ITV Plc Interim results for the six months ended 30 June 2024

Interim 2024 Highlights

- Significant improvement in group adjusted EBITA[1] in H1, up 40%, despite Group external revenue down 2%
- Impacted by phasing of productions and US writers' and actors' strikes in 2023, ITV Studios H1 revenue was down 13%[2], as expected, and adjusted EBITA[3] grew 5% driven by a strong contribution from higher margin catalogue sales and cost savings
- M&E adjusted EBITA grew 230% with total advertising revenue growth ahead of expectations, up 10%
- ITVX continued to perform strongly with streaming hours up 15%, monthly active users up 17% and digital advertising revenues up 17%

Carolyn McCall, ITV Chief Executive, said:

"ITV has been transformed over the last five years and we continue to build upon this. We are confident of delivering increased adjusted EBITA this year, following the year of peak net investment in 2023, and are on track to deliver our 2026 KPI targets.

"ITV Studios is performing well despite the expected market backdrop and is forecast to deliver record adjusted EBITA over the full year as a result of its scale, its diversification by product, geography and customer, its outstanding creative output and the actions we are taking to drive efficiencies.

"Our digital advertising business continues to go from strength-to-strength and we saw a 17% increase in digital advertising revenue in the period, which contributed to the 10% increase in total advertising revenue. This was driven by strong viewing across our broadcast channels and ITVX, with a very successful Euros, a year-on year-increase in viewing of Love Island and a slate of great dramas.

"We have strong momentum in improving efficiency and simplifying ways of working right across ITV and are on course to deliver the £40 million of incremental in year savings in 2024 that were previously guided. This includes £30 million of additional savings as part of the new strategic restructuring and efficiency programme."

Outlook: on track to deliver 2026 KPI targets

ITV Studios:

- Over the full year, ITV Studios is expected to deliver record profits driven by an increase in higher margin catalogue sales, and continued action to drive efficiencies. The full year margin will be lower than H1 reflecting the relatively lower mix of catalogue sales in the second half, but will be within our 13 to 15% guidance range
- ITV Studios revenue will, as guided, be impacted by the 2023 US writers' and actors' strikes, which will delay around £80 million of revenue from 2024 to 2025, and lower demand from free-to-air broadcasters in Europe in the short term. H2 deliveries will be weighted to Q4, with Q3 revenue expected to be down by a similar percentage to H1
- Previous guidance was for ITV Studios total revenue for FY 2024 to be broadly flat. Our view of the market has not changed but we now expect revenue to be down low single digits, due to a small number of key productions being contracted as executive productions rather than co-productions. The change in contractual arrangement has no impact on profit but does mean we recognise less revenue this year. There remain a small number of contracts under negotiation, which may have a similar outturn of lower recognised revenue, but the same profit if they are contracted as executive productions. In the revenue guidance for 2024, we have assumed that we will be the main or co-producer
- ITV Studios remains on track to deliver total organic revenue growth of 5% on average per annum from 2021 to 2026 - ahead of the market, and at a margin of 13 to 15%

Notes:

1. Statutory operating profit was £136 million, up 106% in H1 2024 (2023: £66 million). Our APMs are defined within the APMs section of this report
2. This includes the impact of the transfer of ITV sports production from Media & Entertainment to ITV Studios which was effective from 1 January 2024. Excluding this £30 million transfer total Studios revenue was down 16%
3. This includes a £3 million impact from the change in legislation on Audio-Visual Expenditure Credits (AVEC), effective on expenditure incurred from 1 January 2024. Expenditure credits on qualifying expenditure is included within operating profit rather than within the consolidated tax charge. As a result, EBITA, adjusted EBITA, adjusted EBITA margin, profit before tax and tax charge will increase, but profit after tax and EPS are unchanged, compared to the previous High-End TV accounting treatment. Excluding the impact of AVEC, ITV Studios adjusted EBITA was £133 million, up 2%

Media & Entertainment (M&E):

- We expect ITVX to continue to perform strongly in H2 with further improvements in content, product, distribution, marketing and monetisation
- Compared to the same period in 2023 which included the Rugby World Cup, TAR is expected to be broadly flat in Q3, with continued strong growth in digital advertising revenues
- We remain on track to deliver *at least* £750 million of digital revenues in 2026

H1 Group Financial highlights - strong profitability and shareholder returns

- Total revenue was down 3% at £1,903 million (2023: £1,964 million), with growth in total advertising revenue (TAR) offset by the expected decline in ITV Studios revenue
- Total external revenue was down 2% at £1,599 million (2023: £1,639 million)
- Group adjusted EBITA[4] was up 40% at £213 million (2023: £152 million), reflecting the operational gearing of Media & Entertainment, the higher margin in ITV Studios and delivery of £23 million of cost savings. Adjusted EPS[1] was up 43% at 3.3p (2023: 2.3p)
- EBITA[5] was £200 million (2023: £133 million). Statutory profit before tax was £330 million (2023: £45 million) and statutory EPS was 6.6p (2023: 1.0p). The main adjustments between adjusted and statutory results are exceptional items and the profit on disposal of BritBox International
- Profit to cash conversion of 73% on a rolling 12-month basis. Profit to cash conversion in H1 was unusually low at 17% reflecting a significant increase in working capital as a result of the resumption of production in the US following the strikes in 2023
- Robust balance sheet, with net debt of £515 million[6] (31 Dec 2023: £553 million, 30 June 2023: £724 million) and net debt to adjusted EBITDA leverage of 0.9x (31 Dec 2023: 1.0x, 30 June 2023: 1.2x)
- In line with ITV's dividend policy, the Board has declared an interim dividend of 1.7p (2023: 1.7p)
- £53 million of buybacks completed by 30 June 2024, as part of the overall £235 million programme to return the entire net proceeds from the sale of BritBox International
- Following the agreement of the latest triennial valuation, we expect no future pension deficit contributions while the Scheme is in surplus, other than a small payment relating to a legacy asset-backed scheme and a potential one-off contribution in relation to a long running pension dispute (refer to note 8). This removes a significant historical drag on free cash

ITV Studios performance impacted by previously guided factors

- As expected, total ITV Studios revenue was down 13% at £869 million (2023: £1,000 million) due to the phasing of deliveries, which are heavily weighted to H2 and particularly Q4, and the impact of the 2023 US writers and actors strikes. Excluding the impact of the transfer of ITV sports production from Media & Entertainment to ITV Studios, total Studios revenue was down 16%
- Adjusted EBITA[1] was up 5% to £136 million (2023: £130 million), with an adjusted EBITA margin of 15.7% reflecting an increase in higher margin catalogue sales, and £9 million of cost savings. Excluding AVEC[3], adjusted EBITA was up 2% to £133 million with an adjusted EBITA margin of 15.3%
- ITV Studios delivered a wide range of new and returning programmes and formats in the UK and internationally to a diversified portfolio of customers during the period, including:
  - Missing You and Inganno (in Italy) for Netflix, A Cruel Love: The Ruth Ellis Story for ITV, The Gathering for Channel 4, Showtrial for the BBC, Love Island USA for Peacock, and My Kitchen Rules for Seven Network in Australia
- We continuously manage our portfolio of labels to strengthen our creativity. In July we acquired 51% of the scripted independent production company Hartswood Films in the UK, producer of Sherlock, and sold our minority shareholding in Blumhouse Television in the US[7]

Notes:

4. Our APMs are defined within the APMs section of this report. It also includes a full reconciliation between adjusted and statutory results
5. Statutory operating profit before interest, tax, amortisation and exceptional items
6. Excluding the net proceeds that have been designated to fund the remainder of the buyback, net debt in H1 2024 is £697 million and net debt to adjusted EBITDA leverage is 1.2x
7. ITV Studios sold back its minority shareholding in Blumhouse TV to Blumhouse Holdings, for a consideration of US$60 million. Blumhouse and ITV America will continue their unscripted partnership

Media & Entertainment (M&E): strong advertising growth and significant improvement in profitability

- M&E revenue was up 7% at £1,034 million (2023: £964 million), with total advertising revenue (TAR) up 10%, ahead of previous guidance
  - Within this digital advertising revenue (a component of digital revenue) was up 17%
  - Total M&E non-advertising revenue was down 5%, driven by the expected decline in subscription and partnership revenues, as we improve the viewer proposition and monetisation of ITVX
- M&E adjusted EBITA was up 230% at £76 million (2023: £23 million), reflecting the growth in TAR and £14 million of cost savings delivered
- ITVX's strong performance has continued in H1 with total streaming hours up 15% and monthly active users up 17%
- Digital revenues (refer to Note 5) grew 12%
- As previously guided we have taken action to simplify the paid streaming proposition, including migrating BritBox UK onto ITVX Premium, which has a short term impact on subscriptions and subscription revenue
- We have maintained our unique position in linear television through the quality and breadth of our schedule, as we continue to deliver mass simultaneous reach and innovative commercial and creative partnerships

Restructuring and efficiency programme

- The cost saving programme is progressing well, and is on track to deliver the £40 million of incremental in year savings in 2024 that were previously guided:
  - £30 million in year savings from new restructuring and efficiency programme
    - savings from technology and operational efficiencies, organisational redesign across Group functions, M&E and Studios, and permanent reductions in discretionary spend
    - cost of change will be around £30 million in 2024, rather than £50 million as previously guided
    - an ongoing programme that is designed to deliver further incremental material savings over a number of years
  - £10 million from our existing £150 million cost saving programme

Planning assumptions for the full year 2024

The following planning assumptions for 2024 are based on our current best view but may change depending on how events unfold over the rest of the year. They are largely unchanged from the guidance given at the full year results.

Profit and Loss impact:

- Total content costs are expected to be around £1,275 million as we further optimise linear, evolve our windowing strategy and improve personalisation. We will invest an additional £15 million in marketing
- Adjusted financing costs are expected to be around £35 million
- The adjusted effective tax rate is expected to be around 26% in 2024 and over the medium term which is slightly above the UK statutory tax rate of 25% and above previous guidance of 25%
- Exceptional items are expected to be around £65 million mainly due to costs associated with the ongoing strategic restructuring and efficiency programme and digital transformation costs. This is down from previous guidance of £90 million predominantly due to lower cost of change. The cash cost will be the same as the P&L impact

Cash impact

- Total capex is expected to be around £75 million as we further invest in our digital capabilities
- Profit to cash conversion is expected to be around 80% out to 2026. In 2024 profit to cash conversion will be lower reflecting an increase in working capital. Across 2023 and 2024 we expect cash conversion to be around 80%
- There are no pension deficit funding contributions for 2024 following the completion of the triennial valuation other than an annual payment of c.£3 million under the London Television Centre Pension Funding Partnership
- The Board has proposed an interim dividend of 1.7p, which will be paid in November 2024. Going forward, the Board intends to pay a full year ordinary dividend of at least 5.0p, which it expects to grow over the medium term

Virtual Results presentation webcast and Q&A:

ITV's virtual results presentation and Q&A session will be held for investors and analysts at 9.30am today (BST) via the following link: www.investis-live.com/itv/667a7333f95b7a0d0032410c/partd
You are now able to pre-register to join.

If you would like to ask a question, you will be able to do so via the following Conference Call details:

Conference Call Dial-In:
United Kingdom (Local): +44 20 3936 2999
United Kingdom (Toll-Free): +44 800 358 1035
Global Dial-In Numbers (linked)

Access Code: 072622
Press *1 to ask a question, *2 to withdraw your question, or *0 for operator assistance.
Please refer to the Global Dial-In Numbers hyperlink above for alternate phone numbers.

Notes to editors

1. Unless otherwise stated, all financial figures refer to the 6 months ended 30 June 2024, with the change compared to the same period in 2023.

2. Group financial performance

We measure performance through a range of metrics, particularly through our alternative performance measures and KPIs, as well as statutory results, all of which are set out and defined in this report. Please refer to the APMs for a reconciliation between adjusted and statutory results.

Six months to 30 June	2024 £m	2023 £m	Change £m	Change %
ITV Studios total revenue[8]	869	1,000	(131)	(13%)
Total advertising revenue	889	811	78	10%
M&E non-advertising revenue	145	153	(8)	(5%)
M&E total revenue	1,034	964	70	7%
Total group revenue	1,903	1,964	(61)	(3%)
Internal supply	(304)	(325)	21	6%
Group external revenue	1,599	1,639	(40)	(2%)
Total non-advertising revenue	1,014	1,153	(139)	(12%)
ITV Studios adjusted EBITA[1] (inc AVEC in 2024)	136	130	6	5%
M&E adjusted EBITA	76	23	53	230%
Adjusted EBITA	212	153	59	39%
Unrealised profit in stock adjustment	1	(1)	2	200%
Group adjusted EBITA	213	152	61	40%
Group adjusted EBITA margin	13%	9%	–	4% pts
Statutory operating profit	136	66	70	106%
Profit before tax (adjusted)	178	118	60	51%
Adjusted EPS	3.3p	2.3p	1.0p	43%
Statutory EPS	6.6p	1.0p	5.6p	560%
Net debt as at 30 June	(515)	(724)	209	29%
Reported net debt to adjusted EBITDA leverage	0.9x	1.2x	-	-
Profit to cash conversion	73%	88%	-	(15% pts)

Notes:

8. 2024 includes a £30 million revenue benefit from the transfer of ITV sports production from Media & Entertainment to ITV Studios effective from 1 January 2024

3. Total advertising revenue (TAR), which includes ITV Family NAR, digital advertising and sponsorship, was up 17% in Q2 and up 10% in H1. Compared to the same period in 2023 which included the Rugby World Cup, TAR is expected to be broadly flat in Q3, with continued strong growth in digital advertising revenues. Figures for ITV plc are based on ITV estimates and current forecasts.

4. Key performance indicators

Six months to 30 June	**2024**	**2023**	**Change**
Group adjusted EPS	3.3p	2.3p	43%
Cost savings	£23m	£11m	£12m
Profit to cash conversion	73%	88%	(15% pts)
ITV Studios adjusted EBITA margin % (inc AVEC)	15.7%	13%	2.7% pts
Total high-end scripted hours	107 hrs	109 hrs	(2%)
Number of formats sold in 3 or more countries	11	9	22%
% of ITV Studios total revenue from streaming platforms	22%	27%	(5% pts)
Total digital revenue	£244m	£218m	12%
Total streaming hours	846m	738m	15%
Monthly active users	14.6m	12.5m	17%
Share of top 1,000 commercial broadcast TV programmes	91%	93%	(2% pts)
Share of commercial viewing (SOCV)	33.2%	33.6%	(0.4% pts)
UK subscribers as at 30 June	0.9m	1.4m	(36%)

- Total digital revenue includes digital advertising revenue and subscription revenue as well as linear addressable revenue, digital sponsorship and partnership revenue, ITV Win and any other revenues from digital business ventures.
- Total streaming hours measures the total number of hours viewers spent watching ITV across all streaming platforms. This figure includes both ad-funded and subscription streaming. In H1 2023, total streaming hours were reported as 737 million hours, which included some estimates of total streaming viewing from third-party data providers. This has since been updated to reflect more recently available and accurate data.
- Monthly active users captures the average number of registered users throughout the period who accessed our owned and operated on demand platforms each month.
- The share of top 1,000 commercial broadcast TV programmes KPI includes TV viewing from transmission and seven days post-transmission on catch up, as well as six weeks prior to the transmission window. It excludes programmes with a duration of <ten minutes. This metric is calculated as a 12-month rolling average to normalise seasonal scheduling
- ITV Family share of commercial viewing is the total viewing of audiences over the period achieved by ITV's family of channels as a proportion of all commercial broadcast TV viewing in the UK, from transmission and seven days post transmission on catch up. ITV Family includes ITV1, ITV2, ITV3, ITV4, ITVBe, CITV and CITV Breakfast in 2023 only, ITV Breakfast and associated "HD" and "+1" channels. Note that CITV closed down and became a fully on demand service on ITVX in September 2023
- UK subscribers captures total UK subscriptions to ITV streaming platforms and services (including free trials). Going forward as we focus on delivering at least £750 million by 2026, we will prioritise our ad-funded proposition over our pay proposition to deliver the best return
- % change for performance indicators is calculated on rounded numbers.
- KPIs for the six months to June 2024 and 2023 are unaudited

5. Digital revenue breakdown

Six months to 30 June	2024 £m	2023 £m	Change %
Digital advertising revenue	209	179	17
Subscription revenue	26	29	(10)
Other digital revenue	9	10	(10)
Total digital revenue	**244**	**218**	**12**

6. Total Studios organic revenue at constant currency was down 12% to £881 million for the first six months of 2024, this includes £30 million of revenues following the transfer of ITV sports production from M&E. The unfavourable translation impact of foreign exchange on total revenue over the period was £12 million. Our definition of constant currency assumes exchange rates remain consistent with 2023.

7. Net debt includes net proceeds from the sale of BritBox International which is funding the current £235 million share buyback. Excluding the net proceeds that have been designated to fund the remainder of the buyback, net debt is £697 million and net debt to adjusted EBITDA leverage is 1.2x.

   We have extended the maturity profile of ITV's debt through the issuance of a €500 million Eurobond to June 2032 during the period. The proceeds have been used to repay the £230 million term loan (maturing in 2027) and retire €240m of the €600 million Eurobond (due in 2026).

8. We have recently agreed non-binding heads of terms to resolve the long running Box Clever pension dispute. Should the dispute be resolved in line with the proposed agreement, all current Scheme members will be transferred into the ITV Pension Scheme and will receive their full Scheme benefits. We would also expect to make a one-off cash payment of around £25m into the ITV Pension Scheme in 2025.

9. This announcement contains certain statements that are or may be forward looking statements. Words such as "targets", "expects", "aim", "anticipate", "intend", or the negative of these terms and other similar expressions of future performance or results, and their negatives, are intended to identify such forward-looking statements. These forward-looking statements are based upon current expectations and assumptions regarding anticipated developments and other factors affecting ITV. Although ITV believes that the expectations reflected in these forward-looking statements are reasonable, it can give no assurance that these expectations will prove to have been correct. 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. They are not historical facts, nor are they guarantees of future performance; actual results may differ materially from those expressed or implied by these forward-looking statements. 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) the general economic, business, political, regulatory and social conditions in the key markets in which the Group operates, (ii) a significant event impacting ITV's liquidity or ability to operate and deliver effectively in any area of our business, (iii) a major change in the UK advertising market or consumer demand, (iv) significant change in regulation or legislation, (v) a significant change in demand for global content, and iv) a material change in the Group strategy to respond to these and other factors. Certain of these factors are discussed in more detail elsewhere in this announcement and in ITV's 2023 Annual Report and Accounts including, without limitation, in ITV's approach to risk management.

   Forward-looking statements speak only as of the date they are made and, except as required by applicable law or regulation, ITV undertakes no obligation to update any forward-looking statements, whether written or oral, that may be made from time to time, whether as a result of new information, future events or otherwise. Nothing in this statement should be construed as a profit forecast.

10. The unaudited financial information set out above does not constitute the Company's statutory accounts for the period ended 30 June 2024. Statutory accounts for 2023 have been delivered to the registrar of companies, and those for 2024 will be delivered in due course. PwC has reported on those accounts; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

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Operating and Financial Performance Review

Our Purpose, Vision and More than TV Strategy

Over the last five years, ITV has been transformed as we continue to adapt to the significant changes within our industry. We have now passed peak net investment for our streaming business, and this together with the successful execution of our strategy and our continuous efficiency programmes, means that we expect to grow profits from here and will continue to deliver returns to shareholders.

Our purpose remains unchanged, we entertain and connect with millions of people in the UK and globally, reflecting and shaping culture and building brands, with brilliant content and creativity.

Our vision is that by 2026, ITV will be a leader in UK advertiser-funded streaming, and an expanding global force in content. We are focused on three strategic pillars to deliver this vision:

- Expand Studios - Further expanding by genre, geography and customer and growing faster than market
- Supercharge Streaming - Driving digital viewing and revenue through ITVX and Planet V, ITV's leading addressable advertising platform
- Optimise Broadcast - Digitally transforming as we continue to attract commercial broadcast audiences of unparalleled scale

These pillars are underpinned by a number of priorities (detailed below) to ensure that ITV is best placed to capitalise on the opportunities presented by the rapidly changing viewing, content production and advertising environments. These pillars are not independent. They work together – reinforcing each other, creating synergies and delivering value.

We are well on track to deliver our 2026 KPI targets and the successful delivery of the strategy is repositioning ITV towards growth, driven by Studios and Digital. ITV will be more robust with a leading scaled and global Studios business, high growth streaming service, and a cash generative linear advertising business and by 2026 we expect two thirds of the revenue to come from the growth drivers.

Integrated producer broadcaster and streamer

ITV has a unique market position as a global and diversified vertically integrated producer broadcaster and streamer with content central to everything we do. This model benefits both divisions and therefore the Group:

For ITV Studios it:

- Provides a sustainable base of core commissions which gives stability in a changeable industry
- Helps with attracting and retaining industry-leading talent which is key to a successful creative business
- Provides a platform to make Studios' content famous and enables cross-promotion, supporting the international sale of our content and formats, and the monetisation of our IP across our business models

For Media & Entertainment it:

- Provides access to world-class content for ITV's linear TV channels and ITVX, driving viewing growth
- Enables deeper and more creative and productive partnerships with advertisers, driving revenue

For the Group, this gives us a real competitive advantage, providing attractive economics as we operate across the entire value chain, and benefit from diversification in a cyclical industry.

Group financial overview[1]

ITV continued to successfully execute its strategy in the first half of 2024 and delivered a strong financial, operating and creative performance, delivering a 40% increase in adjusted EBITA[2].

ITV Studios performed well against a difficult market backdrop, and is expected to deliver record profits over the full year. This good outturn reflects the significant benefits of ITV's scale and its diversification by product, geography and customer, as well as the actions we are taking on cost.

In Media & Entertainment (M&E), total advertising revenue grew ahead of expectations up 10%, and ITVX sustained strong viewing metrics and delivered 17% growth in digital advertising revenues.

Six months to 30 June	**2024 £m**	2023 £m	Change £m	Change %
ITV Studios	**869**	1,000	(131)	(13)
M&E	**1,034**	964	70	7
Total Revenue	**1,903**	1,964	(61)	(3)
Internal supply	**(304)**	(325)	21	6
Total external revenue	**1,599**	1,639	(40)	(2)
Total non-advertising revenue	**1,014**	1,153	(139)	(12)
ITV Studios adjusted EBITA[2]	**136**	130	6	5
M&E adjusted EBITA	**76**	23	53	230
Adjusted EBITA	**212**	153	59	39
Profit in stock	**1**	(1)	2	200
Group adjusted EBITA[3]	**213**	152	61	40
Group adjusted EBITA margin	**13%**	9%	-	4% pts
Statutory operating profit	**136**	66	70	106
Adjusted EPS (p)	**3.3p**	2.3p	1.0p	43
Statutory EPS (p)	**6.6p**	1.0p	5.6p	560

In the first half of 2024, total ITV revenue decreased by 3%, with the expected decline in ITV Studios revenue of 13%, impacted by US strikes in 2023 and lower demand from free-to-air broadcasters in Europe, offsetting the growth in total advertising revenue (TAR). Total ITV Studios revenue includes the benefit of £30 million of revenue following the transfer of sports production from M&E. External revenue was down 2%.

Group adjusted EBITA[2] increased by 40% over the period, reflecting the operational gearing of Media & Entertainment, the higher margin in ITV Studios and the delivery of £23 million of cost savings. ITV Studios adjusted EBITA[2] including Audio-Visual Expenditure Credits (AVEC) increased by 5% at a margin of 15.7%, excluding AVEC, ITV Studios adjusted EBITA increased by 2% at a margin of 15.3%. M&E adjusted EBITA increased by 230% reflecting the growth in TAR.

The delivery of £23 million of cost savings during the period has come from across the business, which includes technology and operational efficiencies, permanent reductions in discretionary spend, and organisational redesign savings associated with our strategic restructuring and efficiency programme. We are on track to deliver the £40 million of incremental in-year savings in 2024 that were previously guided. This comprises £10 million from our existing £150 million cost saving target, and £30 million of additional savings as part of the new strategic restructuring and efficiency programme.

