ITV plc 2023 Interim Results

Interim results for the six months ended 30th June 2023

27th July 2023

Agenda

Introduction and Highlights

Carolyn McCall

STRATEGIC EXECUTION

Phase Two of More Than TV strategy

EXPAND STUDIOS

Further expanding by genre, geography and customers and growing faster than market

SUPERCHARGE STREAMING

Driving digital viewing and revenue through ITVX and Planet V, ITV's leading addressable advertising platform

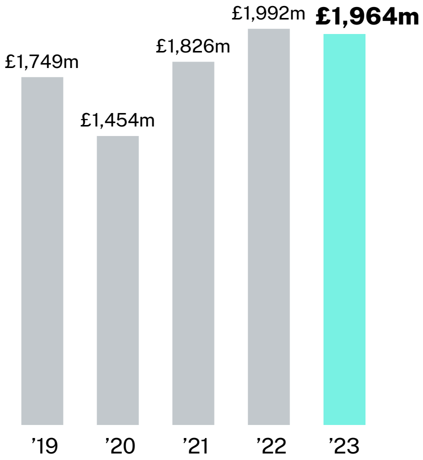
VERTICALLY INTEGRATED PRODUCER BROADCASTER AND STREAMER

OPTIMISE BROADCAST

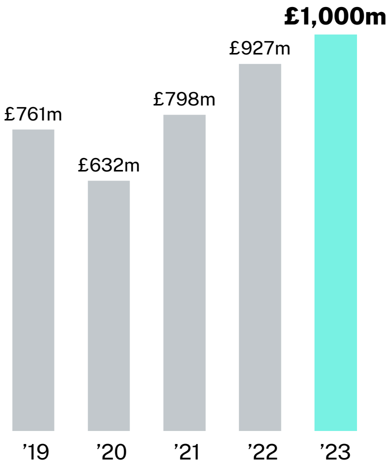
Digitally transforming as we continue to attract commercial broadcast audiences of unparalleled scale

H1 2023 Group Financial Performance as expected

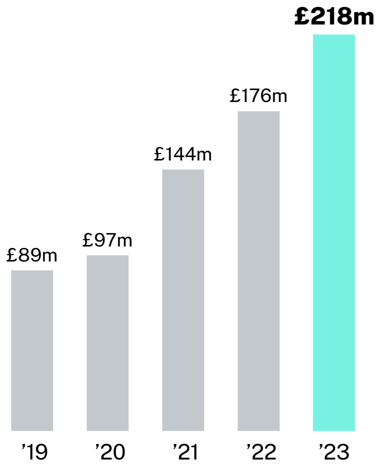
Total Revenue
down 1% vs. 2022



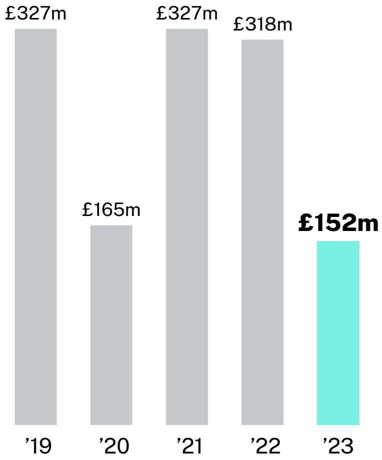
ITV Studios Revenue
up 8% vs. 2022



Digital Revenue
up 24% vs. 2022



Group Adjusted EBITA[1]
down 52% vs. 2022



Dividend: *the Board has declared an interim dividend of 1.7p and remains committed to paying a total dividend of at least 5p for the full year, which is expected to grow over time*

[1] See appendices for full reconciliation

Financial and Operating Review

Chris Kennedy

ITV Studios

Good performance as we continue to see strong global demand for ITV's content

Six months ended 30 June	2023 (£m)	2022 (£m)	Change %	Organic change %
Studios UK	458	365	25	16
Studios US	178	173	3	(1)
International	188	215	(13)	(19)
Global Partnerships	176	174	1	(2)
Total Studios revenue	**1,000**	**927**	**8**	**2**
Total Studios costs	(870)	(800)	(9)	
ITV Studios adjusted EBITA[1]	**130**	**127**	**2**	**(8)**
Adjusted EBITA margin	13%	14%		

	2023 (£m)	2022 (£m)	Change (%)
Internal – ITVS to M&E	322	310	4
External revenue	678	617	10
Total revenue	**1,000**	**927**	**8**

- Strong revenue growth ahead of the market
- Significant growth in the UK benefitting from strong external sales and Plimsoll acquisition with healthy pipeline of new and returning programmes
- Studios US delivered content across a broad range of genres and customers
- International down YOY due to phasing of deliveries, as expected
- Total revenue was up 8%, Studios adjusted EBITA[1] up 2%, with a margin of 13% including £7 million of cost savings
- Favourable FX impact of £16 million on revenue and £3 million on profit
- High level of committed revenues for the full year of 89% (2022: 90%)

[1] EBITA includes the benefit of production tax credits. ITV Studios Adjusted EBITA for 2022 has been restated to remove the unrealised profit in stock adjustment as this is an adjustment required on consolidation only. The launch of ITVX in the M&E division is likely to increase the levels of content held on the Statement of Financial Position , potentially requiring a larger profit in stock adjustment and therefore management believes the adjustment should be recorded at a consolidated level only.

