



"A single company with a single management team will benefit viewers, advertisers and shareholders."

Michael Green
Chairman

CHAIRMAN'S STATEMENT

"2002 was a year of rapid and fundamental change in British television. The advertising recession continued for a second year, competition from pay television intensified and a resurgent BBC, backed by increased funding, tried to challenge ITV's lead in peak time.

Against this background, the Board of Carlton has endeavoured to secure long term value for shareholders. We reduced our cost base aggressively and focused our management energies on our core businesses.

As we announced at the time of our interim results in May, the decision to discontinue our investment in ITV Digital was difficult, but essential for the future health of our company. Closure costs were fully provided for at the time and no further charges have been incurred.

We are making good progress with our partners in streamlining ITV's management and resource base and in October we announced a proposed merger with Granada. Creating "one ITV" has long been a strategic goal for Carlton and the Board is convinced that the merger is the right move at the right time. A single company with a single management team and a single focus will benefit viewers, advertisers and shareholders. By unifying ITV we can eliminate duplicated costs and concentrate all our energies on maximising the performance and value of Britain's most watched commercial television channel.

A strong commercial public service broadcaster leading the industry will be good for British television. We will be urging our regulators to look at the wider competitive landscape when considering our proposals.

To secure the long term success of ITV we are investing further in programmes, with total schedule investment now amounting to almost £1 billion a year. Viewing figures are on an improving trend and, after a difficult first half, advertising revenues returned to growth in May.

The majority of the UK population now has multi-channel television. A powerful, performing ITV1 supported by a fast growing ITV2 is the right response to this increasingly competitive market place. Last year ITV2 increased its viewing share in multi-channel homes faster than any other channel.

Carlton has continued to expand its distribution of television programmes and films. Carlton International is one of Europe's leading programme

"Carlton is now well positioned to deliver earnings growth."

Paul Murray
Finance Director



"Carlton's prospects as a key component of a consolidated and cohesive ITV are excellent."

Gerry Murphy
Chief Executive

distributors and achieved double digit revenue growth in 2002. Our creative teams continue to make an essential contribution to ITV, while also producing programmes for other channels in the UK and overseas. For 2003 we have a substantially stronger order book of new commissions. In cinema advertising, we are expanding in the US and Europe and are the world leader in this dynamic market.

Group turnover from continuing businesses for the year was £965 million (2001: £1,040 million) and total operating profit from continuing businesses before exceptional items was £65.3 million (2001: £65.8 million). Continuing earnings per share were 4.8p (2001: 2.0p) before amortisation and exceptionals.

Taking into account the Group's financial and trading position and the planned merger with Granada, the Board has proposed a maintained final dividend of 5p per ordinary share giving a total of 8.275p for the year.

Looking ahead, our focus is clear. We will build on ITV's progress, prepare for merger and bear down on costs. We will continue to build our businesses outside ITV in programme distribution, cinema advertising and post-production.

ITV has started the year well. Advertising revenues in the first quarter of 2003 are expected to be up 2 per cent year-on-year. However, like other broadcasters and advertiser-supported businesses, we expect the market place to be challenging in the months ahead. A strong ITV schedule, improved ratings and our proposed merger put Carlton in the best possible position to benefit as advertising demand starts to recover.

Gerry Murphy will be leaving Carlton in January. I thank him for his dedication and contribution to Carlton and wish him every success at Kingfisher plc. Anthony Forbes stood down from the Board after eight years as a non-executive director. We are grateful for his sound guidance and wise counsel and he leaves with our very best wishes.

I would like to thank all our employees for their hard work and loyalty over the past year. We should look forward to the opportunities of the coming year with enthusiasm and confidence."

Michael Green, Chairman, 26 November 2002