Total operating exceptional items were £38 million (2023: £27 million), which mainly consists of £32 million of restructuring and transformation costs. This stems from our new cost savings programme as well as transformation programme costs associated with delivering our strategy including our new programme rights, Finance and HR systems (see note 2.2 of the Financial Statements for further detail).

Adjusted financing costs were up in the period at £10 million (2023: £9 million), largely due to financing costs attributable to loans and bonds. Statutory net financing income was £7 million compared to a £19 million cost in 2023. This was mainly driven by fair value gains on bonds that were repaid in the period, the interest accrued on acquisition-related exceptional expenses and unrealised foreign exchange losses, along with fair value adjustments on financial assets and imputed pension interest charges.

Notes:
1. We measure performance through a range of metrics, particularly through our APMs and KPIs, as well as statutory results, all of which are set out and defined in the APMs section
2. This includes a £3 million impact from the change in legislation on Audio-Visual Expenditure Credits (AVEC), effective on expenditure incurred from 1 January 2024. Expenditure credits on qualifying expenditure is included within operating profit rather than within the consolidated tax charge. As a result, our EBITA, adjusted EBITA, adjusted EBITA margin, profit before tax and tax charge will increase, but profit after tax and EPS is unchanged, compared to the previous High-End TV accounting treatment. Excluding the impact of AVEC, ITV Studios adjusted EBITA increased by 2% to £133 million and Group adjusted EBITA increased by 38% to £210 million
3. Refer to APMs for key adjustments to EBITA and adjusted EBITA

Operating and Financial Performance Review continued

Our adjusted tax rate was 27.5% (2023: 19.5%) and the statutory effective tax rate was 21.0% (2023: 2.2%). The higher tax rate in the period was due to the impact of AVEC being claimed on new productions with expenditure in 2024 which increases the effective tax rate.

Adjusted EPS for the six months was 3.3p (2023: 2.3p), with statutory EPS increasing from 1.0p to 6.6p. See the Finance Review for further detail.

Our profit to cash conversion on a 12-month rolling basis (which is an APM) was 73% (31 December 2023: 102%, 30 June 2023: 88%). At 30 June 2024 we had a negative free cash flow of £19 million (31 December 2023: £361 million surplus, 30 June 2023: £51 million surplus), reflecting a significant increase in working capital in H1 as a result of the resumption of production in the US following the strikes in 2023. Over the second half of the year, we expect a more normalised working capital movement and across 2023 and 2024 we expect cash conversion to be around 80%.

Our net debt was £515 million (31 December 2023: £553 million, 30 June 2023: £724 million) and our net debt to adjusted EBITDA on a 12-month rolling basis was 0.9x (31 December 2023: 1.0x, 30 June 2023:1.2x). Net debt includes net proceeds from the sale of BritBox International, which is funding the current £235 million share buyback. Excluding the net proceeds that have been designated to fund the remainder of the buyback, net debt is £697 million and net debt to adjusted EBITDA leverage is 1.2x. Refer to the Finance Review for further detail.

We have good access to liquidity. At 30 June 2024, we had cash and committed undrawn facilities totalling £1,254 million, including total cash of £354 million (31 December 2023: £1,240 million, including total cash of £340 million, 30 June 2023: £964 million, including total cash of £264 million).

We have extended the maturity profile of ITV's debt through the issuance of a €500 million Eurobond to June 2032 during the period. The proceeds have been used to repay the £230 million term loan (maturing in 2027) and retire €240 million of the €600 million Eurobond (due in 2026).

We have a clear capital allocation policy and our priorities remain unchanged (see the Finance Review for further details).

The Board recognises the importance of the ordinary dividend to ITV shareholders. Reflecting its confidence in the business and its strategy, as well as the continued strong cash generation, the Board has declared an interim dividend of 1.7p (2023: 1.7p). The Board remains committed to paying a full year ordinary dividend of at least 5.0p in 2024, which it expects to grow over the medium term, whilst balancing further investment in our strategy and our commitment to investment grade metrics over the medium term.

Following the sale of ITV's 50% shareholding in BritBox International to BBC Studios on 1 March 2024 for a cash consideration of £255 million, the Board is returning the entire net proceeds to shareholders through a £235 million share buyback. £53 million has been bought back during the period.

We remain focused on managing our cash and costs while continuing to invest in delivering our strategic priorities. Our robust balance sheet allows us to do this while delivering returns to shareholders.

ITV Studios

ITV Studios is a scaled and global creator, owner and distributor of high-quality TV content operating in 12 countries and across 60+ labels; diversified by genre, geography and customer in the key creative markets around the world.

ITV Studios benefits from scale, being the largest producer in the UK, one of the largest unscripted producers in the US and one of the top three in the majority of the remaining international markets in which it operates. ITV Studios is a trusted supplier with well established relationships with key content buyers and leading creative talent in those markets; and with a combined content library of over 90,000 hours, it is also one of the pre-eminent global distributors.

The global content market is large, (c.$226 billion in 2023, Source: Ampere Analysis Feb 2024) and attractive with all platforms needing a mix of content to succeed in a very competitive market. We expect to see growth in the key segments in which ITV Studios operates, including content licensing and demand from streaming platforms for unscripted content and cost effective premium scripted content which we are well positioned to take advantage of. We are confident that we will continue to grow our market share to 2026 driven by our global scale; our diversification by customer; geography and genre; a strong track record of high-quality content; a very strong slate for 2024 and beyond; and our leading creative talent.

Over the last six years (2018 – 2023), ITV Studios revenue (excluding acquisitions) has grown by around 5% CAGR, faster than the market of around 4% CAGR (Source: Ampere Analysis - based on the ITVS addressable market).

Operating and Financial Performance Review continued

ITV Studios Strategy and Key Performance Indicators

ITV Studios' ambition is to be a leading force in the creation and ownership of intellectual property (IP), global content production and distribution. We are achieving this by focusing on our four strategic priorities (detailed below) to drive revenue and profit growth. Each priority is underpinned by a KPI target for 2026 which we are on track to deliver.

The half year KPI performance reflects the phasing of deliveries and impact of US strikes. In addition, effective from 1 January 2024, the financial performance of ITV Studios UK includes the benefit of £30 million of revenue following the transfer of sports production from M&E. The transfer means all production labels are now within ITV Studios and will create production opportunities.

PRIORITIES	WHY IT'S IMPORTANT	FY 2026 TARGET	HY 2024	WHAT IT DRIVES
1. Grow our scripted business	To meet the growing global demand for scripted content particularly from streaming platforms	400 high-end scripted hours per annum	107 hours (2023: 109 hours)	Growth in total organic revenue of 5% on average per annum to 2026[4] which is ahead of the market
2. Grow our global formats business	To maximise international monetisation of high-value formats	20 formats sold in three or more countries	11 formats (2023: 9 formats)	Delivers adjusted EBITA[5] margin of 13% to 15%
3. Further diversify our customer base	To capture the growth in content spend from local and global streaming platforms	30% of total revenues from streaming platforms	22% (2023: 27%)	In the first half of 2024, total organic revenue[6] declined 12% at an adjusted EBITA margin of 15.7%
4. Attract and retain leading talent	Key to creative success of a Studios business	N/A	N/A	

Growing our scripted business

Scripted content plays a key role in attracting and retaining viewers and subscribers on both free-to-air and streaming platforms. This together with the increase in the number of streaming platforms has led to an increase in original scripted commissions in the UK, US, Australia and Europe in recent years. With our global production presence and a strong track record for delivering high-quality scripted content, ITV Studios is well-positioned to cater to this demand, and importantly grow our share of the market.

ITV has a portfolio of scripted labels in the UK and internationally, which creates and produces high-quality content with global appeal for both FTA and streaming platforms. We continue to see good momentum in our scripted pipeline in 2024 and beyond, particularly from the streaming platforms with who we have built strong relationships over the last few years. Several scripted titles which performed well on their respective platforms have been recommissioned, this includes; One Piece for Netflix, The Completely Made-Up Adventures of Dick Turpin for Apple TV+, Petra for Sky Italia, Shetland for the BBC, and Karen Pirie and Grace for ITV.

In the first half of 2024, ITV Studios high-end scripted hours decreased by 2% year-on-year to 107 hours (2023: 109 hours) reflecting the impact of the US actors' and writers' strike and the phasing of deliveries. We remain on track to produce 400 hours of high-end scripted content per annum by 2026.

Growing our Global Formats business

Unscripted content also remains important to ITV Studios. Through our Global Partnerships business, we monetise our portfolio of some of the world's most successful travelling entertainment formats, as well as maximise commercial opportunities from our brands. We are focused on driving growth across our unscripted offering by monetising our existing high-value formats effectively as well as supporting the creation of new global formats.

Our portfolio of world-class brands includes our established formats such as The Voice (one of the most successful unscripted format brands in the world), Love Island, The Chase, and I'm A Celebrity…Get Me Out Of Here!. These formats and spin-offs continue to sell in new territories and attract mass audiences for our clients. They are highly sought after by both traditional broadcasters and streaming platforms, offering cost-effective content with a proven track record of audience success. We also have several new formats that have been commissioned in our UK, US and international production bases, with the potential to be future global hits. These include My Mum, Your Dad (our first global format to originate from the US); I Kissed A Boy/Girl; Make Love Fake Love, and our new format, Shark! Celebrity Infested Waters, created by Plimsoll Productions in the UK.

During the period, across our Global Partnerships business, we sold 36 unique formats internationally (2023: 39), 11 of which were sold to three or more countries (2023: 9). By 2026, we expect to have 20 such formats in a year, with a view that one of these may be a significant new format like The Voice or Love Island.

Notes:
4. Average annual growth rate from 2021
5. Refer to APMs for detail on our adjusted measures
6. Organic revenue includes the benefit of £30 million revenue from the transfer of sports production from M&E to ITV Studios

Further diversifying our customer base

As the demand for content from streaming platforms remains strong, this presents a significant opportunity for ITV Studios to further diversify its customer base and remains a key priority of ITV Studios'. ITV has a strong track record in growing market share from streaming platforms. Between 2018 and 2023, ITV Studios grew its scripted and unscripted revenues from streaming platforms by over 40% CAGR and 65% CAGR respectively, which was ahead of market growth of around 30% for both genres (Source: Ampere Analysis: Feb 2024).

In the US particularly, ITV Studios has well-established and trusted relationships with all the major streaming platforms. In 2023, over 40% of US unscripted revenues and nearly 100% of US scripted revenues came from streaming platforms.

In the first half of 2024, the percentage of ITV Studios total revenues from streaming platforms decreased by five percentage points to 22% (2023: 27%). This was impacted by the year-on-year phasing of high-value scripted deliveries in the prior year such as Physical and Big Beasts for Apple TV+ and Fool Me Once for Netflix. Deliveries during the period included The Reluctant Traveller for Apple TV+ and Missing You and Inganno (in Italy) for Netflix.

ITV Studios has a strong creative pipeline with streaming platforms for scripted and unscripted titles in 2024 and beyond which includes: Squid Game: The Challenge S2, A.C.A.B, and Run Away all for Netflix; The Better Sister and Lazarus for Amazon Prime Video and Love Island USA for Peacock.

Attracting and retaining leading talent

A key part of ITV Studios investment strategy and its overall success is its ability to attract and retain the best creative talent. ITV Studios offers talent a unique combination of creative independence, an entrepreneurial culture, a label structure, and the resources of a global studio business. This includes access to ITV Studios global distribution network, and in the UK, the benefit of being a vertically integrated producer broadcaster and streamer.

ITV has successfully integrated its new labels - many set up through recent talent deals – and they have delivered an impressive slate of programmes with many new commissions in the pipeline, including; Virgin Island – a co-production between ITV America and Plimsoll Productions in the UK and Lazarus, Missing You and Run Away, all from Quay Street Productions in the UK. This strong pipeline demonstrates ITV Studios commitment and success in nurturing and leveraging top creative talent to deliver engaging and high-quality content.

We continuously manage our portfolio of labels to strengthen our creativity. In July we acquired the scripted independent production company Hartswood Films in the UK, producer of Sherlock. In the US, ITV Studios sold back its minority shareholding in Blumhouse TV to Blumhouse Holdings. Blumhouse and ITV America will continue their unscripted partnership.

ITV Studios financial performance

Six months to 30 June	**2024 £m**	2023 £m	Change £m	Change %	Organic Change[7] %
ITV Studios UK[7]	**393**	458	(65)	(14)	(14)
ITV Studios US	**117**	178	(61)	(34)	(33)
ITV Studios International	**168**	188	(20)	(11)	(8)
Global Partnerships	**191**	176	15	9	11
Total ITV Studios revenue[8]	**869**	1,000	(131)	(13)	(12)
Total ITV Studios costs	**(733)**	(870)	137	16	14
Total ITV Studios adjusted EBITA[8]	**136**	130	6	5	6
ITV Studios adjusted EBITA margin	**15.7%**	13.0%	-	2.7% pts	-

Six months to 30 June	**2024 £m**	2023 £m	Change £m	Change %
Sales from ITV Studios to M&E	**301**	322	(21)	(7)
External revenue	**568**	678	(110)	(16)
Total ITV Studios revenue	**869**	1,000	(131)	(13)

Six months to 30 June	**2024 £m**	2023 £m	Change £m	Change %
Scripted[9]	**211**	308	(97)	(31)
Unscripted	**480**	533	(53)	(10)
Core ITV[10] and Other	**178**	159	19	12
Total ITV Studios revenue	**869**	1,000	(131)	(13)

Notes
7. The organic change assumes exchange rates remain consistent with the comparative period and it removes the impact of acquisitions in the current or comparative period. ITV Studios UK also includes a £30 million revenue benefit from the transfer of ITV sports production from Media & Entertainment to ITV Studios effective from 1 January 2024
8. ITV Studios adjusted EBITA also includes a £3 million impact from the change in legislation on AVEC. Excluding the impact of AVEC, ITV Studios adjusted EBITA was up 2% to £133 million with a 15.3% margin. Refer to Alternative Performance Measures for key adjustments to EBITA and adjusted EBITA
9. Includes high-end scripted and other scripted revenues
10. Core ITV includes the soaps and Daytime shows produced by ITV Studios for ITV1

Operating and Financial Performance Review continued

ITV Studios performed well despite the expected difficult market backdrop in the first half of 2024. As expected, total ITV Studios revenue was down 13% in H1 due to the phasing of deliveries, which are heavily weighted to H2 and particularly Q4, and the expected impact from the 2023 US writers and actors strikes. Excluding the impact of the transfer of ITV sports production from Media & Entertainment to ITV Studios, total Studios revenue was down 16%. Sales from ITV Studios to M&E were down 7%, impacted by fewer ITVX exclusives as we have evolved our windowing strategy, and the absence in 2024 of I'm A Celebrity…Get Me Out Of Here! South Africa and The Voice Kids. Total external revenue was down 16%.

Total organic revenue at constant currency was down 12%, adjusting for the £12 million unfavourable foreign exchange movement in the year.

Reflecting our presence in key global production markets, 54% of ITV Studios revenue was generated outside the UK (2023: 56%).

ITV Studios adjusted EBITA (including AVEC)[8] was up 5% with an adjusted EBITA margin of 15.7%, reflecting an increase in higher margin catalogue sales in the first half of the year along with cost savings.

There was a £2 million unfavourable impact from foreign exchange on adjusted EBITA in the period. During the first half of 2024, £9 million of permanent cost savings were delivered relating to production efficiencies, permanent reductions in discretionary spend, and organisational redesign savings.

We continue to look at ways to drive efficiencies and improve margins over the medium term, including rationalising our property footprint, using technology and data to drive cost and revenue efficiencies, utilising our production hubs for our key global formats, taking further steps to digitise our production processes, as well as using remote editing more routinely and the operational use of AI to enhance creativity and optimise production processes where possible. We remain committed to our adjusted EBITA margin guidance of 13% to 15%.

ITV Studios UK

ITV Studios UK has a diverse range of scripted and unscripted titles for broadcasters and streaming platforms. The business is built upon many long-running and recurring titles, the majority of which are sold to the M&E business for transmission on ITV's family of linear TV channels and ITVX.

For the first six months of 2024, ITV Studios UK saw a decline in revenue of 14% to £393 million (2023: £458 million). This included the benefit of £30 million of revenue following the transfer of sports production from M&E. Excluding this transfer, revenue was down 21% in the period. The decline was impacted by the phasing of high-value deliveries in the first half of 2023 which included: Big Beasts for Apple TV+ and Scared of The Dark for C4. Offsetting some of this decline were deliveries for a broad customer base during the period including Love Island All Stars and A Cruel Love: The Ruth Ellis Story for ITV; The Gathering for Channel 4; Showtrial for the BBC, and Missing You for Netflix.

We have a strong delivery schedule for the second half of 2024 which includes new and returning entertainment programmes such as Destination X for the BBC and NBC, I'm A Celebrity…Get Me Out Of Here! and My Mum Your Dad for ITV, and new and returning dramas, The Forsyte Saga for PBS, Lockerbie for the BBC and Netflix, and Unforgotten and Vera for ITV.

ITV Studios US

ITV Studios US provides content to all the major networks and cable channels in the US, along with every major streaming platform.

During the period, ITV Studios US total revenue declined by 34% to £117 million (2023: £178 million) and by 33% to £120 million when adjusted for the unfavourable foreign exchange impact. The decrease in revenue year-on-year is driven by ITV Studios America (scripted) and reflects the phasing of large, unrepeated scripted deliveries year-on-year which has been impacted by the 2023 US writers' and actors' strikes and has delayed around £80 million of revenue from 2024 to 2025.

Within ITV Studios America (scripted), unrepeated deliveries included Physical for Apple TV+ and Ten Year Old Tom for HBO Max. Offsetting some of this decline were deliveries in ITV America (unscripted) such as Love Island S6 for Peacock, Worst Roommate Ever for Netflix, and Alone for History.

The creative pipeline in the US is strong, with scripted and unscripted projects in development with all the major streaming platforms, along with broadcasters and networks including ITV, OWN, AMC and HBO.

In the second half of 2024, scripted deliveries are expected to include The Better Sister for Amazon Prime Video and Snowpiercer for AMC, with unscripted deliveries expected to include Hell's Kitchen for Fox, Sneaky Links: Dating After Dark for Netflix, Virgin Island for Hulu, which is a co-production with Plimsoll in the UK, and Queer Eye for Netflix.

ITV Studios International

ITV Studios International produces original scripted and unscripted content across our production bases. Growing our European scripted business allows us to benefit from the demand for locally-produced content with global appeal, and we have scripted projects in production and development with many global and local streaming platforms.

Revenue within ITV Studios International decreased by 11% to £168 million in the first half of 2024 (2023: £188 million), and by 8% to £173 million when adjusted for the unfavourable impact of foreign currency. This decline reflects lower deliveries year-on-year across the portfolio. Deliveries in H1 2024 included Inganno (the Italian adaptation of Gold Digger from the UK), My Kitchen Rules Australia, Scared of the Dark in Germany based on the UK format, and Alone in Germany which is based on the US format.

Deliveries expected in the second half of 2024 include scripted titles Petra in Italy, and Citadel: Diana for Amazon Prime and key formats I'm A Celebrity…Get Me Out Of Here!, The Voice and The Voice Kids being delivered across multiple countries.

Operating and Financial Performance Review continued

Global Partnerships

Our distribution business, Global Partnerships focuses on maximising the value of our IP and library. It does this through selling formats, content sales and brand licensing, and recently has launched a collection of owned and operated Free Ad-supported Streaming TV (FAST) channels across the world which features our content, on platforms such as Pluto, Samsung and Rakuten.

Global Partnerships saw strong revenue growth in the first half of 2024, up 9% year-on-year to £191 million (2023: £176 million) and 11% to £195 million when adjusted for the unfavourable impact of foreign currency.

The business benefited from strong growth in catalogue sales, leveraging the breadth and depth of its extensive catalogue with sales to other broadcasters and streaming platforms globally – which is a growth area for Global Partnerships. It also benefited from the international distribution of titles such as After The Flood, Archie and Marlow Murder Club. Finished programming sales of unscripted titles including Love Island, Hell's Kitchen, River Monsters and TikTok Murders have all sold well to ad-funded video on demand platforms and FAST channels globally.

The second half of 2024 and beyond should see an increased pipeline of new content for Global Partnerships. New titles expected to sell internationally include My Mum Your Dad, Made In Korea, Ludwig and Human Error.

Outlook

- Over the full year, ITV Studios is expected to deliver record profits driven by an increase in higher margin catalogue sales and continued action to drive efficiencies. The full year margin will be lower than H1 reflecting the relatively lower mix of catalogue in the second half, but will be within our 13 to 15% guidance range
- As guided, revenue will be impacted by the 2023 US writers and actors strike, which will delay around £80 million of revenue from 2024 to 2025, and lower demand from free-to-air broadcasters in Europe in the short term. 2024 H2 deliveries will be weighted to Q4, with Q3 revenue expected to be down by a similar percentage to H1
- Previous guidance was for ITV Studios total revenue for FY 2024 to be broadly flat. Our view of the market has not changed but we now expect revenue to be down low single digits, due to a small number of key productions being contracted as executive productions rather than co-productions. The change in contractual arrangement has no impact on profit but does mean we recognise less revenue this year. There remain a small number of contracts under negotiation which may have a similar outturn of lower recognised revenue but the same profit if they are contracted as executive productions. In the revenue guidance we have assumed that we will be the main or co-producer
- ITV Studios remains on track to deliver total organic revenue growth of 5% on average per annum from 2021 to 2026 - ahead of the market, and at a margin of 13 to 15%

Operating and Financial Performance Review continued

Media & Entertainment

Media & Entertainment (M&E) is the largest commercial broadcaster and streamer in the UK, delivering unrivalled audience scale and reach. It includes Streaming and Broadcast, distributing content through ITVX, our free advertiser-funded streaming service, and our free-to-air linear TV channels.

M&E Strategy and Key Performance Indicators

ITV's M&E strategy recognises and capitalises on the changing viewer behaviour and the evolving needs of advertisers. It is based on two strategic pillars: Supercharge Streaming and Optimise Broadcast.

Our aim is to retain our existing viewers and advertisers while also attracting new ones. ITV offers viewers the choice to watch whenever and however they wish, with a strong reputation for brilliant content suited to British audiences. ITV offers advertisers a unique combination of mass simultaneous reach, targeted advertising at scale, and commercial and creative partnerships in a brand-safe and reliably measured environment.

We are executing our strategy through our focus on a number of strategic priorities (detailed below) to drive growth in digital revenues and maintain strength in linear. Each priority is underpinned by a KPI target for 2026 which we are on track to deliver.

	PRIORITIES	WHY IT'S IMPORTANT	FY 2026 TARGET	HY 2024	WHAT IT DRIVES
STREAMING	1. Attract more monthly active users to ITVX	ITV's reach is key to retaining and attracting advertisers	Grow monthly active users to 20 million	14.6 million (2023: 12.5 million)	Growth in digital revenues to at least £750 million by 2026 Revenues from linear TV advertising, commercial and creative partnerships, and sponsorship In the first half of 2024, total digital revenues were £244 million, up 12% year-on-year
	2. Increase the time users spend on ITVX	ITV's scale is key to retaining and attracting advertisers	Grow total streaming hours to 2 billion hours	846 million hours (2023: 738 million hours)	
	3. Increase UK subscriber base	Monetising ITV viewers who are willing to pay for ad-free and additional content	Grow subscribers to 2.5 million	0.9 million (2023: 1.4 million)	
BROADCAST	4. Maintain our strength in delivering mass linear audiences	ITV's mass linear audiences remain very important to UK advertisers	Maintain a share of at least 80% of the top 1,000 programmes	91% (2023: 93%)	
	5. Maintain ITV's position in UK broadcast market	ITV's scale remains very important to UK advertisers	Maintain a share of commercial viewing of 33%	33.2% (2023: 33.6%)	

Growing and enhancing our streaming proposition ITVX

Our digital business continues to go from strength to strength. Over the first half of 2024 we have seen continued momentum in the performance of ITVX, building on the strong viewing and monetisation we had in 2023.

