as a result of lower sports costs which have helped fund more hours of drama and entertainment.

As we anticipated, the shape of the television advertising market this year is very different to 2012. The combination of a strong first quarter followed by tough comparatives in Q2 resulted in ITV Family NAR falling 3% in the first half as a whole. In spite of monthly volatility we expect ITV Family NAR to be broadly flat for the nine months to the end of September with Q3 up 9%.

Over the first half ITV Family NAR was behind our estimate of the television advertising market, which was down 1%. Our

ITV plc Interim Results *for the half year ended 30 June 2013 continued*

objective remains to outperform the television advertising market over the full year. On-screen we have had a strong start to the year with ITV main channel SOV and SOCI both flat and ITV Family SOV and SOCI both up 1%.

Online, Pay & Interactive revenues continue to grow strongly up 19% as we make our content available on more platforms driving long form video requests up 17%. We are further developing our pay revenues with more direct to consumer pay offerings on ITV Player and with third party platform owners, such as the renegotiation of the Virgin deal and an ad free subscription model on iOS.

ITV Studios

ITV Studios again delivered strong revenue and profit growth in the first half of 2013. Total revenue grew 11% to £395m and EBITA increased 26% to £63m as we continue to invest in our creative pipeline in content that travels internationally, namely drama, entertainment and factual entertainment.

All parts of the business delivered organic growth which was enhanced through a number of strategic acquisitions in the UK and US. Organic revenue growth was 5%, going against the comparative period in 2012 which benefited from the front loaded delivery of programmes.

The acquisitions we have made have been in the key creative markets that create and own intellectual property that travels. In the UK we acquired The Garden to enhance our capability in creating factual entertainment formats and to increase our strength in delivering commissions off-ITV. In the US we acquired Thinkfactory Media and High Noon Entertainment to continue to build our strength and scale.

The initial consideration for all acquisitions completed in H1 was £53m with future consideration payable depending on the performance of the companies. The maximum total consideration for these H1 acquisitions is £174m (undiscounted and including the initial cash consideration) and is payable only on the delivery of continued strong growth.

The UK and International production businesses both delivered double digit revenue growth up 12% and 16% respectively, which is beginning to feed into our international distribution business which grew 3%.

Adjusted EPS

Adjusted EPS was up 15% to 5.3p (2012: 4.6p). Adjusted financing costs were £14m, which is £11m lower than prior year as a result of the bonds bought back in June 2012 and the debt bought back in March 2013. Diluted adjusted EPS was up 13% to 5.1p.

The adjusted effective tax rate of 23% is largely in line with the statutory rate of UK corporation tax.

Basic EPS

Basic EPS is 3.4p (2012: 3.1p). The main differences between basic and adjusted earnings per share are exceptional items including professional fees and performance based contingent payments relating to acquisitions, losses incurred in net financing costs from debt buybacks, mark-to-market on swaps and the regular adjustment for amortisation and impairment of intangible assets acquired through business combinations and other tax adjustments.

Balance sheet and Net debt

Net debt at the end of June 2013 was £52m compared to net cash of £206m at the end of December 2012. This net debt is after the following payments were made in the first half of 2013: acquisition cash costs of £54m, the payment of the final and special dividend of £227m, the £100m cash impact of the debt buybacks we have completed, pension deficit contribution of £80m and the acquisition of the Company's headquarters and studios in London for £58m.

We have again improved the efficiency of our balance sheet with £138 million (nominal) repayment of the £200 million 2019 loan and £34 million (nominal) repayment of the £135 million convertible bond. We improved our financial flexibility by extending the maturity of the committed £250 million Revolving Credit Facility (RCF) by a further year to July 2016. The facility remains undrawn.

ITV plc Interim Results for the half year ended 30 June 2013 continued

Pension

The aggregate IAS 19 deficit at 30th June was £476m (31 Dec 2012: £551m). This was primarily as a result of the £80m total annual deficit funding contribution for 2013 made in the first half. The increase in the implied discount rate has reduced the level of liabilities, which has largely been offset by an increase in the market expectation of long term inflation.

The 10 to 15 year funding plan that we agreed following the actuarial valuations as at 1st January 2011 remains in place. It is a mixture of fixed and performance related contributions.

Dividend

The steps we have taken with our balance sheet and another period of double digit profit growth has led the Board to declare an interim dividend of 1.1p, a 38% increase on 2012. This dividend reflects the Board's confidence in the ongoing growth and cash generation of the business. The Board has set the dividend to be roughly one third of the total dividend for the year. We will continue to balance capital discipline with the need to invest for future growth and maintain flexibility. The Board remains committed to a progressive dividend policy.

2013 Planning assumptions – no material changes

- Cost savings of £20 million will fund investments in the creative development pipeline, technology and online
- Total NPB is expected to be around £980m
- Adjusted interest is expected to be around £27m-28m as a result of the impact of debt buybacks
- Effective tax rate is expected to remain between 22-24%
- Capex will be around £110-£120m which includes normal Capex of around £55m and the acquisition of the London Television Centre in January 2013

Outlook for full year

In spite of monthly volatility we expect ITV Family NAR to be broadly flat for the nine months to the end of September, with July up 12%, August up 20% and September broadly flat.

Both ITV Studios and Online, Pay & Interactive are on track to deliver double digit revenue growth for the year as a whole as we continue to grow and rebalance the business.

Notes to editors

1. Unless otherwise stated, all figures refer to the six month period ending 30th June 2013, with growth compared to the same period in 2012.

2.

Six months ended 30 June	**2013 £m**	2012 £m	Change %
ITV Family NAR	**741**	765	(3)
Non-NAR revenue	**568**	514	11
Internal supply	**(165)**	(149)	(11)
Total External revenue	**1,144**	1,130	1

3. ITV Family NAR was down 6% in May and down 16% in June. We expect ITV Family NAR to be up 12% in July, up 20% in August and broadly flat in September. Overall we expect ITV Family NAR for the nine months to end of September to be broadly flat.

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

ITV plc Interim Results for the half year ended 30 June 2013 continued

4. Operational summary

Broadcasting and Online performance indicators	**2013**	2012	%
ITV Family SOV	**23.2%**	23.0%	1
ITV SOV	**16.3%**	16.3%	–
ITV Family SOCI	**39.2%**	39.0%	1
ITV SOCI	**27.0%**	27.1%	–
ITV adult impacts	**122bn**	122bn	–
Total long form video requests (all platforms)	**276m**	236m	17
Share of Broadcast	**44.8%**	45.8%	(2)

Share of viewing data based on BARB/AdvantEdge data and share of commercial impact (SOCI) data based on BARB/DDS data. Share of viewing data is for individuals and SOCI data is for adults. ITV Family includes: ITV, ITV2, ITV3, ITV4, CITV, ITV Breakfast, CITV Breakfast and associated "HD" and "+1" channels. Total long form video requests across all platforms are based on data from ComScore Digital Analytix, Virgin, BT, iTunes, Lovefilm, Netflix, Sky, 3UK and Hospedia and include simulcast. Share of Broadcast KPI is calculated based upon our estimates of the total Television advertising market.

5. Dividend payment date is 29 November 2013 and dividend record date is 1 November 2013.

6. 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. 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) a major deterioration in the current outlook for UK advertising and consumer demand, (ii) significant change in regulation or legislation, (iii) failure to identify and obtain, or significant loss of, optimal programme rights (iv) the loss or failure of transmission facilities or core systems, and (v) a significant change in demand for global content.

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.

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