ITVX continues to attract more users who are engaging for longer. Over the first six months of 2024, the service:

- **Attracted more users** - monthly active users (MAUs) increased by 17% to 14.6 million year-on-year (2023: 12.5 million)
- **Attracted a larger audience** - total streaming hours were up 15% to 846 million (2023: 738 million)
- **Attracting harder to reach audiences** - streaming hours amongst the 25-54s age group demographic increased by 29%, and amongst Men increased by 37%
- **Increased engagement and content discovery** - streaming hours per user was up 5%, and we have seen the power of our dramas in bringing people into ITVX who then go on to watch other content. For example, 93% of those watching Mr Bates vs The Post Office subsequently went on to watch other content on ITVX

This increased reach and frequency of viewers provide advertisers with valuable addressable audiences at scale in a brand-safe and measured environment. Our robust data and analytics capabilities enable us to offer high-value, data-driven inventory and to generate higher digital advertising revenue, up 17% which has helped drive 12% growth in digital revenues year-on-year.

To deliver and maintain this strong performance we focus our ITVX investment, which remains on plan, on enhancing the depth and breadth of content, continuous improvements in the product and user experience, expanding the distribution and marketing, and increasing monetisation of ITVX.

Content: There are 27,000 hours of content available on ITVX (including over 7,000 hours exclusively on the premium ad-free tier), including on-demand content from our five linear TV channels, FAST channels, exclusive first run ITVX content (including drama, comedy, reality, true crime and US box sets), ITVX Kids (which has seen streams up 1,000% year-on-year), and over 250 films creating one of the UK's largest free film libraries. Programmes which contributed significantly to the year-on-year increase in streaming hours include the first two weeks of UEFA Euro 2024, Love Island, Red Eye, Mr Bates vs The Post Office and Under The Banner of Heaven.

We are constantly testing, learning and evolving our content proposition and windowing strategy between ITVX and our linear TV channels, utilising our significant data to optimise viewing and monetisation. We can pinpoint specific programmes which are driving viewing, enabling more consistent delivery of audiences.

News is an important driver of viewing, with News streaming hours up 44% year-on-year.

In the second half of 2024, ITVX will benefit from the strong linear TV schedule of drama, entertainment and reality along with a number of Hollywood film franchises and additional ITVX exclusives.

Product: During Q4 2023, ITVX launched a new personalisation and recommendations tool to enhance user experience and increase the click-through rate on personalised areas of the platform. This tool, aimed at delivering more relevant content recommendations, was further implemented and optimised in the first half of 2024, leading to a 30% increase in viewing from personalised content rails on the homepage.

Building on this success, the second half of 2024 will see further expansion of personalisation across ITVX and continuous improvements to the content algorithms, designed to drive further user engagement and a sustainable audience.

Distribution: During the first half of 2024, we further expanded ITVX's distribution footprint by launching on PlayStation 4 and 5, and on Freely, the new TV streaming service which combines live TV and on-demand services of the FTA broadcasters which will help make ITV, along with the other PSBs, more accessible and discoverable.

In the second half of 2024, ITVX will launch on Apple Vision Pro - Apple's new Virtual Reality device. We will also focus on further improving the discoverability of ITVX on third-party platforms by creating additional links that bring users directly into ITVX from the main screens of their devices, driving larger audiences to our content through these platforms.

Marketing: Marketing is an important tool to continue to attract users and viewing on ITVX, and also on our linear TV channels. As previously guided, we are increasing our marketing investment by £15 million in 2024 to drive both streaming and linear viewing.

In the first half of 2024 we have focused on boosting marketing around shows which have already started to see an uplift in viewing from trending news stories or social media, along with increasing the prominence of our content on third-party platforms.

We will continue to use social media to engage with 25-54-year-old viewers – showcasing the breadth and depth of our quality content, adopt a more responsive approach helping highlight popular programs to commercially valuable audiences, along with continuous focus on measurement and optimisation of our investment. To date, we have already seen an improvement in the efficiency of our investment in digital marketing, with our cost per acquisition down 10% year-on-year.

Monetisation: To increase the monetisation of our inventory on ITVX, during the first half of 2024, we introduced Pause Ads, which seamlessly play ads when a user pauses content, and rolled-out out new ways for clients to sponsor collections of content across the service. We also were the first UK broadcaster to introduce subtitles on adverts, something that is extremely important to our advertising clients. We also enabled ad replacement on ITVX video on-demand content across all mobile platforms.

Towards the end of 2024 and into 2025 we will launch linear addressable advertising on Sky Glass and Sky Stream and roll out ad replacement across our FAST channels and simulcast on connected TVs, which will enable better monetisation opportunities across these platforms.

ITVX Premium offers users the opportunity to enjoy all ITVX programming ad-free plus exclusive content and access to BritBox UK (content from the ITV and BBC libraries). Although the main focus since ITVX's launch has been to promote the ad-funded service, we have improved the premium offering by incorporating additional content from our recent partnership with Hayu Select, and have worked with third-party platforms to enable greater prominence on device interfaces.

During the first half of 2024, as previously announced, we simplified our ITVX Premium offering by closing the BritBox UK service on Amazon Prime Video Channels along with the BritBox UK standalone app. This has allowed us to consolidate all our subscribers under one ITVX Premium brand, and gives us complete ownership of the subscriber base as well as improving the overall user experience for those subscribers. The actions we have taken will have a short-term impact on subscriptions and our subscription revenue. At 30 June 2024, UK streaming subscriptions declined to 0.9 million from 1.3 million at 31 December 2023.

To date, subscribers have performed as expected. Going forward as we focus on delivering at least £750 million by 2026, we will prioritise our ad-funded proposition over our pay proposition to deliver the best return.

Operating and Financial Performance Review continued

Continuing to deliver unrivalled audiences with high-quality programming

Within our Broadcast business, we operate the largest family of free-to-air commercial television channels in the UK. These channels provide unparalleled audience scale and reach, as well as targeted demographics demanded by advertisers. Despite the growth in streaming viewing, linear TV remains important for both our viewers and advertisers.

To optimise Broadcast and maintain our USP of delivering mass audiences for advertisers, we will continue to invest in live content, such as sports and large entertainment shows, as well as drama, factual and news. In total in 2024 we will invest around £1.275 billion in our content budget across all our linear TV channels and ITVX in order to drive these mass audiences on our linear TV channels, and live and on demand viewing on ITVX.

Over the last few years, linear TV audiences in the UK have gradually declined with audiences spending an increasing amount of time on streaming platforms, both ad-funded and paid. In the first half of 2024, total ITV viewing (which includes viewing of all ITV content, across all devices) was down 4% to 6.5 billion hours. Total broadcaster viewing (broadcaster viewing across all devices) declined by 1% during the period and total broadcaster and subscription streaming service viewing (viewing of all broadcaster and subscription streaming service content across all devices) remained flat year-on-year (Source: ITV, BARB). ITV's decline was behind the market due to a strong H1 2023 (ITV declined 1% compared to total broadcaster viewing declining 3%), which had a benefit from more ITVX exclusive content. In H1 2024 other broadcasters saw more viewing from sport in their schedule compared to prior years.

We have maintained our significant share of the top 1,000 commercial broadcast TV programmes, delivering 91% in the first half of 2024 (2023: 93%) and our share of commercial viewing was 33.2% (2023: 33.6%) and we continue to have the largest share of commercial viewing versus our commercial competitors. Content such as UEFA Euro 2024, Love Island, Mr Bates vs The Post Office, After The Flood and Saturday Night Takeaway all contributed to our viewing KPIs in the period, and we remain on track to deliver our 2026 targets.

We have an exciting schedule for the rest of 2024. This includes entertainment shows The Voice, My Mum, Your Dad and I'm A Celebrity…Get Me Out Of Here!, new and returning dramas Joan, Until I Kill You and A Cruel Love: The Ruth Ellis Story, The Twelve S2 and Grace S4, along with sport including the men's and women's international football qualifiers.

Strong linear and online advertising proposition

While the advertising market is becoming more competitive, ITV is in a good position to be able to compete for advertising in a long-term growing advertising market with its unique combination of mass simultaneous reach, targeted advertising and commercial and creative partnerships. ITV has deep relationships with agencies and advertisers; can provide brand-safe and measured advertising and has a strong track record of commissioning and producing content which appeals to UK audiences.

Mass simultaneous reach

As the viewing and advertising landscape becomes more fragmented, the mass scale and reach provided by television, and particularly ITV, becomes even more valuable to advertisers. We have built a range of measurement tools focused on measuring the outcome and effectiveness of advertising which is key to growing our advertising revenues. Recent research has demonstrated that TV advertising remains the most effective advertising channel for brands, with the return on investment from TV being 1.5x higher than digital.

With global steaming platforms entering the advertising market and introducing ad-supported tiers to their subscription plans, ITV's USP as the largest commercial public service broadcaster in the UK remains incredibly important and the advertising proposition ITV offers clients is unparalleled, and something that no streamer can match.

Targeted advertising – Planet V

Planet V is ITV's wholly-owned, scaled programmatic addressable advertising platform with an intuitive self-service interface that allows agencies and advertisers to seamlessly and cost-effectively buy highly targeted video advertising on ITVX. Planet V utilises ITV's extensive data assets and capabilities to provide compelling advertising products for advertisers. ITVX has over 40 million registered users, giving ITV and its advertisers one of the largest first party data sets in the UK. Being wholly owned ensures that all the returns generated by the platform go directly to ITV without any value leakage through third-party commissions.

The platform is used by over 2,000 users in the UK and offers agencies and advertisers access to over 20,000 data-targeting options to create sophisticated audience segments. They can also incorporate their own first-party data in a GDPR-compliant environment using InfoSum (an identity infrastructure provider) and monitor their campaigns through a custom-built user interface. Advertisers are prepared to pay more for this increasingly sophisticated and valuable ad inventory.

With the expansion of ITVX's online inventory and reach, ITV is well positioned to meet the increasing demand for targeted advertising. We have a significant opportunity to partake in the addressable advertising market of around £6.8 billion (in 2023) (Source: AA/WARC Q3 2023 Expenditure Report), and have the foundations in place to compete successfully for the long tail of advertisers within the online video market which were previously inaccessible to ITV due to their scale and targeting requirements. Since we launched Planet V we have attracted over 1,100 new advertisers to ITV, have delivered double digit growth in our CPMs as we sell more sophisticated addressable advertising and have booked over £1 billion in revenue through the platform.

Planet V provides access to our growing range of innovative addressable products (**ITV Ad Labs Products).** This includes:

- *Automated Contextual Targeting* which is an A.I powered solution to analyse our shows to identify the most perfect content environment for advertisers to sit in
- *Matchmaker* which can securely match client data with ITV's existing registered first-party audience and Boots' Advantage Card and Tesco's Dunnhumby Clubcard databases
- *Dynamic Creative* where the advertising creative can be automatically changed depending on a viewer's demographic, location, or any other data point

Operating and Financial Performance Review continued

Commercial and creative partnerships

ITV's Commercial team delivers strategic commercial and creative partnerships with advertisers who highly value ITV's unrivalled scale and reach and targeted audiences to establish and grow their own brands. This includes product placement, ad-funded programming and other partnerships that leverage the strength of our programme brands to help advertisers connect with audiences in unique ways. As a vertically integrated producer broadcaster and streamer, we have the advantage of owning the intellectual property of programming, and having editorial, commercial, creative, and production teams working together, creating valuable opportunities for advertisers.

M&E financial performance

Six months to 30 June	**2024 £m**	**2023 £m**	Change £m	Change %
Total advertising revenue	**889**	811	78	10
Subscription revenue	**26**	29	(3)	(10)
SDN	**22**	24	(2)	(8)
Partnerships and other revenue	**97**	100	(3)	(3)
M&E non-advertising revenue	**145**	153	(8)	(5)
Total M&E revenue	**1,034**	964	70	7
Content costs	**(663)**	(648)	(15)	(2)
Variable costs	**(76)**	(66)	(10)	(15)
M&E infrastructure and overheads	**(219)**	(227)	8	4
Total M&E costs	**(958)**	(941)	(17)	(2)
Total M&E adjusted EBITA[11]	**76**	23	53	230
Total adjusted EBITA margin	**7.4%**	2.4%	-	5.0% pts

11. Refer to APMs for key adjustments to EBITA and adjusted EBITA

Six months to 30 June	**2024 £m**	**2023 £m**	Change £m	Change %
Digital advertising revenue	**209**	179	30	17
Subscription revenue	**26**	29	(3)	(10)
Other	**9**	10	(1)	(10)
Total digital revenue	**244**	218	26	12

Total M&E revenue was up 7% in the half-year with total advertising revenue (TAR) up 10% and ahead of expectations. Digital revenue, an important Streaming KPI that includes revenue from digital advertising, digital sponsorship and our subscription services, was up 12% in the period to £244 million (2023: £218 million). Within this, digital advertising revenue (a component of digital revenues) saw strong growth, up 17% year-on-year. M&E non-advertising revenues was down 5%, driven by the expected decline in subscription and partnership revenues as we improve the viewer proposition and monetisation of ITVX. Further detail on the year-on-year movement in revenue is detailed below.

Total M&E costs were up 2% in the first half, and within this, content costs were up 2% reflecting the phasing of spend in relation to the UEFA Euro 2024 tournament.

Variable costs were up 15%, mainly driven by our planned increase in marketing.

M&E infrastructure and overhead costs decreased by 4%, with inflation offset by permanent cost savings of £14 million delivered in the year relating to operational efficiencies associated with our transponders, headcount savings and a reduction in discretionary spend.

M&E adjusted EBITA was up 230% reflecting the growth in TAR and cost savings delivered.

Total advertising revenue (TAR)
TAR for the first half of 2024 was up 10% year-on-year which was ahead of our expectations.

The start of 2024 saw TAR up 3% in Q1 and up 17% in Q2 with strong viewing across our broadcast channels and ITVX, with a very successful first two weeks of the UEFA Euro 2024, a year-on year-increase in viewing of Love Island and a slate of great dramas.

Most TAR categories were up year-on-year, including FMCG related categories, with Household Stores up 62% and Food up 41%. Entertainment and Leisure was up 23% and within that gambling was up 42% with increased spend around the UEFA Euro 2024 tournament. Cars was up 23% driven by significant spend from new car brands entering the market, and Retail was up 17%, driven by increased spend from the supermarkets which was up 19%.

Categories which had decreased spend year-on-year include Telecommunications which was down 21% and had lower spend from some mobile operators. Finance was down 7% with a decline in spend from some insurance companies and retail banks. After seeing annual growth in advertising spend since the COVID-19 pandemic, Airlines and Travel was down 4% year-on-year. E-commerce companies, excluding gambling, decreased 16% in the period with the largest declines from online holiday companies.

Operating and Financial Performance Review continued

Subscription revenue
Subscription revenue is generated directly from the premium tier of ITVX, and prior to their closure in 2024, revenue also came from the standalone BritBox UK app, and BritBox UK and ITV Catch Up services on Amazon Prime Video Channels.

The closure of these services to simplify the paid streaming proposition impacted our subscription revenue in the first half of 2024, which decreased by 10% to £26 million (2023: £29 million).

SDN
SDN generates revenue by licensing multiplex capacity to broadcast channels, radio stations and data providers on digital terrestrial television (DTT) or Freeview. SDN customers include ITV and third parties. SDN's current multiplex licence has been renewed until 2034.

In the first half of 2024, external revenue (non-ITV) declined by 8% to £22 million (2023: £24 million). This decrease is primarily due to the renewal of long-term contracts with third parties at current market rates, in the current and prior year. This trend is expected to continue.

Partnerships and other revenue
Partnerships and other revenue include revenue from platforms, such as Sky and Virgin Media O2, competition revenue, third-party commission, e.g. for services we provide to STV, and commercial revenue from our creative partnerships.

As expected Partnerships and other revenues declined by 3% to £97 million (2023: £100 million) following our decision to revise our partnership agreements to enable ITV to target ads to a much larger proportion of viewers, using Planet V. In addition, competition revenue was lower year on year.

BritBox International

On 1 March 2024, ITV announced the sale of its 50% shareholding in BritBox International to the BBC Studios for £255 million. ITV Studios will continue to receive an ongoing revenue stream from BritBox International similar to 2023 levels for the use of ITV content under new extended licensing agreements.

Prior to its sale, BritBox International was ITV's joint venture with the BBC. It provided an ad-free subscription streaming service offering the most comprehensive collection of British content available in the US, Canada, Australia, South Africa and the Nordics (made up of Sweden, Finland, Denmark and Norway).

M&E Outlook

- We expect ITVX to continue to perform strongly in the second half of 2024 with further improvements in our content, product, distribution, marketing and monetisation
- Compared to the same period in 2023 which included the Rugby World Cup, TAR is expected to be broadly flat in Q3, with continued strong growth in digital advertising revenues.
- We remain on track to deliver at least £750 million of digital revenues by 2026

Operating and Financial Performance Review continued

Social Purpose

During the period, we continued to amplify ITV's social purpose, inspiring positive change through the reach of our linear TV channels and ITVX and our prominent position as a Public Service Broadcaster (PSB) in the UK. We are focused on delivering against our four social purpose areas: Mental Wellbeing, Better Futures, Climate Action, and Diversity, Equity and Inclusion.

Mental Wellbeing:

- ITV announced the World Wide Fund for Nature (WWF UK) as the winner of its Head First competition, which rewards brands advocating mental wellbeing with airtime on our channels. WWF UK will launch their campaign in Q3 2024
- ITV's anti-online abuse campaign, 'Would you say it', developed in partnership with Cybersmile will air this summer, encouraging viewers to think twice before posting negative comments

Better Futures

- Soccer Aid for UNICEF took place in June 2024, supported by a Soccer Aid week full of supporting shows. Over £15m was raised, beating last year's total and bringing the total raised by Soccer Aid for UNICEF to over £106m.
- Our mentoring scheme with Creative Access welcomed its 429th partnership as part of ITV's target of achieving 500 mentoring partnerships by 2025

Climate Action

- In a UK industry first, ITV published its Climate Transition Plan, aligned with the UK Transition Plan Taskforce framework, detailing how ITV is adapting its business model to achieve its ambitious climate action targets
- On-screen, ITV continues to deliver against its Climate Content Pledge, increasing climate and nature-positive content in shows, across all genres. Our partnership of eBay and Love Island continues this summer, showcasing sustainable fashion to millions of viewers

Diversity, Equity and Inclusion (DEI)

We continue to implement our global DEI strategy, championing diversity through our mainstream content, creating equitable opportunities at ITV and across the industry, and creating an inclusive culture at ITV.

- Our Diversity Commissioning Fund (DCF) – where we ring-fenced £80 million of our existing content budget over three years to drive change towards racial and disability equity in TV production, is now in its third year. DCF programme 'Ellie Simmonds: Finding My Secret Family' won the BAFTA TV Award for Single Documentary, and 'Sorry, I Didn't Know' will return for its fifth series
- Fresh Cuts which creates opportunities for Black, Disabled, Deaf, or Neurodivergent directors and creatives to make unscripted shorts, will launch during Black History Month and Disability Awareness Month

Duty of Care

ITV takes its responsibilities related to Duty of Care and Speaking Up very seriously, with significant focus from the Board and Management Board. We have robust and well established processes in place to support the physical and mental health of all of those who work for ITV or who help produce or take part in our shows. We also have processes in place which enable anyone who works for or with us, or on one of our productions, to raise concerns confidentially or anonymously, and we will always respond to complaints made.

During the first half of 2024, we continued our focus on driving awareness and engagement in our speaking up programme, with our dedicated Complaints Handling Unit and related Framework launched in Q1 2024 and delivering a range of colleague engagement workshops, designed to overcome barriers to speaking up.

Regulation

During the period, the Media Bill was passed into law with support across all parties, and both Houses of Parliament. The Bill, now referred to as the Media Act 2024, will update the legal and regulatory framework for television, particularly how it is delivered online. This should help ensure that content from PSBs, including ITV, will be included and easily discoverable on all major streaming platforms, on fair commercial terms. We will remain fully engaged with Ofcom and the Government throughout any subsequent processes necessary for its full implementation.

Key Performance Indicators

We have defined our KPIs to align our performance and accountability with our strategic priorities.

Our KPIs, KPI targets and how they align with our strategy are detailed below. Full definitions of our KPIs are included in the 2023 Annual Report and Accounts.

Strategy		KPIs for measuring performance	Targets – over 5 years from 2021 to the end of 2026 (unless specified otherwise)
ITV Group		• Adjusted EPS • Cost Savings • Profit to cash conversion	• N/A • Deliver over £150 million of cumulative savings between 2018 to 2026[13] • Maintain at around 85%
Expand Studios UK and Global Production		• ITV Studios total organic revenue growth • ITV Studios adjusted EBITA margin • Total high-end scripted hours • Number of formats sold in three or more countries • % of ITV Studios total revenue from streaming platforms	• Grow by 5% on average per annum • Deliver in the 13% to 15% range • Grow to 400 hours • Grow to 20 formats • Grow to 30% of ITV Studios total revenue
M&E Supercharge streaming and optimise broadcast	**M&E**	• Total digital revenue	• More than double to at least £750 million
	Streaming	• Total streaming hours • Monthly active users • UK subscribers	• Double streaming hours to 2 billion • Double monthly active users to 20 million • Double UK subscribers to 2.5 million
	Broadcast	• Share of top 1,000 commercial broadcast TV programmes • Share of commercial viewing (SOCV	• Maintain a share of at least 80% • Maintain SOCV at 33%

Our KPIs for the first six months of 2024 are set out below[22]:

Six months to 30 June	**2024**	2023	Change
Adjusted EPS[12]	**3.3p**	2.3p	43%
Cost savings[13]	**£23m**	£11m	£12m
Profit to cash conversion 12-month rolling	**73%**	88%	(15% pts)
ITV Studios total organic revenue growth	**(12%)**	2%	(14% pts)
ITV Studios adjusted EBITA margin[14] (incl. AVEC in 2024)	**15.7%**	13.0%	2.7% pts
Total high-end scripted hours	**107**	109	(2)%
Number of formats sold in three or more countries[15]	**11**	9	22%
% of ITV Studios total revenue from streaming platforms	**22%**	27%	(5% pts)
Total digital revenue[16]	**£244m**	£218m	12%
Total streaming hours[17]	**846m**	738m	15%
Monthly active users[18]	**14.6m**	12.5m	17%
UK subscribers[19]	**0.9m**	1.4m	(36)%
Share of top 1,000 commercial broadcast TV programmes[20]	**91%**	93%	(2% pts)
Share of commercial viewing (SOCV)[21]	**33.2%**	33.6%	(0.4% pts)

Notes:

12. A full reconciliation between our adjusted and statutory results is provided in the APMs section
13. We have commenced a new strategic restructuring and efficiency programme across the Group which will deliver incremental annualised savings of at least £50 million gross per year, giving a £30 million in year gross benefit in 2024
14. Our APMs are defined within the APMs section of this report. It also includes a full reconciliation between our adjusted and statutory results
15. Spin-offs such as Love Island Games, are considered distinct from the original format (i.e. Love Island) for the purpose of this indicator
16. Total digital revenue includes revenue from digital advertising, subscriptions, linear addressable advertising, digital sponsorship and partnerships, ITV Win and any other revenues from digital business ventures
17. Total streaming hours is the total number of hours viewers spent watching ITV across all streaming platforms, reported at a device level. This figure includes both ad-funded and subscription streaming. In 2023 half year results, total streaming hours were reported as 737 million hours, which included some estimates of total streaming viewing from third-party data providers and has been updated to reflect more recently available and accurate data
18. Monthly active users captures the average number of registered users throughout the period who accessed our owned and operated on-demand platforms each month
19. UK subscribers are users of ITVX's premium tier and prior to closure in April 2024, the BritBox UK standalone service and apps on Amazon Prime Video. It includes those who pay ITV directly, those who are paid for by an operator, and free trialists. Going forward as we focus on delivering at least £750 million by 2026 we will prioritise our ad-funded proposition over our pay proposition to deliver the best return
20. The share of top 1,000 commercial broadcast TV programmes is measured by BARB based on viewing figures. This includes TV viewing from transmission and seven days post-transmission on catch up, as well as six weeks prior to the transmission window. It excludes programmes with a duration of <ten minutes. This metric is calculated as a 12-month rolling average to normalise seasonal scheduling
21. Share of commercial viewing is the total viewing of audiences over the period achieved by ITV's family of channels as a proportion of all ad-supported commercial broadcaster viewing in the UK. ITV Family includes ITV, ITV2, ITV3, ITV4, ITVBe, CITV, ITV Breakfast, CITV Breakfast and associated 'HD' and '+1' channels. Note that CITV closed down and became a fully on demand service on ITVX in September 2023
22. KPIs for the six months to 30 June 2024 and 2023 are unaudited

Alternative Performance Measures

The Interim Report includes both statutory and adjusted measures (Alternative Performance Measures or APMs), the latter of which, in management's view, reflect the underlying performance of the business and provide a more meaningful comparison of how the business is managed and measured on a day-to-day basis.

Our APMs and KPIs are aligned with our strategy and business divisions and together are used to measure the performance of our business and form the basis of the performance measures for remuneration. Adjusted results exclude certain items because, if included, they could distort the understanding of our performance for the period and the comparability between periods. APMs are not defined terms under IFRS and may not be comparable with similarly titled measures reported by other companies.

As adjusted results exclude certain items (such as significant legal, major restructuring and transaction items), they should not be regarded as a complete picture of the Group's financial performance. The exclusion of adjusting items may result in adjusted earnings being materially higher or lower than statutory earnings. In particular, when significant impairments, restructuring charges and legal costs are excluded, adjusted earnings will be higher than statutory earnings.

The Audit and Risk Committee has oversight of ITV's APMs and actively reviews, challenges, revises and approves the policy for classifying adjustments and exceptional items. Further detail is included in the following section.

Key adjustments for EBITA, adjusted EBITA, profit before tax and EPS

EBITA is calculated by adjusting statutory operating profit for operating exceptional items and amortisation and impairment.

Adjusted EBITA is calculated by adding back high-end production tax credits to EBITA. Further adjustments, which include the gain/loss on the sale of non-current assets, amortisation and impairment of assets acquired through business combinations and investments, and certain net financing costs, are made to remove their effect from adjusted profit before tax and adjusted EPS. The tax effects of all these adjustments are reflected in the adjusted tax charge. These adjustments are detailed below.

Adjusted EBITDA, which is used to calculate the Group's leverage, is calculated by adding back depreciation to adjusted EBITA.

Production tax credits

The ability to access tax credits, which are rebates based on production spend, is fundamental to our ITV Studios business across the world when assessing the viability of investment decisions, especially with regard to drama and comedy. ITV reports tax credits generated in the US and other countries (e.g. Italy, Canada and Spain) within cost of sales, whereas in the UK tax credits for high-end drama must be classified as a corporation tax item. However, in our view all tax credits relate directly to the production of programmes. Therefore, to align treatment, regardless of production location, and to reflect the way the business is managed and measured on a day-to-day basis, the UK tax credits are recognised in adjusted EBITA. Our cash measures, including profit to cash conversion and free cashflow are also adjusted for the impact of production tax credits.

Changes to the current UK system of Creative Industry tax credits

On 29 November 2023, the UK government issued final legislation to reform the current system of Creative Industry tax credits to merge the four existing schemes (Film, High-End Television (HETV), Children's Television and Animation) into a single Audio Visual Expenditure Credit (AVEC) scheme and has reviewed the qualifying criteria. The AVEC legislation was substantively enacted on 5 February 2024 and can be claimed on expenditure incurred from 1 January 2024.

The new scheme is one of expenditure credits as opposed to corporate tax relief, requiring a change to the accounting treatment to include them within statutory operating profit rather than within the consolidated tax charge.

Under the HETV regime the tax credits are treated as a credit to the tax line which results in the group in the UK generally having a reported effective tax rate below the OECD Pillar 2 minimum tax rate of 15%. The new AVEC regime treats the credits as a taxable EBITA amount and have been designed to ensure that entities are in the same post tax position as under the old regime.

The new AVEC regime can be utilised from 1 January 2024, however companies can continue to claim under the existing HETV regime until mid-2025. ITV has chosen to opt into the new expenditure credit regime, on production expenditure incurred in 2024, at the earliest opportunity where possible. See the tax section of the Finance Review for further details.

Exceptional items

These items are excluded to reflect performance in a consistent manner and in line with how the business is managed and measured on a day-to-day basis. They are typically material amounts related to costs, gains or losses arising from events that are not considered part of the core operations of the business, though they may cross several accounting periods. These include, but are not limited to, costs directly related to acquisition activity, costs related to major reorganisation and restructuring programmes, material onerous contracts, significant impairments, employee-related tax provisions related to earlier financial periods (IR35) and other items such as legal settlements and non-routine legal costs (e.g. legal costs related to items which are themselves considered to be exceptional items). We also adjust for the tax effect of these items.

See note 2.2 to the financial information for further detail.

Acquisition-related costs

We structure our acquisitions with earnouts or put and call options, to allow part of the consideration to be based on the future performance of the business as well as to lock in and incentivise creative talent. Where consideration paid or contingent consideration payable in the future is employment-linked, it is treated as an expense (under accounting rules) and therefore part of our statutory results. However, we exclude all consideration of this type from adjusted EBITA, adjusted profit after tax and adjusted EPS as, in our view, these items are part of the capital transaction and do not form part of the Group's core operations. The Finance Review explains this further. Acquisition-related costs, including legal and advisory fees on completed deals or significant deals that do not complete, are also treated as an expense (under accounting rules) and therefore on a statutory basis form part of our statutory results. In our view, these items also form part of the capital transaction or are one-off and material in nature and are therefore excluded from our adjusted measures.

Alternative Performance Measures continued

Restructuring and reorganisation costs

Where there has been a material change in the organisational structure of a business area or a material initiative, these costs are highlighted and are excluded from our adjusted measures. These costs arise from significant initiatives to reduce the ongoing cost base and improve efficiency in the business to enable the delivery of our strategic priorities. We consider each project individually to determine whether its size and nature warrant separate treatment and disclosure.

Amortisation and impairment

Amortisation and any initial impairment of assets acquired through business combinations and investments are not included within adjusted earnings. As these costs are acquisition-related, and in line with our treatment of other acquisition-related costs, we consider them to be capital in nature as they do not reflect the underlying trading performance of the Group. Amortisation of software licences and development is included within our adjusted profit before tax as management consider these assets to be core to supporting the operations of the business

Net financing costs

Net financing costs are adjusted to reflect the underlying cash cost of interest for the business, providing a more meaningful comparison of how the business is managed and funded on a day-to-day basis. The adjustments made remove the impact of mark-to-market gains or losses on swaps and foreign exchange, one-off fees and premiums relating to the buyback of bonds, exceptional interest and other finance costs on acquisitions, imputed pension interest and other financial gains and losses that do not reflect the relevant interest cash cost to the business and are not yet realised balances.

Reconciliation between statutory and adjusted results

Six months to 30 June	2024 Statutory £m	2024 Adjustments £m	2024 Adjusted £m	2023 Statutory £m	2023 Adjustments £m	2023 Adjusted £m
EBITA[1]	**200**	**13**	**213**	133	19	152
Exceptional items (operating)[2]	**(38)**	**38**	–	(27)	27	–
Amortisation and impairment[3]	**(26)**	**8**	**(18)**	(40)	17	(23)
Operating profit	**136**	**59**	**195**	66	63	129
Net financing income / (costs)[4]	**7**	**(17)**	**(10)**	(19)	10	(9)
Share of losses on JVs and associates	**(7)**	–	**(7)**	(2)	–	(2)
Profit on disposal of joint ventures and subsidiary undertakings	**194**	**(194)**	–	–	–	–
Profit before tax	**330**	**(152)**	**178**	45	73	118
Tax[5]	**(69)**	**20**	**(49)**	(1)	(22)	(23)
Profit after tax	**261**	**(132)**	**129**	44	51	95
Non-controlling interests	**5**	–	**5**	(2)	–	(2)
Earnings	**266**	**(132)**	**134**	42	51	93
Shares (million), weighted average	**4,004**		**4,004**	4,019		4,019
EPS (p)	**6.6p**		**3.3p**	1.0p		2.3p
Diluted EPS (p)[6]	**6.6p**		**3.3p**	1.0p		2.3p

1. The £13 million (2023: £19 million) adjustment relates to production tax credits which we consider to be a contribution to production costs and working capital in nature rather than a corporate tax item. EBITA is not a statutory measure.
2. Exceptional items of £38 million (2023: £27 million) largely relate to acquisition-related expenses, restructuring, transformation and property move costs. Refer to the Finance Review
3. £8 million (2023: £17 million) adjustment relates to amortisation and impairment of assets acquired through business combinations and investments. We include only amortisation on purchased intangibles, such as software within adjusted profit before tax
4. £17 million income (2023: £10 million expense) adjustment is for non-cash interest income and costs. This provides a more meaningful comparison of how the business is managed and funded on a day-to-day basis
5. Tax adjustments are the tax effects of the adjustments made to reconcile profit before tax and adjusted profit before tax. A full reconciliation is included in the Finance Review
6. Weighted average diluted number of shares in the period was 4,034 million (2023: 4,046 million)

OTHER ALTERNATIVE PERFORMANCE MEASURES

Total revenue

As a vertically integrated producer broadcaster and streamer, we look at the total revenue generated by the business including internal revenue, which is the sale of ITV Studios programmes to M&E. ITV Studios selling programmes to the M&E business is an important part of our strategy as a vertically integrated business and it ensures we own all the rights to the content.

A reconciliation between external revenue and total revenue is provided below.

Six months to 30 June	**2024 £m**	**2023 £m**
External revenue (Statutory)	**1,599**	1,639
Internal supply	**304**	325
Total revenue (Adjusted)	**1,903**	1,964

Alternative Performance Measures continued

ITV Studios organic revenue growth

ITV Studios organic revenue growth adjusts revenue growth for the impacts of foreign currency and acquisitions in the current or comparative period. Current period revenues are measured at constant currency which assumes exchange rates remain consistent with the comparative period. The table below shows the calculation of our organic revenue growth within ITV Studios:

Six months to 30 June	**2024 £m**	2023 £m	Change £m	Change %
ITV Studios total revenue	**869**	1,000	(131)	(13)
Adjustment for constant currency	**12**	-	12	100
Adjustment for disposals in the period	**-**	(2)	2	(100)
ITV Studios total revenue – organic basis*	**881**	998	(117)	(12)

* Included within ITV Studios total organic revenue for 2024 is £30 million revenue following the transfer of ITV sports production from Media & Entertainment to ITV Studios UK with effect from 1 January 2024. This is eliminated in intersegment revenue.

Net pension surplus/deficit

This is our defined benefit pension scheme surplus or deficit under IAS 19 adjusted for other pension assets, mainly gilts, which are held by the Group as security for future unfunded pension payments for four Granada executives and over which the unfunded pension scheme holds a charge. See note 3.4 to the financial information.

Profit to cash conversion

This is the measure of our effectiveness at working capital management. It is calculated as our adjusted cash flow as a proportion of adjusted EBITA. Adjusted cash flow, which reflects the cash generation of our underlying business, is calculated on our statutory cash generated from operations and adjusted for exceptional items, net of capex on property, plant and equipment and intangible assets, and including the cash impact of high-end production tax credits.

Covenant net debt and covenant liquidity

Covenant net debt is our leverage as defined in our Revolving Credit Facility (RCF) agreement. This calculation is materially different to how net debt is defined and is relevant in demonstrating we have met the required RCF financial covenants at our reporting date.

Covenant adjusted EBITDA (Earnings before Interest, Tax, Depreciation and Amortisation) is used to calculate our covenant compliance and our leverage, and is defined in the RCF agreement. The calculation of covenant adjusted EBITDA, covenant net debt and covenant liquidity are detailed in the tables below:

Rolling 12 months basis	**30 June 2024 £m**	31 December 2023 £m
Statutory operating profit	**308**	238
Exceptional items	**88**	77
Amortisation and impairment	**75**	89
EBITA	**471**	404
Depreciation	**45**	46
Right of use assets depreciation	**(17)**	(19)
Interest charged on lease liabilities	**(4)**	(4)
Covenant adjusted EBITDA	**495**	427

	30 June 2024 £m	31 December 2023 £m
Net debt (including IFRS 16 lease liabilities)	**(515)**	(553)
Impact of IFRS 16 lease liabilities	**111**	115
Long-term trade payables	**(26)**	(25)
Other pension asset	**46**	48
Covenant net debt	**(384)**	(415)
Covenant adjusted EBITDA*	**495**	427
Covenant net debt to adjusted EBITDA*	**0.8x**	1.0x

Cash and cash equivalents	**354**	340
Undrawn RCF	**600**	600
Undrawn CDS facility	**300**	300
Covenant liquidity**	**1,254**	1,240

* Covenant adjusted EBITDA is defined per the facility agreement. The Finance Review includes further detail on our covenant ratios.

** Covenant liquidity is defined as cash and cash equivalents plus undrawn committed facilities.

Finance Review

This Finance Review focuses on the more technical aspects of our financial results while the operating and financial performance of the Group, M&E and ITV Studios has been discussed within the Operating and Financial Performance Review.

Our Alternative Performance Measures (APMs) section, explains the adjustments we make to our statutory results. This enables focus on the key measures that we report on and use as KPIs across the business. See earlier sections for further details.

Six months to 30 June	**2024 £m**	2023 £m	Change £m	Change %
ITV Studios total revenue	**869**	**1,000**	**(131)**	**(13)**
Total advertising revenue	889	811	78	10
M&E non-advertising revenue	145	153	(8)	(5)
M&E total revenue	**1,034**	**964**	**70**	**7**
Total non-advertising revenue	*1,014*	*1,153*	*(139)*	*(12)*
Total group revenue	**1,903**	**1,964**	**(61)**	**(3)**
Internal supply	(304)	(325)	21	6
Group external revenue	**1,599**	**1,639**	**(40)**	**(2)**
Group adjusted EBITA	**213**	**152**	**61**	**40**
Group adjusted EBITA margin	13%	9%		4% pts
Statutory operating profit	**136**	**66**	**70**	**106**
Adjusted EPS	**3.3p**	**2.3p**	**1.0p**	**43**
Statutory EPS	**6.6p**	**1.0p**	**5.6p**	**560**
Dividend per share	**1.7p**	**1.7p**	**-**	**-**
Net debt as at 30 June	**(515)**	**(724)**	**209**	**29**

Sports production revenue

ITV sports production transferred from Media & Entertainment to ITV Studios UK with effect from 1 January 2024. Revenue of £30 million relating to sports production for M&E has been recognised in ITV Studios total revenue for the period and is eliminated in intersegment revenue.

Exceptional items

Six months to 30 June	**2024 £m**	2023 £m
Acquisition-related expenses	**-**	(17)
Restructuring and transformation costs	**(32)**	(11)
Property costs	**-**	(2)
Insured trade receivable provision	**-**	4
Transponder onerous contract	**(4)**	-
Employee-related tax provision	**2**	-
Legal and other costs	**(4)**	(1)
Operating exceptional items	**(38)**	(27)
Total exceptional items	**(38)**	(27)

Total exceptional items in the period were £38 million (2023: £27 million).

Acquisition-related expenses are predominantly performance-based, employment-linked consideration to former owners, and professional fees related to acquisitions and potential acquisitions. The Group did not incur any expenses in the period (30 June 2023: £17 million).

Restructuring and transformation costs of £32 million (2023: £11 million) includes restructuring and other costs associated with our Group-wide strategic restructuring and efficiency programme which was announced in March 2024 to reshape the cost base and enhance profitability. During the period, there were also transformation programme costs associated with delivering our strategy including our new programme rights, Finance and HR systems.

Prior year property costs related to the London office move to Broadcast Centre.

The insured trade provision in 2023 was an exceptional credit resulting from the settlement of the remaining claim in relation to The Voice of China.

Transponder onerous contract relates to the recognition of an onerous contract provision for transponder capacity that is no longer generating revenue.

Employee tax provision is the release of £2 million of a provision that is no longer required.

Legal and other costs relate primarily to legal costs for matters considered to be outside the normal course of business, including Box Clever, the UK Competition and Markets Authority (CMA) investigations and the Phillip Schofield KC Review.

Finance Review continued

Net financing costs

Six months to 30 June	2024 £m	2023 £m
Financing costs directly attributable to loans and bonds	**(16)**	(11)
Cash-related net financing income	**6**	2
Adjusted financing costs	**(10)**	(9)
Other net financial income or losses and unrealised foreign exchange	**17**	(10)
Statutory net financing income / (costs)	**7**	(19)

Adjusted financing costs were £10 million (2023: £9 million) largely due to financing costs attributable to loans and bonds. Statutory net financing income was £7 million (2023: £19 million net financing costs) mainly driven by fair value gains on bonds that were repaid in the period, the interest accrued on acquisition-related exceptional expenses and unrealised foreign exchange losses, and fair value adjustments on financial assets and imputed pension interest charges.

JVs and associates

Our share of losses from JVs and associates in the period was £7 million (2023: £2 million). This was our share of the net profits and losses arising from our investments, such as Bedrock Entertainment, Blumhouse Television and BritBox International prior to its sale (see further detail within the disposals section). The increase in losses year-on-year primarily results from the sale of BritBox International which was profitable in the prior year, and the phasing of the delivery of productions.

Profit before tax

Statutory profit before tax increased year-on-year to £330 million (2023: £45 million) as a result of the growth in the advertising market, and a £194 million profit on disposal of joint ventures and subsidiary undertakings.

Six months to 30 June	2024 £m	2023 £m
Statutory profit before tax	**330**	45
HETV tax credits	**13**	19
Exceptional items	**38**	27
Amortisation and impairment*	**8**	17
Adjustments to net financing (income) / costs	**(17)**	10
Profit on disposal of joint ventures and subsidiary undertakings	**(194)**	-
Adjusted profit before tax	**178**	118

* In respect of assets arising from business combinations and investments.

Tax

Adjusted tax charge

The total adjusted tax charge for the period was £49 million (2023: £23 million), corresponding to an effective tax rate on adjusted PBT of 27.5% (2023: 19.5%), which is higher than the standard UK corporation tax rate of 25% (2023: 23.5%) due to the tax treatment of half year items. We expect the adjusted effective tax rate to be around 26% in 2024, which is marginally higher than the previous guidance of 25%, and it will remain slightly above the UK statutory rate of 25% in the medium term.

On a reported basis, there is a tax charge of £69 million (2023: £1 million) which corresponds to an effective tax rate of 21.0% (2023: 2.2%). This rate is higher in 2024 than in previous years due to the impact of Audio Visual Expenditure Credits being claimed on new productions with expenditure in 2024 which are accounted for as a reduction to cost of sales compared to HETV tax credits which are accounted for in the tax line and depress the effective tax rate. The reported effective tax rate of 21% is lower than the UK statutory rate of 25% due to HETV tax credits included in the tax line on productions that commenced in the prior period.

The adjustments made to reconcile the statutory tax charge with the adjusted tax charge are the tax effects of the adjustments made to reconcile PBT and adjusted PBT, as detailed in the previous table.

Six months to 30 June	2024 £m	2024 Effective tax rate	2023 £m	2023 Effective tax rate
Statutory tax charge	**(69)**	**21.0%**	(1)	2.2%
HETV tax credits	(13)	100%	(19)	100%
Charge for exceptional items	(14)	36.8%	(2)	7.4%
Charge in respect of amortisation and impairment*	(3)	37.5%	(1)	5.9%
Credit/(Charge) in respect of adjustments to net financing costs	6	35.3%	(1)	10.0%
Credit in respect of profit / loss on sale of Subsidiaries and Investments	44	22.7%	-	-
Other tax adjustments	-	-	1	-
Adjusted tax charge**	**(49)**	**27.5%**	(23)	19.5%

* In respect of intangible assets arising from business combinations and investments. Also reflects the cash tax benefit of tax deductions for US goodwill.

** As a percentage of adjusted profit before tax.

Finance Review continued

Cash tax

Cash tax paid in the period was £18 million (2023: £16 million) and is net of £32 million of production tax credits received (2023: £19 million). The majority of the cash tax payments were made in the UK. The cash tax paid is higher compared to the previous year due to higher profits and lower production tax credits received.

Changes to the current UK system of Creative Industry tax credits

On 29 November 2023, the UK government issued final legislation to reform the current system of Creative Industry tax credits to merge the four existing schemes (Film, High-End Television (HETV), Children's Television and Animation) into a single Audio Visual Expenditure Credit (AVEC) scheme and has reviewed the qualifying criteria. The AVEC legislation was substantively enacted on 5 February 2024 and can be claimed on expenditure incurred from 1 January 2024.

The new scheme is one of expenditure credits as opposed to corporate tax relief, requiring a change to the accounting treatment to include them within statutory operating profit rather than within the consolidated tax charge.

Under the HETV regime the tax credits are treated as a credit to the tax line which results in the Group in the UK generally having a much reduced reported effective tax rate. The new AVEC regime treats the credits as taxable EBITA and has been designed to ensure that entities are in the same economic position post tax as under the HETV regime.

The new AVEC regime can be utilised from 1 January 2024, however companies can continue to claim under the existing HETV regime until mid-2025. ITV has chosen to opt into the new expenditure credit regime, on production expenditure incurred in 2024, at the earliest opportunity where possible. Due to the timing of when expenditure occurred on productions, we will be claiming under both the HETV and AVEC regime for a period of time. The impact on statutory and adjusted results is shown in the table below:

Six months to 30 June	Statutory result pre AVEC and HETV adjustments £m	AVEC adjustments £m	Statutory result post AVEC and HETV adjustments £m	HETV and other Adjustments £m	Adjusted result £m
EBITA	189	11	**200**	**13**	**213**
Exceptional items (operating)	(38)	–	**(38)**	**38**	**–**
Amortisation and impairment	(26)	–	**(26)**	**8**	**(18)**
Operating profit	125	11	**136**	**59**	**195**
Net financing income / (costs)	7	–	**7**	**(17)**	**(10)**
Share of losses on JVs and associates	(7)	–	**(7)**	**–**	**(7)**
Profit on disposal of joint ventures and subsidiary undertakings	194	–	**194**	**(194)**	**–**
Profit before tax	319	11	**330**	**(152)**	**178**
Tax	(79)	(3)	**(82)**	**33**	**(49)**
HETV tax credits	21	(8)	**13**	**(13)**	**–**
Profit after tax	**261**	**–**	**261**	**(132)**	**129**

During the period, total tax credits of £21 million were claimed of which £13 million were claimed under the old HETV regime and £8 million (£11 million gross) were claimed under the AVEC regime. The impact of this has been to increase statutory EBITA by £11 million and statutory tax charge by £3 million, whilst increasing adjusted EBITA by a further £13 million where HETV tax credits continue to be reclassed from the tax charge to EBITA. Adjusted EBITA has increased by £3 million compared to the old HETV regime due to the AVEC claim being grossed up from £8 million to £11 million. Profit after tax remains unchanged on a statutory and adjusted basis.

Over the full year 2024, we expect that the impact of switching to AVEC will increase ITV Studios adjusted EBITA by around £10 million. This is likely to increase in 2025, as the current year includes a mix of the old and the new tax regime.

Base Erosion and Profit Shifting (BEPS) Pillar Two

On 20 June 2023, Finance (No.2) Act 2023 was substantively enacted in the UK, introducing a global minimum effective tax rate of 15% for large groups and for financial years beginning on or after 31 December 2023. Taxation balances are adjusted for a change in tax law if the change has been substantively enacted by the balance sheet date. However the amendments to IAS 12 'Income Taxes' Pillar Two income taxes provide an exemption from the requirement to recognise and disclose deferred taxes arising from enacted or substantively enacted tax law that implements the Pillar Two model rules.

Based on an initial analysis of the current year financial data, most territories in which the Group operates are expected to qualify for one of the safe harbour exemptions such that top-up taxes should not apply. In territories where this is not the case there is the potential for Pillar Two taxes to apply, but these are not expected to be material. The impact of current period top-up taxes is reflected in the full year forecast effective tax rate on which the interim tax charge is based. Of the £69 million reported tax charge, less than £1 million is in respect of Pillar Two top-up taxes. The Group continues to refine this assessment.

Finance Review continued

Tax strategy

ITV is a responsible business, and we take a responsible attitude to tax, recognising that it affects all of our stakeholders. To allow those stakeholders to understand our approach to tax, we have published our Global Tax Strategy, which is available on our corporate website.

www.itvplc.com/investors/governance/policies

We have four key strategic tax objectives:

1. Engage with tax authorities in an open and transparent way to minimise uncertainty
2. Proactively partner with the business to provide clear, timely, relevant and business focused advice across all aspects of tax
3. Take an appropriate and balanced approach when considering how to structure tax sensitive transactions
4. Manage ITV's tax risk by operating effective tax governance and understanding our tax control framework with a view to continuously adjusting our approach to be compliant with our tax obligations.

Our tax strategy is aligned with that of the business and its commercial activities and establishes a clear Group-wide approach based on openness and transparency in all aspects of tax reporting and compliance, wherever the Company and its subsidiaries operate. The strategy confirms that ITV does not engage in or condone tax evasion or the facilitation of tax evasion in any form and that we have in place reasonable procedures to prevent the facilitation of tax evasion. Within our overall governance structure, the governance of tax and tax risk is given a high priority by the Board, and Audit and Risk Committee (ARC). The ITV Global Tax Strategy, approved by the Board and ARC in September 2023, and as published on the ITV plc website, is compliant with the UK tax strategy publication requirement set out in Part 2 Schedule 19 of the Finance Act 2016.

EPS – adjusted and statutory

Overall, adjusted profit after tax was up at £129 million (2023: £95 million). Non-controlling interest, which is the net result from the non-ITV owned share in entities such as Plimsoll, Cattleya and Tomorrow Studios, was a share of losses of £5 million (2023: share of profits of £2 million). The year-on-year decrease is due to the phasing of production deliveries within some of the entities which are weighted towards the second half of 2024.

Adjusted basic EPS was up 43% to 3.3p in the period (2023: 2.3p). The weighted average number of shares decreased year-on-year to 4,004 million (2023: 4,019 million) due to the share buyback programme (see further detail below). Diluted adjusted EPS in the year was 3.3p (2023: 2.3p) reflecting a weighted average diluted number of shares of 4,034 million (2023: 4,046 million).

Statutory EPS increased by 560% to 6.6p (2023: 1.0p).

A full reconciliation between statutory and adjusted EPS is included in the Alternative Performance Measures section.

Dividend per share

The Board recognises the importance of the ordinary dividend to ITV shareholders. Reflecting its confidence in the business and its strategy, as well as the continued strong cash generation, in line with ITV's dividend policy, the Board has declared an interim dividend of 1.7p (2023: 1.7p). The Board remains committed to paying a total dividend of at least 5.0p for the full year, which it expects to grow over the medium term, whilst balancing further investment to support our strategy and our commitment to investment grade metrics over the medium term.

Dividends are distributed based on the realised distributable reserves (within retained earnings) of ITV plc (the Company) and not based on the Group's retained earnings.

The dividend timetable is as follows:

Announcement	Thursday 25 July 2024
Ex-dividend date	Thursday 17 October 2024
Record date	Friday 18 October 2024
Dividend paid	Thursday 26 November 2024

Share repurchase programme

On 7 March 2024 ITV commenced a share buyback programme to repurchase its ordinary shares up to a maximum consideration of £235 million and thereby returning the entire net proceeds from the sale of BritBox International to shareholders.

As of market close on 28 June 2024, ITV had completed £53 million of buyback. In May 2024, 8.5 million shares were transferred to the Group's Employee Benefit Trust, and the remaining shares repurchased remain held in Treasury.

Acquisitions

As part of our strategy to Expand Studios, we consider selective value-creating M&A and talent deals in both scripted and unscripted to obtain further creative talent and IP.

We have strict criteria for evaluating potential acquisitions. Financially, we assess ownership of IP, earnings growth and valuation based on return on capital employed and discounted cash flow. Strategically, we ensure an acquisition target has a strong creative track record and pipeline in content genres that return and travel, namely drama, entertainment and factual, as well as retention and succession planning for key individuals in the business.

We have generally structured our deals with earnouts or with put and call options in place for the remainder of the equity, capping the maximum consideration payable by basing a significant part of the consideration on future performance. This has allowed us to lock in creative talent and ensure our incentives are aligned, and also reduce our risk by only paying for the actual, not expected, performance delivered over time.

The majority of earnouts or put and call options are dependent on the seller remaining within the business. Where future payments are directly related to the seller remaining with the business, these payments are treated as employment costs and, therefore, are part of our statutory results. However, we exclude these payments from adjusted profits and adjusted EPS as an exceptional item, as in our view, for the reasons set out above, these items are part of the capital consideration reflecting how we structure our transactions and do not form part of the core operations.

Acquisition-related liabilities or performance-based employment-linked earnouts are amounts estimated to be payable to previous owners. The estimated future payments as at 30 June 2024 are £100 million and are sensitive to forecast profits as they are based on a multiple of earnings. The range of reasonably possible outcomes for the liability is between £87 million and £164 million. The estimated future payments, treated as employment costs, are accrued over the period the sellers are required to remain with the business, and those not linked to employment are recognised at acquisition at their time discounted value.

We closely monitor the forecast performance of each acquisition and, where there has been a change in expectations, we adjust our view of potential future commitments. Expected future payments of £100 million have reduced by £5 million since 31 December 2023, due to reduction in forecast profits.

At 30 June 2024, £61 million of expected future payments had been recorded on the balance sheet, with the balance of £39 million to be accrued over the period in which the sellers are required to remain with the business.

Disposals

On 01 March 2024 the Group announced the sale of its entire 50% interest in BritBox International to its joint venture partner BBC Studios for a cash consideration of £255 million.

Cash generation

Profit to cash conversion

Six months to 30 June	**2024 £m**	2023 £m
Adjusted EBITA	**213**	152
Working capital movement	**(191)**	(2)
Adjustment for production tax credits	**19**	-
Depreciation	**23**	24
Share-based compensation	**9**	7
Acquisition of property, plant and equipment and intangible assets*	**(25)**	(37)
Lease liability payments (including lease interest)	**(12)**	(15)
Adjusted cash flow	**36**	129
Profit to cash ratio six months to 30 June	**17%**	85%
Profit to cash ratio 12-months rolling	**73%**	88%

* Except where disclosed, management views the acquisition of property, plant and equipment and intangibles as business as usual capex, necessary to the ongoing investment in the business.

One of ITV's strengths is its cash generation, reflecting our ongoing tight management of working capital balances. We manage risk when making all investment decisions, particularly in scripted content and ITVX, through having a disciplined approach to cash and costs. Remaining focused on cash and costs means we are in a good position to continue to invest across the business in line with our strategic priorities.

In the period, we generated £36 million of operational cash (2023: £129 million) from £213 million of adjusted EBITA (2023: £152 million), resulting in a profit to cash ratio for the six months of 17% (2023: 85%). The profit to cash ratio was unusually low in the period and reflects a significant increase in working capital in H1 as a result of the resumption of production in the US following the strikes in 2023. Profit to cash ratio was 73% on a rolling 12-month basis.

Finance Review continued

Cash generated from operations is reconciled to the adjusted cash flow as follows:

Free cash flow

Six months to 30 June	**2024 £m**	2023 £m
Adjusted cash flow	**36**	129
Net interest paid (excluding lease interest)	**(2)**	(12)
Adjusted cash tax*	**(50)**	(35)
Pension funding	**(3)**	(31)
Free cash flow	**(19)**	51

* Adjusted cash tax of £50 million is the total net cash tax paid of £18 million plus receipt of production tax credits of £32 million, which are included within adjusted cash flow from operations, as these production tax credits relate directly to the production of programmes

Our free cash flow after payments for interest, cash tax and pension funding was a £19 million deficit (2023: £51 million surplus).

Funding and liquidity

Debt structure and liquidity

The Group's financing policy is to manage its liquidity and funding risk for the medium to long term. ITV uses debt instruments with a range of maturities, has access to appropriate short-term borrowing facilities and has a policy to maintain a minimum of £250 million of cash and undrawn committed facilities available at all times. We have three committed facilities in place to maintain our financial flexibility, which includes a £500 million multilateral Revolving Credit Facility (RCF). £83 million of this facility matures in January 2028, and £417 million remains committed until January 2029. In 2023, the Group secured an additional £100 million of committed funding via a bilateral RCF which matures in 2028.

The two RCFs are subject to leverage and interest cover semi-annual covenant tests that require the Group to maintain a leverage ratio of below 3.5x and interest cover above 3.0x (measures as defined in the RCF documentation). At 30 June 2024, ITV's financial position was well within its covenants.

The Group also has a bilateral financing facility of £300 million, which is free of financial covenants and matures on 30 June 2026. At 30 June 2024, all facilities were undrawn (31 December 2023: undrawn), which with cash and cash equivalents of £354 million, provided total liquidity of £1,254 million (31 December 2023: £1,240 million). This provides the Group with sufficient liquidity to meet the requirements of the business in the short to medium term under a variety of scenarios, including a severe but plausible downside scenario.

After acquisition-related costs, pension and tax payments, we ended the period with reported net debt of £515 million (31 December 2023: £553 million).

Net debt includes net proceeds from the sale of BritBox International which is funding the current £235 million share buyback. Excluding the net proceeds that have been designated to fund the remainder of the buyback, net debt is £697 million at 30 June 2024.

Reported net debt

At 30 June	**2024 £m**	2023 £m
Gross cash	**354**	264
Gross debt (including IFRS 16 lease liabilities)	**(869)**	(988)
Net debt	**(515)**	(724)

Financing – gross debt

The Group is financed using debt instruments and facilities with a range of maturities.

During the period the Group has extended the maturity profile of ITV's debt through the issuance of a €500 million Eurobond to June 2032. The proceeds have been used to repay the £230 million term loan (that was due to mature in 2027) and retire €240 million of the Group's €600 million Eurobond (due in 2026).

Borrowings at 30 June 2024 were repayable as follows:

Amount repayable as at 30 June 2024	**£m**	Maturity
€500 million Eurobond*	**420**	2032
€600 million Eurobond (nominal €360 million remaining)*	**322**	2026
Other loans	**16**	Various
Total debt repayable on maturity**	**758**	

* Includes £17 million currency component liability of swaps held against euro-denominated bond.

** Excludes £111 million of IFRS16 Lease Liabilities.

Capital allocation and leverage

In line with our capital allocation policy, our priorities remain as follows: to invest organically in line with our strategic priorities; manage our financial metrics consistent with our commitment to investment grade metrics over the medium term; sustain a regular ordinary dividend which can grow over the medium term; continue to consider value creating inorganic investment against strict financial and strategic criteria, and any surplus capital will be returned to shareholders.

Our objective is to run an efficient balance sheet and manage our financial metrics appropriately, consistent with our commitment to investment grade metrics over the medium term. At 30 June 2024, our leverage, or net debt to adjusted EBITDA on a rolling 12-month basis was 0.9x (30 June 2023: 1.2x). Excluding the net proceeds of the sale of BritBox International that have been designated to fund the remainder of the buyback, our leverage on a rolling 12-month basis was 1.2x at 30 June 2024.

Credit ratings

In March 2024, we published an investment grade credit rating from Fitch (BBB- stable outlook). We continue to be rated investment grade by Standard and Poor's (BBB- stable outlook) and Moody's (Baa3 stable outlook). The factors that are considered in assessing our credit rating include our degree of operational gearing and exposure to the economic cycle, as well as business and geographical diversity.

Foreign exchange

As ITV continues to grow internationally, we are increasingly exposed to foreign exchange on our overseas operations. We do not hedge our exposure to revenues and profits generated overseas, as this is seen as an inherent risk. We may elect to hedge our overseas net assets, where material.

ITV is also exposed to foreign exchange risk on transactions we undertake in a foreign currency. Our policy is to hedge a portion of any known or forecast transaction where there is an underlying cash exposure for the full tenor of that exposure, to a maximum of five years forward, where the portion hedged depends on the level of certainty we have on the final size of the transaction.

Finally, ITV is exposed to foreign exchange risk on the retranslation of foreign currency loans and deposits. Our policy is to keep these balances to a minimum and hedge such exposures where there is an expectation that any changes in the value of these items will result in a realised cash movement over the short to medium term. The foreign exchange and interest rate hedging strategy is set out in our Treasury policies which are approved by the ITV PLC Board.

Production inventories, contract assets and liabilities

In the first half of 2024, contract assets increased by £22 million, production inventories increased by £57 million and contract liabilities increased by £102 million compared to 31 December 2023. Contract assets and production inventories increased to support production deliveries in the second half of the year. Contract liabilities increased due to the phasing of production deliveries, particularly in the US and the UK.

Pensions

The net pension surplus of the defined benefit schemes at 30 June 2024 on an accounting basis was £225 million (31 December 2023: £209 million surplus). The marginal increase in the surplus since the year-end is the result of a decrease in liabilities caused by an increase in corporate bond yields. Pension assets have decreased due to a rise in gilt yields in the period, offset by the Group's funding contributions under the LTVC pension funding partnership.

The net pension assets include £46 million of gilts, which are held by the Group as security for future unfunded pension payments to four former Granada executives, the liabilities of which are included in our pension obligations.

Deficit funding contributions

The triennial valuation of the ITV Pension Scheme (the Scheme) as at 31 December 2022 has been completed. At the valuation date, the Scheme had a surplus of £83 million. This is compared to a deficit of £252 million at the previous valuation date of 31 December 2019.

As the Scheme is in surplus, there are no deficit contributions payable. The Group will continue contributing an annual payment of c. £3 million under the London Television Centre Pension Funding Partnership. The Group's pension deficit contributions for the year to 31 December 2023 were £40 million, and for the year to 31 December 2022 were £137 million.

The scheme is well hedged against inflation, interest rate volatility and longevity. Refer to Note 3.7 of the ITV Plc 2023 Annual Report and Accounts for further details of the Group's pension schemes.

SDN pension funding partnership

In 2010, ITV established a Pension Funding Partnership (PFP) with the Trustees backed by SDN, which was subsequently extended in 2011. The PFP addressed £200 million of the funding deficit in Section A of the defined benefit pension scheme and under the original agreement, a payment of up to £200 million was due in 2022. The existing PFP agreement was amended and extended to 2031. As a result of this agreement, payments of £94 million were made under the SDN PFP arrangement in 2022. The Group is committed to up to nine annual payments of £16 million from 2023. These payments are required if the Scheme is calculated to be in a technical deficit. This calculation is based upon the most recent triennial valuation updated for current market conditions. The partnership's interest in SDN provides collateral for these payments. The £16 million payment under the SDN PFP was not required to be paid in 2024. However, this assessment is made on an annual basis and therefore the £16 million payment may resume in 2025. The Group retains day-to-day operational control of SDN and SDN's revenues, profits and cashflows continue to be consolidated in the Group's accounts. On completion of the final payment in 2031, the Scheme's partnership interest will have been repaid in full and it will have no right to any further payments.

Finance Review continued

Box Clever

On 10 July 2024, non-binding Heads of Terms were signed between ITV, the Pension Regulator (tPR), the Board of the Pension Protection Fund (PPF) and the Box Clever Trustees (Trustees) setting out the terms agreed in principle to settle the long-running Box Clever pension dispute. Under the proposed settlement, in summary, all current Scheme members will be transferred to the ITV Pension Scheme and will receive their full Scheme benefits. Back-payments of underpaid pension with interest will also be paid. There is also provision for estates of members who have died in the PPF assessment period. ITV has certain termination rights if, after a data cleanse in relation to the benefits of the Scheme members, the value of the liabilities which are expected to transfer to the ITV Pension Scheme has materially increased since the date of the settlement agreement. If ITV does not proceed with the transfer, tPR will be free to recommence regulatory proceedings. ITV will also reimburse the PPF for certain amounts it has lent to the Trustee during the assessment period.

The transfer of liabilities into the ITV Pension Scheme is subject to the approval of the ITV Pension Scheme Trustee. Non-binding heads of terms have also been agreed between ITV and the ITV Pension Scheme Trustee. These propose that after transfer of the Scheme members, £25 million of additional funding will be paid to the ITV Pension Scheme (to form part of the general assets of the ITV Pension Scheme) and a surety bond provided to cover the value of transferred liabilities (until the earlier of 31 March 2027 or the completion of the next actuarial valuation). The intention is again that, subject to contract, these terms will become the basis of a legally enforceable settlement agreement.

Subsequent events

On 25 July 2024, the Group announced that ITV Studios had sold back its minority shareholding in Blumhouse TV to Blumhouse Holdings, for a consideration of US$60 million. Blumhouse TV and ITV America will continue their unscripted partnership.

On 25 July 2024, the Group announced that it had acquired 51% of the scripted independent production company Hartswood Films in the UK, producer of Sherlock, for consideration, net of cash acquired of c.£26 million. Put and call options are in place over the remaining shareholding. The acquisition of Hartwood will further enhance ITV Studios' strength in high quality, UK scripted drama, and provide for further exposure to streamers and future distribution opportunities for ITV Global Partnerships.

CMA Investigations

As previously reported, on 12 July 2022, the UK Competition and Markets Authority (CMA) opened an investigation into certain conduct of ITV and other named companies in the sector relating to the production and broadcasting of sports content in the UK. The investigation is continuing and ITV anticipates that it will receive additional details of any future steps to be taken by the CMA before the end of 2024. It is not currently possible to reliably quantify any liability that might result from the investigation.

On 11 October 2023, the CMA opened an investigation into certain conduct of ITV and other named companies in the sector relating to the production and broadcasting of television content in the UK, excluding sports content. The investigation remains at an early stage and in March 2024, the CMA stated that its further investigatory steps and evidential assessment will continue until October 2024. It is not currently possible to reliably quantify any liability that might result from the investigation.

ITV is committed to complying with competition law, and is cooperating with the CMA's enquiries in relation to both investigations.

Foreign exchange sensitivity

The following table highlights ITV Studios sensitivity, for the remainder of the year (using internal forecasts), to translation resulting from a 10% appreciation/depreciation in sterling against the US dollar and euro, assuming all other variables are held constant. An appreciation in sterling has a negative effect on revenue and adjusted EBITA; a depreciation has a positive effect.

Currency	**Revenue £m**	**Adjusted EBITA £m**
US dollar	±40	±4
Euro	±20-25	±3-4

CHRIS KENNEDY
GROUP CFO & COO

Risks and Uncertainties

Risk management

The increasing pace of change in the industry, coupled with ongoing macroeconomic challenges and global uncertainties, necessitates agility in our strategic implementation and risk management.

In the first half of 2024, we focused on deepening our understanding of our most critical risks, clarifying interdependencies, aligning risks with our core priorities, and identifying emerging risks. An independent assessment conducted in Q4 2023 as part of the 2023 internal audit plan concluded that our risk management framework and practices are effective and identified opportunities for further enhancement. We are currently implementing these enhancements.

Additionally, we have conducted a thorough assessment of the implications for risk of the new strategic restructuring and efficiency programme announced on 5 March 2024. This assessment focused on identifying potential impacts on our principal risks, any new risks, unintended immediate and long-term consequences, and critical inflection points for re-evaluating our approach.

Principal risks

Our risk management framework provides the business with the tools to identify, assess, manage and continually review our risks. The Management Board members responsible for monitoring individual principal risks have reviewed these and the Management Board as a whole has performed a robust assessment of these principal and emerging risks and uncertainties faced by the Group. Based on this we have made no change to the principal risks and uncertainties stated on pages 57 to 64 of our Annual Report and Accounts for the year ended 31 December 2023 ('the 2023 ARA').

However, we continue to keep these risks under review as we recognise that the pace of change in the industry and within our own business will continue to influence both the nature and significance of the principal risks facing ITV.

The principal risks and their trajectory, compared to what was disclosed in the 2023 ARA, are summarised below to highlight any changes:

- Streaming (static)
- Content Market (static)
- Commercial (static)
- Changing Viewer Habits (trending up)
- Content Pipeline (static)
- Partnerships (static)
- Data (static)
- Policy & Regulation (static)
- Corporate Compliance (static)
- Cyber Security (static)
- Transformation (trending up)
- People (trending up)
- Duty of Care (static)
- Third Party Risk Management (static)
- Operational Resilience (static)

Refer to our 2023 ARA for further detail on our Risk Framework. Available at https://www.itvplc.com/investors/results-centre/reports-and-results-archive/2023

Unaudited Condensed Consolidated Interim Financial Statements

In this section

Our objective is to make ITV's Financial Statements less complex, more relevant to shareholders and other stakeholders and provide readers with a clearer understanding of what drives financial performance of the Group. We have grouped notes under five key headings: 'Basis of Preparation', 'Results for the Period', 'Operating Assets and Liabilities', 'Capital Structure and Financing Costs' and 'Other Notes'. The aim of the text in boxes is to provide commentary on each section, or note, in plain English.

Contents

Condensed Consolidated Income Statement

For the six month period to 30 June	Note	**2024 £m**	2023 £m
Revenue	2.1	**1,599**	1,639
Operating costs		**(1,463)**	(1,573)
Operating profit		**136**	66
Presented as:			
Earnings before interest, tax and amortisation (EBITA) before exceptional items	2.1	**200**	133
Operating exceptional items	2.2	**(38)**	(27)
Amortisation and impairment		**(26)**	(40)
Operating profit		**136**	66
Financing income		**27**	22
Financing costs		**(20)**	(41)
Net financing income / (costs)		**7**	(19)
Share of losses of joint ventures and associated undertakings		**(7)**	(2)
Profit on disposal of joint ventures and subsidiary undertakings	3.1	**194**	–
Profit before tax		**330**	45
Taxation		**(69)**	(1)
Profit for the period		**261**	44
Profit / (loss) attributable to:			
Owners of the Company		**266**	42
Non-controlling interests		**(5)**	2
Profit for the period		**261**	44
Earnings per share			
Basic earnings per share	2.3	**6.6p**	1.0p
Diluted earnings per share	2.3	**6.6p**	1.0p

Condensed Consolidated Statement of Comprehensive Income

For the six month period to 30 June		**2024** **£m**	2023 £m
Profit for the period		**261**	44
Other comprehensive income / (expense):			
Items that are or may be reclassified to profit or loss			
Revaluation of financial assets		**(2)**	(3)
Net (loss) / gain on cash flow hedges and cost of hedging	4.3	**(1)**	19
Exchange differences on translation of foreign operations		**(2)**	(44)
Income tax charge on items that may be reclassified to profit or loss		–	(4)
Items that will never be reclassified to profit or loss			
Remeasurement gains on defined benefit pension schemes		**11**	12
Income tax charge on items that will never be reclassified to profit or loss		**(1)**	(2)
Other comprehensive income / (expense) for the period, net of income tax		**5**	(22)
Total comprehensive income for the period		**266**	22
Total comprehensive income / (expense) attributable to:			
Owners of the Company		**271**	24
Non-controlling interests		**(5)**	(2)
Total comprehensive income for the period		**266**	22

Condensed Consolidated Statement of Financial Position

	Note	**30 June 2024 £m**	31 December 2023 £m
Non-current assets			
Property, plant and equipment		**251**	263
Intangible assets		**1,533**	1,542
Investments in joint ventures, associates and equity investments		**35**	68
Derivative financial instruments	4.3	**–**	1
Distribution rights		**25**	14
Contract assets		**25**	13
Defined benefit pension surplus	3.4	**204**	187
Other pension asset	3.4	**46**	48
Deferred tax asset		**6**	6
		2,125	2,142
Current assets			
Programme rights and other inventory		**401**	413
Trade and other receivables due within one year		**719**	630
Trade and other receivables due after more than one year		**61**	62
Trade and other receivables		**780**	692
Contract assets		**199**	189
Production inventories		**291**	234
Current tax receivable		**113**	111
Derivative financial instruments	4.3	**3**	4
Assets classified as held for sale	3.2	**31**	66
Cash and cash equivalents	4.1	**354**	340
		2,172	2,049
Current liabilities			
Borrowings	4.2	**(8)**	(5)
Lease liabilities		**(17)**	(18)
Derivative financial instruments	4.3	**(2)**	(1)
Trade and other payables due within one year		**(853)**	(950)
Trade payables due after more than one year		**(26)**	(25)
Trade and other payables		**(879)**	(975)
Contract liabilities		**(289)**	(187)
Current tax liabilities		**(13)**	–
Provisions	3.3	**(148)**	(137)
		(1,356)	(1,323)
Net current assets		**816**	726
Non-current liabilities			
Borrowings	4.2	**(733)**	(758)
Lease liabilities		**(94)**	(97)
Derivative financial instruments	4.3	**(18)**	(16)
Defined benefit pension deficit	3.4	**(25)**	(26)
Deferred tax liabilities		**(89)**	(59)
Other payables		**(53)**	(67)
Provisions	3.3	**(11)**	(17)
		(1,023)	(1,040)
Net assets		**1,918**	1,828

Attributable to equity shareholders of the parent company			
Share capital	4.5	**406**	406
Share premium		**174**	174
Merger and other reserves		**211**	211
Translation reserve		**75**	78
Fair value reserve		**(4)**	(2)
Retained earnings	4.5	**1,027**	919
Total equity attributable to equity shareholders of the parent company		**1,889**	1,786
Non-controlling interests		**29**	42
Total equity		**1,918**	1,828

Condensed Consolidated Statement of Changes in Equity

		Attributable to equity shareholders of the parent company								
	Note	Share capital £m	Share premium £m	Merger and other reserves £m	Translation reserve* £m	Fair value reserve £m	Retained earnings £m	**Total £m**	Non-controlling interests £m	**Total equity £m**
Balance at 1 January 2024		**406**	**174**	**211**	**78**	**(2)**	**919**	**1,786**	**42**	**1,828**
Total comprehensive income for the period										
Profit for the period		–	–	–	–	–	266	266	(5)	261
Other comprehensive income / (expense)										
Revaluation of financial assets		–	–	–	–	(2)	–	(2)	–	(2)
Net loss on cash flow hedges and cost of hedging	4.3	–	–	–	(1)	–	–	(1)	–	(1)
Exchange differences on translation of foreign operations	4.3	–	–	–	(2)	–	–	(2)	–	(2)
Remeasurement gain on defined benefit pension schemes		–	–	–	–	–	11	11	–	11
Income tax charge on other comprehensive income		–	–	–	–	–	(1)	(1)	–	(1)
Total other comprehensive income / (expense)		–	–	–	**(3)**	**(2)**	**10**	**5**	**–**	**5**
Total comprehensive income for the period		**–**	**–**	**–**	**(3)**	**(2)**	**276**	**271**	**(5)**	**266**
Transactions with owners, recorded directly in equity										
Contributions by and distributions to owners										
Equity dividends		–	–	–	–	–	(131)	(131)	–	(131)
Movements due to share-based compensation		–	–	–	–	–	9	9	–	9
Movements in the employee benefit trust		–	–	–	–	–	(1)	(1)	–	(1)
Repurchase of shares	4.5	–	–	–	–	–	(54)	(54)	–	(54)
Tax on items taken directly to equity		–	–	–	–	–	1	1	–	1
Total transactions with owners		**–**	**–**	**–**	**–**	**–**	**(176)**	**(176)**	**–**	**(176)**
Changes in non-controlling interests		**–**	**–**	**–**	**–**	**–**	**8**	**8**	**(8)**	**–**
Balance at 30 June 2024		**406**	**174**	**211**	**75**	**(4)**	**1,027**	**1,889**	**29**	**1,918**

* See note 4.3 for further breakdown of Translation Reserve, including Hedging Reserve and Cost of Hedging Reserve

Condensed Consolidated Statement of Changes in Equity
continued

	Note	Attributable to equity shareholders of the parent company								
		Share capital £m	Share premium £m	Merger and other reserves £m	Translation reserve* £m	Fair value reserve £m	Retained earnings £m	**Total £m**	Non-controlling interests £m	**Total equity £m**
Balance at 1 January 2023		**403**	**174**	**211**	**107**	**(1)**	**928**	**1,822**	**54**	**1,876**
Total comprehensive income for the period										
Profit for the period		–	–	–	–	–	42	42	2	44
Other comprehensive income / (expense)										
Revaluation of financial assets		–	–	–	–	(3)	–	(3)	–	(3)
Net gain on cash flow hedges and cost of hedging	4.3	–	–	–	19	–	–	19	–	19
Exchange differences on translation of foreign operations	4.3	–	–	–	(40)	–	–	(40)	(4)	(44)
Remeasurement gain on defined benefit pension schemes		–	–	–	–	–	12	12	–	12
Income tax (charge) / credit on other comprehensive income		–	–	–	(5)	1	(2)	(6)	–	(6)
Total other comprehensive income / (expense)		**–**	**–**	**–**	**(26)**	**(2)**	**10**	**(18)**	**(4)**	**(22)**
Total comprehensive income for the period		**–**	**–**	**–**	**(26)**	**(2)**	**52**	**24**	**(2)**	**22**
Transactions with owners, recorded directly in equity										
Contributions by and distributions to owners										
Equity dividends		–	–	–	–	–	(133)	(133)	–	(133)
Movements due to share-based compensation		–	–	–	–	–	7	7	–	7
Movements in the employee benefit trust		–	–	–	–	–	(5)	(5)	–	(5)
Issue of new shares		1	–	–	–	–	–	1	–	1
Tax on items taken directly to equity		–	–	–	–	–	(2)	(2)	–	(2)
Total transactions with owners		**1**	**–**	**–**	**–**	**–**	**(133)**	**(132)**	**–**	**(132)**
Changes in non-controlling interests		**–**	**–**	**–**	**–**	**–**	**(8)**	**(8)**	**3**	**(5)**
Balance at 30 June 2023		**404**	**174**	**211**	**81**	**(3)**	**839**	**1,706**	**55**	**1,761**

* See note 4.3 for further breakdown of Translation Reserve, including Hedging Reserve and Cost of Hedging Reserve

Condensed Consolidated Statement of Cash Flows

For the six month period to 30 June	Note	£m	2024 £m	£m	2023 £m
Cash flows from operating activities					
Profit before tax	2.1		**330**		45
Profit on disposal of joint ventures and subsidiary undertakings	3.1	**(194)**		–	
Share of losses of joint ventures and associated undertakings		**7**		2	
Net financing (income) / costs		**(7)**		19	
Operating exceptional items	2.2	**38**		27	
Depreciation of property, plant and equipment		**23**		24	
Amortisation and impairment		**26**		40	
Share-based compensation		**9**		7	
Adjustments to profit			**(98)**		119
Decrease / (increase) in programme rights and distribution rights		**1**		(63)	
(Increase) / decrease in receivables, contract assets and production inventories		**(215)**		92	
Increase / (decrease) in payables and contract liabilities		**23**		(31)	
Movement in working capital			**(191)**		(2)
Cash generated from operations before exceptional items			**41**		162
Cash flow relating to operating exceptional items:					
Operating exceptional items	2.2	**(38)**		(27)	
Increase in exceptional payables		**11**		5	
Cash outflow from exceptional items			**(27)**		(22)
Cash generated from operations			**14**		140
Defined benefit pension deficit funding	3.4	**(3)**		(31)	
Net interest paid on bank, other loans and lease liabilities*		**(4)**		(14)	
Net taxation paid		**(18)**		(16)	
			(25)		(61)
Net cash (outflow) / inflow from operating activities			**(11)**		79
Cash flows from investing activities					
Acquisition of subsidiary undertakings, net of cash acquired		**–**		(1)	
Acquisition of property, plant and equipment		**(6)**		(17)	
Acquisition of intangible assets		**(19)**		(20)	
Acquisition of investments		**(7)**		(12)	
Proceeds from disposal of joint ventures and subsidiary undertakings	3.1	**255**		–	
Dividends received from investments		**1**		3	
Loans granted to associates and joint ventures		**–**		(7)	
Loans repaid by associates and joint ventures		**23**		2	
Net cash inflow / (outflow) from investing activities			**247**		(52)
Cash flows from financing activities					
Bank and other loans – amounts repaid		**(427)**		(66)	
Settlement of derivatives**		**(10)**		–	
Bank and other loans – amounts raised		**424**		112	
Payment of lease liabilities		**(10)**		(13)	
Equity dividends paid		**(131)**		(133)	
Acquisition of non-controlling interests		**(12)**		(4)	
Issue of new share capital		**–**		1	
Repurchase of shares	4.5	**(53)**		–	
Net cash outflow from financing activities			**(219)**		(103)
Net increase / (decrease) in cash and cash equivalents			**17**		(76)
Cash and cash equivalents at 1 January	4.1		**340**		348
Effects of exchange rate changes and fair value movements			**(3)**		(8)
Cash and cash equivalents at 30 June	4.1		**354**		264

* Included in Interest paid on bank, other loans and lease liabilities is £2 million relating to lease liabilities (2023: £2 million)

** Net cash flow from forwards and swaps held against the euro denominated bond partially repaid in the year

Notes to the Condensed Consolidated Interim Financial Statements Section 1: Basis of Preparation

In this section

This section lays out the accounting conventions and accounting policies used in preparing these Condensed Consolidated Interim Financial Statements.

ITV plc (the 'Company') is a company domiciled in the UK. These Condensed Consolidated Interim Financial Statements ('Interim Financial Statements') as at and for the six months ended 30 June 2024 comprise the Company and its subsidiaries (together referred to as 'the Group').

This Condensed Consolidated Interim Financial Report for the half-year reporting period ended 30 June 2024 has been prepared in accordance with the UK-adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority. The Interim Report does not include all of the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual audited financial statements within the Annual Report and Accounts for the year ended 31 December 2023, which has been prepared in accordance with the UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006.

Revenues are impacted by underlying economic conditions, the cyclical demand for advertising, seasonality of programme sales, significant licensing deals and the timing of delivery of ITV Studios' programmes. Major events, including sporting events, will impact the seasonality of schedule costs and the mix of programme spend between sport and other genres, especially drama and entertainment. Other than this, there is no significant seasonality or cyclicality affecting the interim results of the operations.

These Condensed Consolidated Interim Financial Statements are not statutory accounts. The statutory accounts for the year ended 31 December 2023 have been reported on by the Company's auditors and delivered to the Registrar of Companies. The auditors' report was: (i) unqualified; (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report; and (iii) did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

Going concern

As at 30 June 2024, the Group was in a net debt position of £515 million (31 December 2023: £553 million), including gross borrowings of £869 million (31 December 2023: £893 million) offset by cash and cash equivalents of £354 million (31 December 2023: £340 million).

In addition to £354 million of cash and cash equivalents (31 December 2023: £340 million), the Group has a syndicated £500 million Revolving Credit Facility (RCF) entered into during 2022 which was undrawn at 30 June 2024 (31 December 2023: undrawn). £83 million of this facility expires in January 2028 and the remaining £417 million expires in January 2029. In December 2023, the Group entered into an additional £100 million bilateral RCF which matures in December 2028, and which is undrawn at 30 June 2024 (31 December 2023: undrawn). The Group also has a £300 million committed and undrawn bilateral facility expiring in June 2026 (31 December 2023: undrawn). This provides £1,254 million (31 December 2023: £1,240 million) of liquidity.

The two RCFs are subject to leverage and interest cover semi-annual covenant tests that require the Group to maintain a leverage ratio of below 3.5x and interest cover above 3.0x (measures as defined in the RCF documentation). In addition, the £500 million RCF is subject to ESG targets linked to the delivery of ITV's science-based carbon emissions targets. As at 30 June 2024, the Group had covenant net debt of £384 million (31 December 2023: £415 million) and its financial position was well within its covenants. The leverage and interest cover tests will be tested again on 31 December 2024.

The £500 million RCF contains Scope 1, 2 and 3 greenhouse gas emissions targets which align to ITV's stated objective to have Net Zero carbon emissions by 2030. These targets are measured at the end of each financial year and independently verified in July following the relevant December year end. Scope 1 and 2 emissions are measured separately to Scope 3 emissions. The margin on the facility reduces by 2.5bps if Scope 1, 2 and 3 targets are met, by 1.25bps if either Scope 1 and 2 targets are met or Scope 3 targets are met, and increases by 2.5bps if neither target is met. Failing to meet targets does not impact the availability of the RCF. The Group met Scope 1, 2 and 3 targets for 2022, and 2023 emissions were verified in July 2024. Over the life of the facility, it may be necessary to recalibrate the baseline emissions level set in 2019, particularly in relation to Scope 3 emissions and there is a mechanism in the RCF documentation that allows for this.

In June 2024, the Group entered into a €500 million Eurobond at a fixed coupon of 4.25% maturing in June 2032. The proceeds from the Eurobond were utilised to repay the £230 million term loan facility entered into in August 2023 as well as a partial (€240 million) repayment of the €600 million Eurobond that is due to mature in September 2026. The term loan was due to mature in July 2027 and interest on the loan was determined as an aggregate of compounded Sterling Overnight Index Average (SONIA) plus a margin.

As a part of the going concern assessment, the Group reviews forecasts of the television advertising market to determine the impact on ITV's liquidity position. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance (that reflect the current global economic uncertainty), show that the Group will be able to operate within its current available funding. The Group also continues to focus on development of the non-advertising business and evaluates the impact of further investment in the strategy on the cash headroom of the business.

After making enquiries, the Directors are confident that the Group will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of these Condensed Consolidated Interim Financial Statements and therefore have prepared the Condensed Consolidated Interim Financial Statements on a going concern basis.

Accounting judgements and estimates

The preparation of Condensed Consolidated Interim Financial Statements requires management to exercise judgement in applying the Group's accounting policies. It also requires the use of estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. The current macroeconomic environment has caused greater estimation and judgement to be applied, particularly in respect of pension obligations and discount rates used for impairment reviews.

Estimates and underlying assumptions are reviewed on an ongoing basis, with revisions recognised in the period in which the estimates are revised and in any future periods affected.

Notes to the Condensed Consolidated Interim Financial Statements
Section 1: Basis of Preparation continued

Accounting judgements and estimates (continued)

The areas involving material judgement or complexity and therefore may have a material impact on the financial statements in the next 12 months are set out below. Additional detail on the judgements applied by management are set out in the accounting policies section of the relevant notes in these Condensed Consolidated Interim Financial Statements or the ITV plc Annual Report and Accounts for the year ended 31 December 2023:

Area	Key judgements	Key sources of estimation uncertainty
Exceptional items (Note 2.2)	The classification of income or expenses as exceptional items	
Defined benefit pension (Note 3.4)		Estimates of the assumptions for valuing the defined benefit obligation
Provisions related to Box Clever (Note 3.3)	The basis for calculating the provision	Estimates of the amount required to settle the potential liability
Employee-related provisions (Note 3.3)	The individuals who are included in the calculation	Estimates of the amounts required to settle the liability
Acquisition-related liabilities	Whether future amounts payable are linked to employment	Estimates of cash-flow forecasts to support the calculation of the future liabilities
Transmission commitments	Whether the transponder contracts should be classified as leases in accordance with IFRS 16	

In addition to the above, there are a number of areas which involve a high degree of estimation and are significant to the financial statements but are not expected to have a material impact on them in the next 12 months. The key areas underlying estimation uncertainty include the estimation of net realisable values for programme rights, allocation of programme rights between linear and ITVX, impairment of intangible assets and taxation. More detail on each of these items is given in the relevant notes.

The Directors recognise the climate crisis and the potential impact it may have on both the wider world and the success of ITV. The threat continues to evolve and businesses globally have a responsibility to take meaningful action to mitigate and prevent further climate change. The Directors are committed to reducing the impact of ITV on the environment. Climate-related risks have been identified as an emerging business risk; however, the Directors do not view them as a source of material estimation uncertainty for the Group. For further detail, see the Risks and Uncertainties section of the Strategic Report in the ITV plc Annual Report and Accounts for the year ended 31 December 2023.

New or amended accounting standards

The amendments to accounting standards that are effective for annual periods beginning on 1 January 2024 did not have a significant impact on the Group's results. Further details of new or revised accounting standards, interpretations or amendments which are effective for periods beginning on or after 1 January 2024 and their impact on the Group are listed below:

Accounting standard	Requirement	Impact on financial statements
Amendments to IAS 1 'Presentation of Financial Statements'	The amendment clarifies the criteria for classifying liabilities with covenants as current or non-current. The amendment also requires additional disclosures for loan arrangements disclosed as non-current where the loans are subject to compliance with covenants within twelve months after the reporting date.	No material changes to the Group's classification of debt or related disclosures.
Amendments to IFRS 16 'Leases'	The amendments outline how a seller-lessee should account for a sale and leaseback after the date of the transaction.	No material changes to the Group's financial position or performance.
Amendments to IAS 7 'Statement of Cash Flows' and IFRS 7 'Financial Instruments: Disclosures'	The amendments enhance the disclosure requirements for supplier financing arrangements and their effects on a company's liabilities, cash flows and exposures to liquidity risk.	No material changes to the Group's financial position or performance.

Base Erosion and Profit Shifting (BEPS) Pillar Two

On 20 June 2023, Finance (No.2) Act 2023 was substantively enacted in the UK, introducing a global minimum effective tax rate of 15% for large groups and for financial years beginning on or after 31 December 2023. Taxation balances are adjusted for a change in tax law if the change has been substantively enacted by the balance sheet date. However, the amendments to IAS 12 'Income Taxes' Pillar Two income taxes provide an exemption from the requirement to recognise and disclose deferred taxes arising from enacted or substantively enacted tax law that implements the Pillar Two model rules.

Based on an initial analysis of the current year financial data, most territories in which the Group operates are expected to qualify for one of the safe harbour exemptions such that top-up taxes should not apply. In territories where this is not the case there is the potential for Pillar Two taxes to apply, but these are not expected to be material. The impact of current period top-up taxes is reflected in the full year forecast effective tax rate on which the interim tax charge is based. Of the £69 million reported tax charge, less than £1 million is in respect of Pillar Two top-up taxes. The Group continues to refine this assessment.

Notes to the Condensed Consolidated Interim Financial Statements
Section 1: Basis of Preparation continued

Changes to the current UK system of Creative Industry tax credits

On 29 November 2023, the UK government issued final legislation to reform the current system of Creative Industry tax credits to merge the four existing schemes (Film, High-End Television (HETV), Children's Television and Animation) into a single Audio Visual Expenditure Credit (AVEC) scheme and has reviewed the qualifying criteria. The AVEC legislation was substantively enacted on 5 February 2024 and can be claimed on expenditure incurred from 1 January 2024.

The new scheme is one of expenditure credits as opposed to corporate tax relief, requiring a change to the accounting treatment to include them within statutory operating profit rather than within the consolidated tax charge.

Under the HETV regime the tax credits are treated as a credit to the tax line which results in the Group in the UK generally having a reported effective tax rate below the OECD Pillar 2 minimum tax rate of 15%. The new AVEC regime treats the credits as a taxable EBITA amount and have been designed to ensure that entities are in the same post tax position as under the old regime.

The new AVEC regime can be utilised from 1 January 2024, however companies can continue to claim under the existing HETV regime until mid-2025. ITV has chosen to opt into the new expenditure credit regime, on production expenditure incurred in 2024, at the earliest opportunity where possible.

The impact on adjusted EBITA for the period of moving to Audio Visual Expenditure Credits (AVEC) from HETV tax credits is £3 million. The impact on statutory EBITA for the period is £11 million. See Finance Review for further details.

Notes to the Condensed Consolidated Interim Financial Statements Section 2: Results for the Period

In this section

This section focuses on the results and performance of the Group. On the following pages you will find disclosures explaining the Group's results for the period, segmental information, exceptional items and earnings per share.

2.1 Profit before tax

Keeping it simple

Adjusted earnings before interest, tax and amortisation (adjusted EBITA) is the Group's key profit indicator. This reflects the way the business is managed and how the Directors assess the performance of the Group.

The results for the year aggregate these classes of revenue into the following categories:

For the six month period to 30 June	**2024 £m**	2023 £m
ITV Studios UK*	**393**	458
ITV Studios US	**117**	178
ITV Studios International	**168**	188
Global Partnerships	**191**	176
Total ITV Studios**	**869**	1,000
Total advertising revenue ('TAR')	**889**	811
Subscriptions	**26**	29
SDN	**22**	24
Partnerships and other revenue	**97**	100
Total Media & Entertainment	**1,034**	964
Total revenue***	**1,903**	1,964

* ITV sports production transferred from Media & Entertainment to ITV Studios UK with effect from 1 January 2024. Revenue of £30 million relating to sports production for M&E has been recognised in ITV Studios total revenue for the period and is eliminated in intersegment revenue below

** Studios UK, ITV Studios US and Studios International revenues are mainly programme production. Global Partnerships revenue is from programme distribution rights and format licences and gaming, live events and merchandising

*** Includes internal supply as discussed in the APMs

Segmental information

Operating segments, which have not been aggregated, are determined in a manner that is consistent with how the business is managed and reported to the Management Board. The Management Board is regarded as the chief operating decision-maker and considers the business, primarily from an operating activity perspective. The reportable segments for the period ended 30 June 2024 continue to be 'ITV Studios' and 'Media & Entertainment'. As noted above, ITV sports production transferred from M&E to ITV Studios UK with effect from 1 January 2024.

This section shows each division's contribution to total revenue and adjusted EBITA:

For the six month period to 30 June	**ITV Studios* 2024 £m**	**Media & Entertainment 2024 £m**	**Consolidated 2024 £m**
Total segment revenue	**869**	**1,034**	**1,903**
Intersegment revenue	**(301)**	**(3)**	**(304)**
Revenue from external customers	**568**	**1,031**	**1,599**
Adjusted EBITA**	**136**	**76**	**212**
Unrealised profit in stock adjustment			**1**
Group adjusted EBITA***			**213**

For the six month period to 30 June	ITV Studios* 2023 £m	Media & Entertainment 2023 £m	Consolidated 2023 £m
Total segment revenue	1,000	964	1,964
Intersegment revenue	(322)	(3)	(325)
Revenue from external customers	678	961	1,639
Adjusted EBITA**	130	23	153
Unrealised profit in stock adjustment			(1)
Group adjusted EBITA***			152

* Intersegment revenue originates mainly in the UK

** Adjusted EBITA is EBITA adjusted to exclude exceptional items and includes the benefit of production tax credits under the HETV scheme. Expenditure credits under the new Audio-Visual Expenditure Credit ('AVEC') are now reported within EBITA. Further details on AVEC are provided in the APMs and below. Adjusted EBITA is also stated after the elimination of intersegment revenue and costs.

*** Group adjusted EBITA removes the profit recorded in the ITV Studios business related to content sold to the Media & Entertainment business but unutilised and held on the balance sheet at the period end. A reconciliation of Group adjusted EBITA to statutory profit before tax is provided in the APMs.

Notes to the Condensed Consolidated Interim Financial Statements
Section 2: Results for the Period continued

Timing of revenue recognition
The following table includes classes of revenue from contracts disaggregated by the timing of recognition:

For the six month period to 30 June	**2024 £m**	2023 £m	**2024 £m**	2023 £m
	Products and services transferred at a point in time		Products and services transferred over time	
Total advertising revenue, Subscriptions, SDN and other M&E revenue	**875**	798	**156**	163
Programme production, programme distribution rights	**390**	487	**123**	145
Format licenses	**53**	44	**2**	2
Total external revenue	**1,318**	1,329	**281**	310

Group adjusted EBITA
A reconciliation from Group adjusted EBITA to statutory profit before tax is provided as follows:

For the six month period to 30 June	**2024 £m**	2023 £m
Group adjusted EBITA*	**213**	152
Production tax credits	**(13)**	(19)
EBITA before exceptional items*	**200**	133
Operating exceptional items	**(38)**	(27)
Amortisation and impairment	**(26)**	(40)
Net financing income / (costs)	**7**	(19)
Share of losses of joint ventures and associated undertakings	**(7)**	(2)
Profit on disposal of joint ventures and subsidiary undertakings	**194**	–
Statutory profit before tax	**330**	45

* The new Audio-Visual Expenditure Credit ('AVEC') legislation was substantively enacted on 5 February 2024 and can be claimed on expenditure incurred from 1 January 2024. The new scheme is one of expenditure credits as opposed to corporate tax relief therefore requiring a change to the accounting treatment. These credits are now reported within EBITA before exceptional items rather than within the consolidated tax charge. The impact of adopting the new legislation for production expenditure incurred in 2024 has resulted in an increase of £11 million to EBITA before exceptional items and an increase to Group adjusted EBITA of £3 million. Further details on AVEC are provided in the APMs.

A reconciliation of Profit before tax to Adjusted profit before tax is included in the Alternative Performance Measures.

2.2 Exceptional items

Keeping it simple
Exceptional items are excluded from management's assessment of profit because by their size or nature they would distort the Group's underlying quality of earnings. They are typically gains or losses arising from events that are not considered part of the core operations of the business. These items are excluded to reflect performance in a consistent manner and are in line with how the business is managed and measured on a day-to-day basis.

Operating exceptional items are analysed as follows:

For the six month period to 30 June (Charge) / credit	Ref.	2024 £m	2023 £m
Operating exceptional items:			
Acquisition-related expenses	**A**	–	(17)
Restructuring and transformation costs	**B**	**(32)**	(11)
Property costs	**C**	–	(2)
Insured trade receivable provision	**D**	–	4
Transponder onerous contract	**E**	**(4)**	–
Employee-related tax provision	**F**	**2**	–
Legal and other costs	**G**	**(4)**	(1)
Total operating exceptional items		**(38)**	(27)
Tax on operating exceptional items		**14**	2
Total operating exceptional items net of tax		**(24)**	(25)

A – Acquisition-related
Acquisition-related expenses are predominantly performance-based, employment-linked consideration to former owners and professional fees related to acquisitions and potential acquisitions. The Group did not incur any expenses in the period (30 June 2023: £17 million).

Notes to the Condensed Consolidated Interim Financial Statements Section 2: Results for the Period continued

B – Restructuring and transformation costs
Restructuring and transformation costs of £32 million (2023: £11 million) relate to one-off significant restructuring, transformation and efficiency programmes.

The Group's new strategic restructuring and efficiency programme commenced in 2024. This programme is across the Group and will reshape the cost base, enhance profitability, and support the growth drivers of the business. Redundancy provisions for roles at risk and consultancy fees of £21 million have been recognised in the period to 30 June 2024.

Other significant projects in the period to 30 June 2024 include a business transformation programme which commenced in 2021. This programme includes the implementation of a new cloud-based ERP solution, a software as a service (SaaS) solution where the implementation costs are expensed as incurred. The implementation commenced in 2021 and completed in the period.

The Group also continued its rationalisation of the Studios operational structures. Costs relating to this review will continue throughout 2024.

C – Property costs
The property related costs incurred in 2023 relate to the move to Broadcast Centre.

D – Insured trade receivable provision
In 2023, a settlement of the claim from trade credit insurance was agreed and received from the insurers in relation to the trade receivables for The Voice of China.

E – Transponder onerous contract
We have continued to review the efficiency of our transponder capacity usage with a view to reducing our capacity requirements. We reorganised our channels over fewer transponders with the result that we have recognised onerous contracts for the transponder capacity we no longer utilise. In 2024, we cleared a third transponder and have recognised an onerous contract provision of £4 million (2023: £nil) for capacity that is no longer generating revenue. See section 3.3 for further details of provisions held.

F – Employee-related tax provisions
£2 million of employee-related tax provision has been released as it is no longer required. See note 3.3 for further details of the provisions held.

G – Legal and other costs
Legal and other costs of £4 million (2023: £1 million) relate primarily to legal costs for matters considered to be outside the normal course of business, including Box Clever, the UK Competition and Markets Authority (CMA) investigations and the Phillip Schofield KC Review.

2.3 Earnings per share

Keeping it simple
Earnings per share ('EPS') is the amount of post-tax profit attributable to each share.

Basic EPS is calculated on the Group profit for the period attributable to equity shareholders of £266 million (2023: £42 million) divided by 4,004 million (2023: 4,019 million) being the weighted average number of shares in issue during the period, which excludes shares held by the Employee Benefit Trust ('EBT') and shares bought back in the period.

Diluted EPS reflects any commitments made by the Group to issue shares in the future and so it includes the impact of share options.

Adjusted EPS is presented in order to present the business performance of the Group in a consistent manner and reflect how the business is managed and measured on a day-to-day basis. Adjusted EPS reflects the impact of operating and non-operating exceptional items on Basic EPS. Other items excluded from Adjusted EPS are amortisation and impairment of assets acquired through business combinations and investments; net financing cost adjustments and the tax adjustments relating to these items. Each of these adjustments is explained in detail in the section below.

The calculation of Basic EPS and Adjusted EPS, together with the diluted impact on each, is set out below:

Earnings per share

For the six month period to 30 June	2024	2023
Profit for the period attributable to equity shareholders of ITV plc (£m)	**266**	42
Weighted average number of ordinary shares in issue – million	**4,004**	4,019
Basic earnings per ordinary share	**6.6p**	1.0p

Diluted earnings per share

For the six month period to 30 June	2024	2023
Profit for the period attributable to equity shareholders of ITV plc (£m)	**266**	42
Weighted average number of ordinary shares in issue – million	**4,004**	4,019
Dilution due to share options – million	**30**	27
Total weighted average number of ordinary shares in issue – million	**4,034**	4,046
Diluted earnings per ordinary share	**6.6p**	1.0p

Notes to the Condensed Consolidated Interim Financial Statements
Section 2: Results for the Period continued

Adjusted earnings per share

For the six month period to 30 June	Ref.	**2024** £m	2023 £m
Profit for the period attributable to equity shareholders of ITV plc		**266**	42
Exceptional items (net of tax)	A	**24**	25
Profit for the period before exceptional items		**290**	67
Amortisation and impairment of acquired intangible assets	B	**5**	16
Net financing (income) / costs	C	**(11)**	9
Profit on disposal of joint ventures and subsidiary undertakings	D	**(150)**	–
Other tax adjustments	E	**–**	1
Adjusted profit		**134**	93
Weighted average number of ordinary shares in issue – million		**4,004**	4,019
Basic adjusted earnings per ordinary share		**3.3p**	2.3p

Diluted adjusted earnings per share

For the six month period to 30 June	**2024**	2023
Adjusted profit (£m)	**134**	93
Weighted average number of ordinary shares in issue – million	**4,004**	4,019
Dilution due to share options – million	**30**	27
Total weighted average number of ordinary shares in issue – million	**4,034**	4,046
Diluted adjusted earnings per ordinary share	**3.3p**	2.3p

The rationale for determining the adjustments to profit is disclosed in the 31 December 2023 Annual Report and Accounts and has not changed during the period. Details of the adjustments to earnings are as follows:

A. Exceptional items (net of tax) £24 million (2023: £25 million)
- operating exceptional items of £38 million (2023: £27 million), see details in note 2.2
- net of a related tax credit of £14 million (2023: £2 million)

B. Amortisation and impairment of £5 million (2023: £16 million)
- amortisation and impairment of assets acquired through business combinations and investments of £8 million (2023: £17 million) which excludes amortisation and impairment of software licenses and development of £18 million (2023: £23 million)
- net of a related tax credit of £3 million (2023: £1 million)

C. Net financing income of £11 million (2023: net financing costs of £9 million)
- net financing income of £17 million includes a gain of £10 million in relation to the partial repurchase of the €600 million Eurobond, imputed pension net interest income and adjustments to put options in relation to acquisitions offset by interest accrued on acquisition-related exceptional expenses and unrealised foreign exchange differences. Net financing costs of £10 million in 2023 related to interest accrued on acquisition-related exceptional expenses, unrealised foreign exchange differences and imputed pension net interest income
- net of a related tax charge of £6 million (2023: £1 million tax credit)

D. Profit on disposal of joint ventures and subsidiary undertakings £150 million (2023: £nil)
- profit on disposal of joint ventures and subsidiary undertaking of £194 million (2023: £nil). See details in note 3.1
- net of a related tax charge of £44 million (2023: £nil)

E. Other tax adjustments a charge of £nil (2023: £1 million)
- other tax adjustments relate primarily to prior year adjustments

Notes to the Condensed Consolidated Interim Financial Statements
Section 3: Operating Assets and Liabilities

In this section

This section shows the assets used to generate the Group's trading performance and the liabilities incurred as a result. On the following pages there are notes covering disposals, provisions and pensions.

3.1 Disposal of joint ventures and subsidiary undertakings

Keeping it simple

The following section outlines disposals and related profit or loss made by the Group in the period.

Accounting policies

The Group recognises a profit or loss on a disposal of non-current assets such as investments in joint ventures and subsidiary undertakings at the date the asset was disposed of or control of the asset is lost. The Group derecognises assets and liabilities in relation to the assets disposed as well as any non-controlling interests where applicable and cumulative translation differences recognised in equity. The resultant profit or loss on disposal recognised in the Consolidated Income Statement is excluded from Adjusted results.

Disposals made in the current year

During the period, the Group recognised a net profit on disposal of joint ventures and subsidiary undertakings of £194 million from proceeds of £255 million. The carrying value of net assets disposed and related costs was £61 million.

On 1 March 2024, the Group announced that it had sold its 50% interest in digital subscription streaming service BritBox International to its joint venture partner BBC Studios for a cash consideration of £255 million. The transaction was effected by the Group disposing of its 50% interests in BritBox LLC, BB Rights LLC, Denipurna Limited and BritBox International Limited and its 100% holding of ITV SVOD Australia Pty Ltd.

As part of the transaction, loans from ITV plc to BritBox International Limited of £17 million and to ITV SVOD Australia Pty Ltd of AUD 3 million (£2 million) were repaid.

At 31 December 2023, the Group recognised an asset held for sale of £66 million, being the carrying value of the investments. Dividends received and losses for the period offset by an increase in the capital investment and foreign currency translation differences to the date of disposal reduced the carrying value to £62 million.

Net liabilities and related costs of £1 million were also included in determining the profit on disposal of £194 million which was recognised in the Group's Condensed Consolidated Income Statement.

	30 June 2024 **£m**
Consideration received	**255**
Less carrying value of net assets / (liabilities) sold:	**61**
Joint venture investments	**62**
Other net liabilities and related costs	**(1)**
Profit on disposal	**194**

The Group did not make any disposals in the prior year.

3.2 Assets classified as held for sale

Keeping it simple

The following section outlines the Group's assets and liabilities held for sale. Assets and any associated liabilities, where management is committed to a plan to sell, are recognised as held for sale in the Consolidated Statement of Financial Position. The sale should be highly probable and within 12 months of classification as held for sale.

Accounting policies

The Group measures non-current assets that are classified as held for sale at the lower of their carrying amount and fair value less costs to sell.

On 25 July 2024, the Group announced that it had sold back its entire 45% interest in the US production company, Blumhouse TV Holdings, LLC to Blumhouse Holdings, LLC for a consideration of c.US$60 million. At 30 June 2024, the Group included the carrying value of the interest, as held for sale in the Condensed Consolidated Statement of Financial Position.

At 31 December 2023, the carrying value of the Group's 50% interests in BritBox LLC, BB Rights LLC, Denipurna Limited and BritBox International Limited and the 100% interest in ITV SVOD Australia Pty Ltd, which holds the 50% interest in BritBox Australia Management Pty Limited, was included in assets held for sale. On 1 March 2024, the Group announced the sale of these investments. See note 3.1 for further details.

	30 June 2024 **£m**	31 December 2023 £m
Assets held for sale – Investments in Associates and Joint Ventures	**31**	66

Notes to the Condensed Consolidated Interim Financial Statements
Section 3: Operating Assets and Liabilities (continued)

3.3 Provisions

Keeping it simple

A provision is recognised where an obligation exists relating to events in the past and it is probable that cash will be paid to settle the obligation. A provision is made where the Group is not certain how much cash will be required to settle a liability, so an estimate is required. The main estimates relate to the likelihood of settling legal and other claims, and contracts the Group has entered into in respect of future events that are now considered unprofitable.

The table below presents movements in provisions during the period:

	Contract provisions £m	Property provisions £m	Legal and Other provisions £m	Total £m
At 1 January 2024	18	10	126	154
Additions	4	–	16	20
Utilised	(13)	–	–	(13)
Released	–	–	(2)	(2)
Foreign exchange	–	–	–	–
At 30 June 2024	**9**	**10**	**140**	**159**
Analysed between:				
Current	9	1	138	148
Non-current	–	9	2	11

Provisions of £148 million are classified as current liabilities (31 December 2023: £137 million). Unwind of the discount is £nil in 2024 and 2023.

Contract provisions of £9 million (31 December 2023: £18 million)

Represent liabilities in respect of onerous contracts in relation to individual sports rights of £6 million (31 December 2023: £11 million) and transmission capacity supply contract of £3 million (31 December 2023: £7 million).

Sports Rights

Following the pandemic and up to 31 December 2022, the Group recognised provisions for individual sports rights when estimated revenues were less than the value of the rights. This was considered an indicator of impairment. The provision is sensitive to the changes in the sporting schedule and consequential impact on TAR. In calculating the provision for sports rights, management has made estimates and used assumptions in determining the nature, amount and timing of potential outflows, including the commercial impacts of the target audience that will be generated by those rights, scheduling of the events and revenue forecasts.

In periods prior to the pandemic, all programme rights (including sports rights) were assessed for impairment on a portfolio basis unless specific indicators of impairment were identified. From 2023, the Group has included sports rights in the portfolio assessment as there are no specific indicators of impairment. No further impairments have arisen.

The provision held at 30 June 2024 is £6 million (2023: £11 million). £5 million of the provision was utilised during the period (2023: £36 million). The remaining provision is expected to be utilised by 30 June 2025.

Transponders

The Group has continued to review the efficiency of its transponder capacity usage with a view to reducing its capacity requirements. The Group reorganised its channels over fewer transponders with the result that it has recognised onerous contracts for the transponder capacity no longer utilised.

In 2024, a third transponder was cleared and an onerous contract provision of £4 million was recognised in exceptional items (2023: £nil) for capacity that is no longer generating revenue.

Management has applied judgement in its assessment that the individual element of the contract is separable from the remaining elements of the contract, which are not considered onerous. The contracted future commitments to October 2024 was therefore recognised as a provision as there are no future economic benefits expected.

The provision for onerous contracts held at 30 June 2024 is £3 million (31 December 2023: £7 million) and includes £4 million recognised in the current period as well as utilisation of provision of £8 million (31 December 2023: £10 million).

Property provisions £10 million (31 December 2023: £10 million)

These provisions primarily relate to expected dilapidation costs for the Group's rental properties.

Notes to the Condensed Consolidated Interim Financial Statements Section 3: Operating Assets and Liabilities continued

Legal and Other provisions £140 million (31 December 2023: £126 million)

Represents provisions for potential liabilities and the related legal costs. These include £52 million (31 December 2023: £52 million) for the potential liability that may arise as a result of the Box Clever Financial Support Directions ('FSDs') issued by the Pensions Regulator ('tPR'), employee-related tax and other provisions of £61 million (31 December 2023: £61 million), and other legal and related costs.

Boxclever Pension Scheme
Box Clever Technology Limited (Box Clever) was a TV rental business joint venture set up by Granada UK Rental and Retail Limited and Carmelite Investments Limited (parent company of Thorn Limited (Thorn)) in 1999. The business went into administrative receivership in 2003. The Boxclever Group Pension Scheme (the Scheme) was managed from its establishment by an independent trustee - Box Clever Trustees Limited (the Trustee). The Group has not had any commercial connection with the Box Clever business since it went into administrative receivership in 2003.

In 2011, the Determinations Panel of tPR made a determination to issue FSDs to ITV and certain other group companies (the ITV targets). Proceedings to contest the determination took place in the Upper Tribunal and the Court of Appeal which were unsuccessful. tPR thereafter issued the FSDs to the ITV targets on 17 March 2020. An FSD does not set out what form any financial support should take, nor its amount, and those issues have not yet been resolved as part of the legal process.

Appropriate financial support could not be agreed between the ITV targets and tPR. In May 2022, tPR issued a 'Warning Notice' seeking Contribution Notices specifying sums to ensure that the Scheme received from the ITV targets collectively an aggregate amount sufficient to fund the objective of buying out the Scheme benefits in full with an insurer (estimated by tPR at that date to be £133 million).

At 31 December 2003, the Scheme was estimated to have had a deficit on a buyout basis of £25 million which had increased to £110 million as at 31 March 2021 (based on membership data as of February 2020). This estimate has been updated based on 30 June 2024 market conditions to £76 million. The reduction in value between 2021 and 2024 is primarily due to the increase in government bond yields which are used to place a value on the liabilities.

All of these valuations were of the whole Scheme, encompassing liabilities in respect of former employees of Granada's joint venture partner, Thorn, as well as former employees of the Group. A primary argument of the ITV targets in the regulatory process is that it would be unreasonable to make it liable for the entire funding deficit of the Scheme, and it should not be liable in respect of the part of the deficit properly regarded as the responsibility of the other joint venture partner, Thorn, which tPR did not pursue.

Following representations in the regulatory process by the ITV targets, the Trustee and tPR, the parties have engaged in settlement discussions before the case was put before the Determinations Panel of tPR.

On 10 July 2024, non-binding Heads of Terms were signed between the ITV targets, tPR, the Board of the Pension Protection Fund (PPF) and the Trustee. They set out the terms agreed in principle between the parties to settle the proceedings. The intention is that, subject to contract, these terms will become the basis of a legally enforceable settlement agreement.

Under the proposed settlement, in summary, all current Scheme members (both ex-Granada and ex-Thorn) will be transferred to the ITV Pension Scheme and will receive their full Scheme benefits. Back-payments of underpaid pension with interest will also be paid. There is also provision for estates of members who have died in the PPF assessment period. ITV has certain termination rights if, after a data cleanse in relation to the benefits of Scheme members, the value of the liabilities which are expected to transfer to the ITV Scheme has materially increased since the date of the settlement agreement. If ITV does not proceed with the transfer, tPR will be free to recommence regulatory proceedings. ITV will also reimburse the PPF for certain amounts it has lent to the Trustee during the assessment period.

The transfer of liabilities into the ITV Pension Scheme is subject to the approval of the ITV Pension Scheme Trustee. Non-binding Heads of Terms have also been agreed between ITV and the ITV Pension Scheme Trustee. These propose that after transfer of the Scheme members, £25 million of additional funding will be paid to the ITV Pension Scheme (to form part of the general assets of the ITV Pension Scheme) and a surety bond will be provided to cover the value of the transferred liabilities (until the earlier of 31 March 2027 or the completion of the next actuarial valuation). The intention is again that, subject to contract, these terms will become the basis of a legally enforceable settlement agreement.

The provision held at 31 December 2023 was £52 million, representing an earlier offer made to settle the matter. It was based on an IAS 19 valuation to transfer certain liabilities into the ITV Pension Scheme, which was considered to be the most likely form of settlement. As noted above, a data cleanse in relation to the benefits of the Scheme members is required to be undertaken before the value of the liabilities to be transferred into the ITV Pension Scheme can be calculated and as such, no adjustment has been made to the provision as at 30 June 2024.

Employee-related
The determination of the employment tax status of some individuals contracted by the Group is complex. HMRC has issued assessments to the Group for several individuals engaged by the Group during the tax years 2016/17 to 2019/20 as employed for tax purposes.

During 2024, we continued to reviewed the provision, which resulted in an increase in the provision of £3 million, this related to current year risk on continuing drama / Soap Actors and interest on the existing provision which would be payable to HMRC. £2 million of the provision was released through exceptional items as it was no longer required. Due to ongoing reviews by HMRC and court cases on this matter, the final amount payable could be significantly different to the £58 million currently provided (31 December 2023: £58 million).

It is difficult to provide a range for the expected final amounts payable as case law is continually evolving on this matter, particularly in relation to Front of Camera presenters. Decisions in recent IR35 cases have been inconsistent and fact patterns can be very different in individual cases, so determination of employment status for tax purposes remains very subjective.

A further £3 million (31 December 2023: £3 million) is provided in relation to other employment related matters.

Notes to the Condensed Consolidated Interim Financial Statements
Section 3: Operating Assets and Liabilities continued

Other

Other provisions relate to the Group's new strategic restructuring and efficiency programme commenced in 2024. This programme is across the Group and will reshape the cost base, enhance profitability, and support the growth drivers of the business. Redundancy provisions for roles at risk of £13 million have been recognised at 30 June 2024. The Group also has historical environmental provisions in relation to our production sites, closure costs and provision for legal fees for other ongoing litigation.

3.4 Pensions

Keeping it simple

In this note we explain the accounting policies governing the Group's pension scheme, followed by analysis of the components of the net defined benefit pension deficit/surplus, including assumptions made, and where the related movements have been recognised in the financial statements.

What are the Group's pension schemes?

There are two types of pension schemes. A 'Defined Contribution' scheme that is open to ITV employees, and a number of 'Defined Benefit' schemes that have been closed to new members since 2006 and closed to future accrual since 2017. In 2016, on acquisition of UTV Limited, the Group took over the UTV Defined Benefit Scheme, which closed to future accrual at the end of March 2019.

The Group also has unfunded schemes in relation to former beneficiaries who accrued benefits in excess of the maximum allowed for tax purposes is accounted for under IAS 19 and the Group is responsible for meeting the pension obligations as they fall due. For the four former Granada executives within an unfunded scheme (the Granada supplementary scheme), there is additional security in the form of a charge over £46 million (31 December 2023: £48 million) of securitised gilts held by the Group, which are classified as other pension assets to reflect the Group's net pension surplus.

The principal employer of the ITV Pension Scheme and the Unfunded Scheme is ITV Services Limited, the Granada supplementary scheme is Granada Group Limited and the UTV Pension Scheme is UTV Limited.

The pension surplus is presented consistently with definitions presented in the Group's 2023 Annual Report and Accounts. The Group has determined that it has an unconditional right to a refund of any surplus if the Schemes are run off until the last member dies. On this basis the Group has recognised an accounting surplus on the ITV Pension Scheme and the UTV Scheme as at 30 June 2024.

The defined benefit pension surplus/deficit

Net pension surplus of £225 million at 30 June 2024 (31 December 2023: surplus of £209 million) is stated after including the unfunded scheme security asset of £46 million (31 December 2023: £48 million). The totals recognised 30 June 2024 and 31 December 2023 are:

	30 June 2024 £m	31 December 2023 £m
Total defined benefit scheme obligations	**(2,073)**	(2,194)
Total defined benefit scheme assets	**2,252**	2,355
Defined benefit pension surplus (IAS 19)	**179**	161

Presented as:		
Defined benefit pension surplus	**204**	187
Defined benefit pension deficit	**(25)**	(26)
Defined benefit pension surplus (IAS 19)	**179**	161

Other pension asset	**46**	48
Net pension surplus	**225**	209

The net pension surplus at 30 June 2024 was £225 million, compared with a surplus of £209 million at 31 December 2023. The movement in the period was mainly driven by a decrease in liabilities caused by an increase in the corporate bond yields.

Pension assets have decreased due to a rise in gilt yields in the period, offset by the Group's funding contributions under the LTVC pension funding partnership.

The triennial valuation of the ITV Pension Scheme (the Scheme) as at 31 December 2022 was completed in the period. At the valuation date, the Scheme had a surplus of £83 million. This is compared to a deficit of £252 million at the previous valuation date of 31 December 2019.

As the Scheme is in surplus, there are no deficit contributions payable. The Group will continue contributing annual payment under the London Television Centre Pension Funding Partnership. For 2024, contributions under this partnership were £3 million. The Group's pension deficit contributions for the year to 31 December 2023 were £40 million.

The IAS 19 surplus or deficit does not drive the deficit funding contribution.

Due to the size of the UTV Pension Scheme, the Directors present the results and position of the UTV Scheme within this note combined with the existing ITV Schemes. In January 2024, the triennial valuation of the UTV Scheme as at 30 June 2023 was completed. The Scheme had assets of £91 million as at the valuation date and £88 million of liabilities resulting in an agreed Technical Provisions surplus of £3 million and hence there are no deficit contributions payable.

Notes to the Condensed Consolidated Interim Financial Statements
Section 3: Operating Assets and Liabilities continued

Asset-backed pension funding agreements

The Group has two asset-backed pension funding agreements with the Trustee – the SDN pension funding partnership and the London Television Centre pension funding partnership which were set up in 2010 and 2014 respectively to address the pension deficit at that time.

<u>SDN Pension funding partnership</u>

In 2010, ITV established a Pension Funding Partnership (PFP) with the Trustees backed by SDN, which was subsequently extended in 2011. The PFP addressed £200 million of the funding deficit in Section A of the defined benefit pension scheme and under the original agreement a payment of up to £200 million was due in 2022. The existing PFP agreement has been amended and extended to 2031. As a result of this agreement, payments of £94 million were made under the SDN PFP arrangement in 2022. The Group is committed to up to nine annual payments of £16 million from 2023 and the PFP's interest in SDN provides collateral for these payments.

These payments are required if the Scheme is calculated to be in a technical deficit. This calculation is based upon the most recent triennial valuation updated for current market conditions. The partnership's interest in SDN provides collateral for these payments. The £16 million payment under the SDN PFP was not required to be paid in 2023 or in 2024. This assessment is made on an annual basis and therefore the £16 million payment may resume in 2025. The Group retains day to day operational control of SDN and SDN's revenues, profits and cashflows continue to be consolidated in the Group's financial statements. On completion of the final payment in 2031, the Scheme's partnership interest will have been repaid in full and it will have no right to any further payments.

<u>London Television Centre pension funding partnership</u>

In 2014, ITV established a Pension Funding Partnership with the Trustees backed by the London Television Centre which resulted in the assets of Section A of the defined benefit pension scheme being increased by £50 million. In November 2019 the London Television Centre was sold. £50 million of the proceeds has been held in a restricted bank account as a replacement asset in the pension funding arrangement. In 2022 this security was replaced with a surety bond and the cash was released to the Group. This structure continues to be reviewed.

The Scheme's interest in these Partnerships impacts the surplus or deficit on a funding basis but does not impact the surplus or deficit on an IAS 19 basis as the Scheme's interest is not a transferrable financial instrument.

<u>Deficit funding contributions</u>

Deficit contributions are agreed with the Trustees following the triennial valuations. The ITV Pension Scheme and the UTV Pension Scheme are in surplus following the latest triennial valuations, therefore no deficit contributions are payable. The annual payments under the SDN PFP and London Television Centre PFP (£16 million and £3 million respectively) will be assessed annually.

Notes to the Condensed Consolidated Interim Financial Statements
Section 4: Capital Structure & Financing Costs

In this section

This section outlines how the Group manages its capital structure and related financing costs, including its balance sheet liquidity and access to capital markets.

The Directors determine the appropriate capital structure of ITV; specifically, how much is raised from shareholders (equity) and how much is borrowed from financial institutions (debt) in order to finance the Group's activities both now and in the future. Maintaining capital discipline and balance sheet efficiency remains important to the Group. Any potential courses of action in relation to this will take into account the Group's liquidity needs, flexibility to invest in the business, pension deficit initiatives and impact on credit ratings.

The Directors consider the Group's capital structure and dividend policy at least twice a year ahead of announcing results. The Directors take into account the available realised distributable reserves from which a dividend would be paid in addition to liquidity and solvency of the Group. The Directors also consider the capital structure and dividend policy in the context of the Group's ability to continue as a going concern, to execute the strategy and to invest in opportunities to grow the business and enhance shareholder value. The ITV plc Board oversees governance and approves tax and treasury related policies and procedures.

4.1 Net debt

Keeping it simple

Reported net debt is the Group's key measure used to evaluate total cash resources net of the current outstanding debt including our discounted lease liabilities. A full analysis and discussion of reported net debt and covenant net debt is included in the Operating and Performance Review. The tables below analyse movements in the components of reported net debt during the period:

	1 January 2024 £m	Net cash flow £m	Currency and non-cash movements £m	**30 June 2024 £m**
Loans and facilities due within one year	(5)	(3)	–	**(8)**
Loans and facilities due after one year	(758)	6	19	**(733)**
Total loans and facilities	(763)	3	19	**(741)**
Cross currency interest rate swaps held against euro denominated borrowings	(15)	10	(12)	**(17)**
Lease liabilities	(115)	12	(8)	**(111)**
Total debt	(893)	25	(1)	**(869)**
Cash	215	3	(4)	**214**
Cash equivalents	125	14	1	**140**
Total cash and cash equivalents	340	17	(3)	**354**
Reported net debt	(553)	42	(4)	**(515)**

Loans and loan notes due after one year

In June 2024 the Group issued a €500m bond at a fixed coupon of 4.25% which matures in April 2032. This has been swapped back to £422 million using cross currency swaps with 50% having a fixed coupon of 5.8% and 50% paying 184bps over SONIA. In conjunction with this transaction a liability management exercise was undertaken on the €600 million Eurobond in issue, with €240 million being repaid from the proceeds of the 2032 bond, the swaps associated with the redeemed portion were also unwound. The remaining €360 million in issue remains at a fixed coupon of 1.375%, with maturity in September 2026, swapped to sterling (£320 million) with the original cross-currency interest rate swaps. The fixed rate payable in sterling is c.2.9%.

A £230 million term loan was taken out in August 2023, and was fully drawn-down in December 2023. This term loan was fully repaid with the remaining proceeds of the €500 million bond issuance.

Available facilities

The Group has good access to liquidity:

- The Group has £500 million of committed funding through an RCF with a group of relationship banks, which is currently fully available until January 2028. £417 million of the funding remains committed until 2029. At 30 June 2024, the facility was undrawn (31 December 2023: undrawn). The RCF documentation defines a leverage covenant (which has to be maintained at less than 3.5x) and an interest cover covenant (which has to be maintained at greater than 3.0x). Both are tested at 30 June and 31 December each year. All financial covenants were met and the facility remains available at 30 June 2024. This RCF contains Scope 1, 2 and 3 greenhouse gas emissions targets which align to ITV's stated objective to have Net Zero carbon emissions by 2030. These targets are measured at the end of each financial year and independently verified in July following the relevant December year end. Scope 1 and 2 emissions are measured separately to Scope 3 emissions. The margin on the facility reduces by 2.5bps if Scope 1, 2 and 3 targets are met, by 1.25bps if either Scope 1 and 2 targets are met or Scope 3 targets are met, and increases by 2.5bps if neither target is met. Failing to meet targets does not impact the availability of the RCF. The Group met Scope 1, 2 and 3 targets for 2023 and 2023 emissions were verified in July 2024. Over the life of the facility, it may be necessary to recalibrate the baseline emissions level set in 2019, particularly in relation to Scope 3 emissions and there is a mechanism in the RCF documentation that allows for this.

Notes to the Condensed Consolidated Interim Financial Statements
Section 4: Capital Structure & Financing Costs continued

Available facilities (continued)

- In December 2023, the Group secured £100 million of committed funding via a new bilateral RCF, which matures in December 2028. The terms and conditions, including financial covenants but not emissions targets, are aligned to the £500 million RCF facility. The facility is currently undrawn (31 December 2023: undrawn).
- The Group has a £300 million bilateral loan facility, which matures on 30 June 2026. Utilisation requests are subject to the lender's ability to source ITV Credit Default Swaps (CDS) in the market at the time the utilisation request is made. The facility remains free of financial covenants. The facility is currently undrawn (31 December 2023: undrawn).

4.2 Borrowings

Keeping it simple

The Group borrows money from financial institutions in the form of bonds, bank facilities and other financial instruments. The Group is required to disclose the fair value of its debt instruments. The fair value is the amount the Group would pay a third party to transfer the liability. This estimation of fair value is consistent with instruments valued under level 1 in note 4.4.

Fair value versus book value

The tables below provide fair value information for the Group's borrowings:

		Book value		Fair value	
	Maturity	**30 June 2024 £m**	31 December 2023 £m	**30 June 2024 £m**	31 December 2023 £m
Loans due within one year					
Other short-term loans	Various	**8**	5	**8**	5
		8	5	**8**	5
Loans due in more than one year					
€600 million Eurobond	Sep 2026	**305**	520	**291**	490
€500 million Eurobond	June 2032	**420**	–	**423**	–
£230 million Term Loan	July 2027	**–**	230	**–**	230
Other long-term loans	Various	**8**	8	**8**	8
		733	758	**722**	728
		741	763	**730**	733

4.3 Managing financial market risks: derivative instruments

Keeping it simple

What is a derivative?

A derivative is a type of financial instrument used to manage risk. A derivative's value changes over time in response to underlying variables such as exchange rates or interest rates and is entered into for a fixed period. A hedge is where a derivative is used to manage an underlying financial exposure.

The Group is exposed to certain financial market risks. In accordance with Board-approved policies the Group manages these risks by using derivative financial instruments to hedge the underlying financial exposures.

Why do we need them?

The key financial market risks facing the Group are:

- Currency risk arising from:
  - i. Translation and revaluation risk: that is the risk in the period of adverse currency fluctuations in the translation of foreign currency profits, assets and liabilities ('balance sheet risk') and revaluation of non-functional currency monetary assets and liabilities ('income statement risk')
  - ii. Transaction risk: that is the risk that currency fluctuations will cause volatility in the value of the Group's non-functional currency trading cash flows. A non-functional currency transaction is a transaction in any currency other than the reporting currency of a Group entity
- Interest rate risk to the Group arises from significant changes in interest rates on borrowings issued at or swapped to floating rates.

Notes to the Condensed Consolidated Interim Financial Statements
Section 4: Capital Structure & Financing Costs continued

How do we use them?

The Group mainly employs three types of derivative financial instruments when managing its currency and interest rate risk:

- Foreign exchange swap contracts are derivative instruments used to hedge income statement translation risk principally arising from intercompany loans denominated in a foreign currency
- Forward foreign exchange contracts are derivative instruments used to hedge transaction risk by the sale or purchase of foreign currency at a known fixed rate on an agreed future date
- Cross-currency interest rate swaps are derivative instruments used to exchange the principal and interest coupons in a debt instrument from one currency to another

Where appropriate forward foreign exchange contracts and cross-currency interest rate swaps are designated as fair value hedges or cash flow hedges of highly probable future cash flows. All of these hedges were effective during the period.

The Group's policy on the various methods used to calculate the fair values of derivatives is detailed in the 31 December 2023 Annual Report and Accounts.

The Group held certain derivative instruments:

At 30 June 2024	**Assets £m**	**Liabilities £m**
Current		
Foreign exchange forward contracts and swaps – cash flow hedges	**2**	**(2)**
Foreign exchange forward contracts and swaps – fair value through profit or loss	**1**	–
Non-current		
Cross currency interest swaps – cash flow hedges	–	**(16)**
Cross currency interest swaps – fair value hedge	–	**(1)**
Foreign exchange forward contracts and swaps – cash flow hedges	–	**(1)**
	3	**(20)**

At 31 December 2023	Assets £m	Liabilities £m
Current		
Foreign exchange forward contracts and swaps – cash flow hedges	3	(1)
Foreign exchange forward contracts and swaps – fair value through profit or loss	1	–
Non-current		
Cross-currency interest swaps – cash flow hedges	–	(15)
Foreign exchange forward contracts and swaps – cash flow hedges	1	(1)
	5	(17)

Notes to the Condensed Consolidated Interim Financial Statements
Section 4: Capital Structure & Financing Costs continued

Keeping it simple

The table below provides a reconciliation of each component of the translation reserve reported within equity and an analysis of other comprehensive income in accordance with IAS 1.

Set out below is the reconciliation of each component of the translation reserve reported in the Consolidated Statement of Changes in Equity and the analysis of other comprehensive income:

	Cash flow hedge reserve £m	Cost of hedge reserve £m	Foreign currency reserve £m	Translation reserve £m
As at 1 January 2024	**7**	**(3)**	**74**	**78**
Effective portion of changes in fair value arising from:				
Cross-currency interest rate swaps – borrowings:				
• Change in fair value from the effective hedge instrument	**(13)**	**3**	**–**	**(10)**
Amount reclassified to Income Statement				
• FX forward reclassified to cost of sales/overheads	**(2)**	**–**	**–**	**(2)**
• CCIRS reclassified to finance costs	**11**	**–**	**–**	**11**
Net loss on cash flow hedges and cost of hedging	**(4)**	**3**	**–**	**(1)**
Exchange differences on translation of foreign operations	**–**	**–**	**(2)**	**(2)**
Income tax charge on other comprehensive income/(expense)	**–**	**–**	**–**	**–**
As at 30 June 2024	**3**	**–**	**72**	**75**
As at 1 January 2023	**2**	**(7)**	**112**	**107**
Effective portion of changes in fair value arising from:				
Foreign exchange forward contracts	(7)	(1)	–	(8)
Cross-currency interest rate swaps – borrowings:				
• Change in fair value from the effective hedge instrument	–	1	–	1
Amount reclassified to Income Statement				
• FX forward reclassified to cost of sales/overheads	2	–	–	2
• FX forward and swaps reclassified to finance costs	7	–	–	7
• Amounts reclassified to work in progress	1	–	–	1
• CCIRS reclassified to finance costs	16	–	–	16
Net gain on cash flow hedges and cost of hedging	19	–	–	19
Exchange differences on translation of foreign operations	–	–	(40)	(40)
Income tax charge on other comprehensive income/(expense)	(5)	–	–	(5)
As at 30 June 2023	**16**	**(7)**	**72**	**81**

Notes to the Condensed Consolidated Interim Financial Statements
Section 4: Capital Structure & Financing Costs continued

4.4 Fair value hierarchy

Keeping it simple

The financial instruments included in the ITV Condensed Consolidated Statement of Financial Position are measured at either fair value or amortised cost. The measurement of this fair value can in some cases be subjective and can depend on the inputs used in the calculations. ITV generally uses external valuations using market inputs or market values (e.g. gilt prices, foreign exchange rates and interest rates). The different valuation methods are called 'hierarchies' and are described below.

Level 1: Fair values are measured using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair values are measured using inputs, other than quoted prices included within Level 1, which are observable for the asset or liability either directly or indirectly.

Level 3: Fair values are measured using inputs for the asset or liability that are not based on observable market data.

The table below sets out the financial instruments included in the Group's Condensed Consolidated Statement of Financial Position at 'fair value'. There were no transfers between levels during the period.

30 June 2024	Fair value £m	Level 1 £m	Level 2 £m	Level 3 £m
Assets measured at fair value				
Financial instruments at fair value through the reserves				
Other pension assets – gilts (see note 3.4)	**46**	**46**	**–**	**–**
Money market funds (see note 4.1)	**140**	**140**	**–**	**–**
Equity investments	**21**	**–**	**–**	**21**
Financial assets at fair value through profit or loss				
Foreign exchange forward contracts and swaps	**1**	**–**	**1**	**–**
Financial assets at fair value through reserves				
Cash flow hedges	**2**	**–**	**2**	**–**
	210	**186**	**3**	**21**
Liabilities measured at fair value				
Financial liabilities at fair value through profit or loss				
Fair value hedges	**(1)**	**–**	**(1)**	**–**
Acquisition-related liabilities – payable to sellers under put options agreed on acquisition*	**(50)**	**–**	**–**	**(50)**
Financial liabilities at fair value through reserves				
Cash flow hedges	**(19)**	**–**	**(19)**	**–**
	(70)	**–**	**(20)**	**(50)**

31 December 2023	Fair value £m	Level 1 £m	Level 2 £m	Level 3 £m
Assets measured at fair value				
Financial instruments at fair value through the reserves				
Other pension assets – gilts (see note 3.4)	48	48	–	–
Money market funds (see note 4.1)	125	125	–	–
Equity investments	21	–	–	21
Financial assets at fair value through profit or loss				
Foreign exchange forward contracts and swaps	1	–	1	–
Convertible loan receivable	2	–	–	2
Financial assets at fair value through reserves				
Cash flow hedges	4	–	4	–
	201	173	5	23
Liabilities measured at fair value				
Financial liabilities at fair value through profit or loss				
Acquisition-related liabilities – payable to sellers under put options agreed on acquisition*	(63)	–	–	(63)
Financial liabilities at fair value through reserves				
Cash flow hedges	(17)	–	(17)	–
	(80)	–	(17)	(63)

* The Group recognises the non-controlling interests in a business combination at fair value with a put liability being recognised at acquisition. Any changes in the value of the liability is treated as financing costs or income.

There have been no changes in the classification of assets and liabilities and there have been no movements within levels. Information on the fair value measurements of level 3 assets and liabilities is detailed in the Annual Report and Accounts for 31 December 2023.

Notes to the Condensed Consolidated Interim Financial Statements Section 4: Capital Structure & Financing Costs continued

4.5 Equity

Keeping it simple

This section explains material movements recorded in shareholders' equity, presented in the Condensed Consolidated Statement of Changes in Equity, which are not explained elsewhere in the financial statements.

4.5.1 Share capital and share premium
The Group's share capital at 30 June 2024 of £406 million (31 December 2023: £406 million) and share premium of £174 million (31 December 2023: £174 million) is the same as that of ITV plc.

4.5.2 Retained earnings
The Group's retained earnings reserve comprises profit for the six months to 30 June 2024 attributable to owners of Company, ITV plc, of £266 million (year to 31 December 2023: £210 million) and other items recognised directly through equity as presented in the Condensed Consolidated Statement of Changes in Equity. Other items include a credit for the Group's share-based compensation schemes.

The Board recognises the importance of the ordinary dividend to ITV shareholders. Reflecting its confidence in the business and its strategy, as well as the continued strong cash generation, the Board proposes an interim dividend of 1.7p (30 June 2023: 1.7p). £131 million of dividends were paid in the period representing the final 2023 dividend of 3.3p per share.

Dividends are distributed based on the realised distributable reserves (within retained earnings) of the Company and not based on the Group's retained earnings.

Share buyback programme
On 1 March 2024 the Group announced its intention to return the entire net proceeds from the disposal of BritBox International to the Group's shareholders through a share buyback. This was launched immediately following the announcement of the Group's results for the year ended 31 December 2023 in March 2024.

As of 30 June 2024, 72 million 10p shares had been repurchased at a cost of £53 million. The stamp duty costs were less than £1 million and the associated fees charged for the repurchase programme were £1 million. The total cost of the shares including the directly attributable fees, have reduced the Group's retained earnings.

In May 2024, 8.5 million of the shares bought back were transferred to the Group's Employee Benefit Trust ('EBT') to satisfy maturing share awards.

The repurchased shares held in Treasury and the shares held by the EBT are excluded in determining the weighted average number of shares in issue when calculating the Group's EPS metrics.

Notes to the Condensed Consolidated Interim Financial Statements
Section 5: Other Notes

5.1 Contingent assets and liabilities

Keeping it simple
A contingent asset or liability is an item that is not sufficiently certain to qualify for recognition as an asset or a provision where uncertainty may exist regarding the outcome of future events.

Contingent liabilities
There are contingent liabilities in respect of certain litigation and guarantees, broadcasting issues, and in respect of warranties given in connection with certain disposals of businesses. In addition, the determination of employment tax status of some individuals contracted by ITV is complex and a future liability could arise in relation to this. None of these items are expected to have a material effect on the Group’s results or financial position.

As previously reported, on 12 July 2022, the UK Competition and Markets Authority (CMA) opened an investigation into certain conduct of ITV and other named companies in the sector relating to the production and broadcasting of sports content in the United Kingdom. The investigation is continuing and ITV anticipates that it will receive additional details of any future steps to be taken by the CMA before the end of 2024. It is not currently possible to reliably quantify any liability that might result from the investigation.

On 11 October 2023, the CMA opened an investigation into certain conduct of ITV and other named companies in the sector relating to the production and broadcasting of television content in the UK, excluding sports content. The investigation remains at an early stage and in March 2024, the CMA stated that its further investigatory steps and evidential assessment will continue until October 2024. It is not currently possible to reliably quantify any liability that might result from the investigation.

ITV is committed to complying with competition law, and is cooperating with the CMA's enquiries in relation to both investigations.

5.2 Subsequent events

Keeping it simple
Where the Group receives information in the period between 30 June 2024 and the date of this report about conditions related to certain events that existed at 30 June 2024, we update our disclosures that relate to those conditions in light of the new information. Such events can be categorised as adjusting or non-adjusting depending on whether the condition existed at 30 June 2024. If non-adjusting events are material, non-disclosure could influence the economic decisions that users make on the basis of the financial statements. Accordingly, for each material category of non-adjusting event after the reporting period we disclose in this section the nature of the event and an estimate of its financial effect, or a statement that such an estimate cannot be made.

On 25 July 2024, the Group announced the sale of its entire 45% interest in the US production company, Blumhouse TV Holdings, LLC to Blumhouse Holdings, LLC for a consideration of c.US$60 million. At 30 June 2024, the Group included the carrying value of the interest, as held for sale in the Condensed Consolidated Statement of Financial Position.

On 25 July 2024, the Group announced that it had acquired 51% of the scripted independent production company Hartswood Films in the UK, producer of Sherlock, for consideration, net of cash acquired of c.£26 million. Put and call options are in place over the remaining shareholding. The acquisition of Hartwood will further enhance ITV Studios' strength in high quality, UK scripted drama, and provide for further exposure to streamers and future distribution opportunities for ITV Global Partnerships.

As the acquisition occurred on 24 July 2024, Hartswood Films will be consolidated from that date. The acquisition accounting will be provisionally assessed by the end of the current financial year and completed within 12 months following the date of the acquisition but for these Condensed Consolidated Interim Financial Statements, the transaction has been noted as a subsequent event.

Statement of Directors' Responsibilities

We confirm that to the best of our knowledge, these Condensed Consolidated Interim Financial Statements have been prepared in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and that the interim management report includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, namely:

- an indication of important events that have occurred during the first six months 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 financial year and
- material related-party transactions in the first six months and any material changes in the related-party transactions described in the last annual report

The directors of ITV plc are listed in the Annual Report and Accounts for 31 December 2023.

A list of current directors is maintained on the ITV plc website: www.itvplc.com

For and on behalf of the Board:

Chris Kennedy
Group COO and CFO
25 July 2024

Independent review report to ITV plc

Report on the Condensed Consolidated Interim Financial Statements

Our conclusion

We have reviewed ITV plc's condensed consolidated interim financial statements (the "interim financial statements") in the Interim Results of ITV plc for the 6 month period ended 30 June 2024 (the "period").

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

The interim financial statements comprise:

- the Condensed Consolidated Statement of Financial Position as at 30 June 2024
- the Condensed Consolidated Income Statement and Condensed Consolidated Statement of Comprehensive Income for the period then ended
- the Condensed Consolidated Statement of Changes in Equity for the period then ended
- the Condensed Consolidated Statement of Cash Flows for the period then ended and
- the explanatory notes to the interim financial statements

The interim financial statements included in the Interim Results of ITV plc have been prepared in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Basis for conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Financial Reporting Council for use in the United Kingdom ("ISRE (UK) 2410"). 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, 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.

We have read the other information contained in the Interim Results and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

Conclusions relating to going concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for conclusion section of this report, nothing has come to our attention to suggest that the directors have inappropriately adopted the going concern basis of accounting or that the directors have identified material uncertainties relating to going concern that are not appropriately disclosed. This conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410. However, future events or conditions may cause the group to cease to continue as a going concern.

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the Directors

The Interim Results, including the interim financial statements, is the responsibility of, and has been approved by the directors. The directors are responsible for preparing the Interim Results in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority. In preparing the Interim Results, including the interim financial statements, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

Our responsibility is to express a conclusion on the interim financial statements in the Interim Results based on our review. Our conclusion, including our Conclusions relating to going concern, is based on procedures that are less extensive than audit procedures, as described in the Basis for conclusion paragraph of this report. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers LLP
Chartered Accountants
London
25 July 2024