Media & Entertainment (M&E)

ITVX driving strong growth in digital revenue, up 24%

Six months ended 30 June	2023 (£m)	2022 (£m)	Change %
Total advertising revenue	**811**	**910**	**(11)**
Subscription revenue	29	26	12
SDN	24	28	(14)
Partnerships and other revenue[1]	100	101	(1)
M&E non-advertising revenue	**153**	**155**	**(1)**
Total M&E revenue	**964**	**1,065**	**(9)**
Content	(648)	(603)	(7)
Variable costs	(66)	(58)	(14)
M&E infrastructure and overheads	(227)	(210)	(8)
Total M&E costs	**(941)**	**(871)**	**(8)**
Total adjusted M&E EBITA	**23**	**194**	**(88)**
Total adjusted EBITA margin	2%	18%	
Digital advertising revenue	179	144	24
Subscription revenue	29	26	12
Other	10	6	67
Digital revenue	**218**	176	24

- Total revenue down 9%, driven by challenging advertising market with TAR down 11%, as expected
- Total digital revenues were up 24% to £218 million (2022: £176 million)
  - Digital advertising up 24% to £179 million (2022: £144 million)
  - Subscription revenues up 12% to £29m
- SDN performance impacted by the renewal of long-standing contracts at current market prices, as previously guided
- Partnerships and other revenue broadly flat as expected
- Content costs predominantly reflects the planned increase in investment for ITVX
- Non-programming costs were up mainly driven by viewing related costs for ITVX, such as bandwidth, ITVX investments in technology and people, and commercial payaways to third-parties
- Delivered £4m of cost savings

[1]Partnerships and other revenue includes revenue from platforms such as Sky and Virgin Media O2, competitions revenue, third-party commission and commercial revenue from our creative partnerships.

ITV Total Advertising Revenue: H1 category analysis; Q3 outlook

CATEGORY ANALYSIS **Largest categories** (Spot and VOD combined)	**H1 2023** £m	**H1 YOY** % change
Retail	141	(13%)
Finance	60	(30%)
Entertainment and Leisure	68	(17%)
Airlines and Travel	73	14%
Publishing and Broadcasting	38	(36%)
Telecommunications	47	(16%)
Food	43	(19%)
Cosmetics and Toiletries	47	(6%)
Cars and Car Dealers	37	(4%)
Government, Charities and Other	40	17%
Remaining Categories and Sponsorship	217	(4%)
Total Advertising Revenue (TAR)	**811**	**(11%)**

Q3 TAR Outlook

+ July – expected to be down 4%
+ August – expected to be up 7%
+ September – too early to give a forecast but early signs are positive
+ Expect to see growth in TAR in Q3, with continued strong growth in digital advertising

Robust Balance Sheet and strong cash generation

88%

(30 Jun 2022: 81%)

PROFIT TO CASH

£724m

(31 Dec 2022: £623m)

NET DEBT

1.2x

(31 Dec 2022: 0.8x)

LEVERAGE[1]

1.1x

(31 Dec 2022: 0.7x)

COVENANT LEVERAGE[1]

£964m

(31 Dec 2022: £1,098m)

TOTAL LIQUIDITY[2]

£235m

(31 Dec 2022: £192m surplus)

NET PENSION SURPLUS

[1] Leverage is calculated as net debt to adjusted EBITDA . Covenant leverage is covenant net debt to covenant adjusted EBITDA as defined per the facility agreement
[2] Total liquidity comprises £700 million of undrawn facilities and cash of £264 million

Disciplined capital allocation framework

1 **REINVESTMENT:** Invest organically line with our strategic priorities

2 **INVESTMENT GRADE BALANCE SHEET:** manage our financial metrics consistent with our commitment to investment grade metrics over the medium term

3 **DIVIDEND POLICY:** Sustain a regular ordinary dividend which will grow over the medium term

4 **M&A STRATEGY:** Continue to consider value-creating inorganic investment, against strict financial and strategic criteria

5 **SURPLUS CASH:** Any surplus capital will be returned to shareholders

2023 Planning Assumptions – largely unchanged

Based on current expectations

P&L

Content costs	Total content costs are expected to be around **£1.3 billion,** as previously guided
Cost Savings	Permanent overhead cost savings are expected to be around **£15 million in 2023**. This is part of the £50 million of permanent cost savings to be delivered by 2026, as previously guided
Adjusted Interest	Adjusted financing costs are expected to be around **£25 million** rather than £30 million as previously guided, due to higher expected interest income
Tax	The adjusted effective tax rate is expected to be **around 21% in 2023,** and then move to around 25% over the medium term due to the increase in the UK statutory tax rate to 25% in April 2023
Exceptional Items	Exceptional items are expected to be around **£55 million,** higher than the £40 million previously guided, driven by digital transformation costs and professional fees related to acquisitions

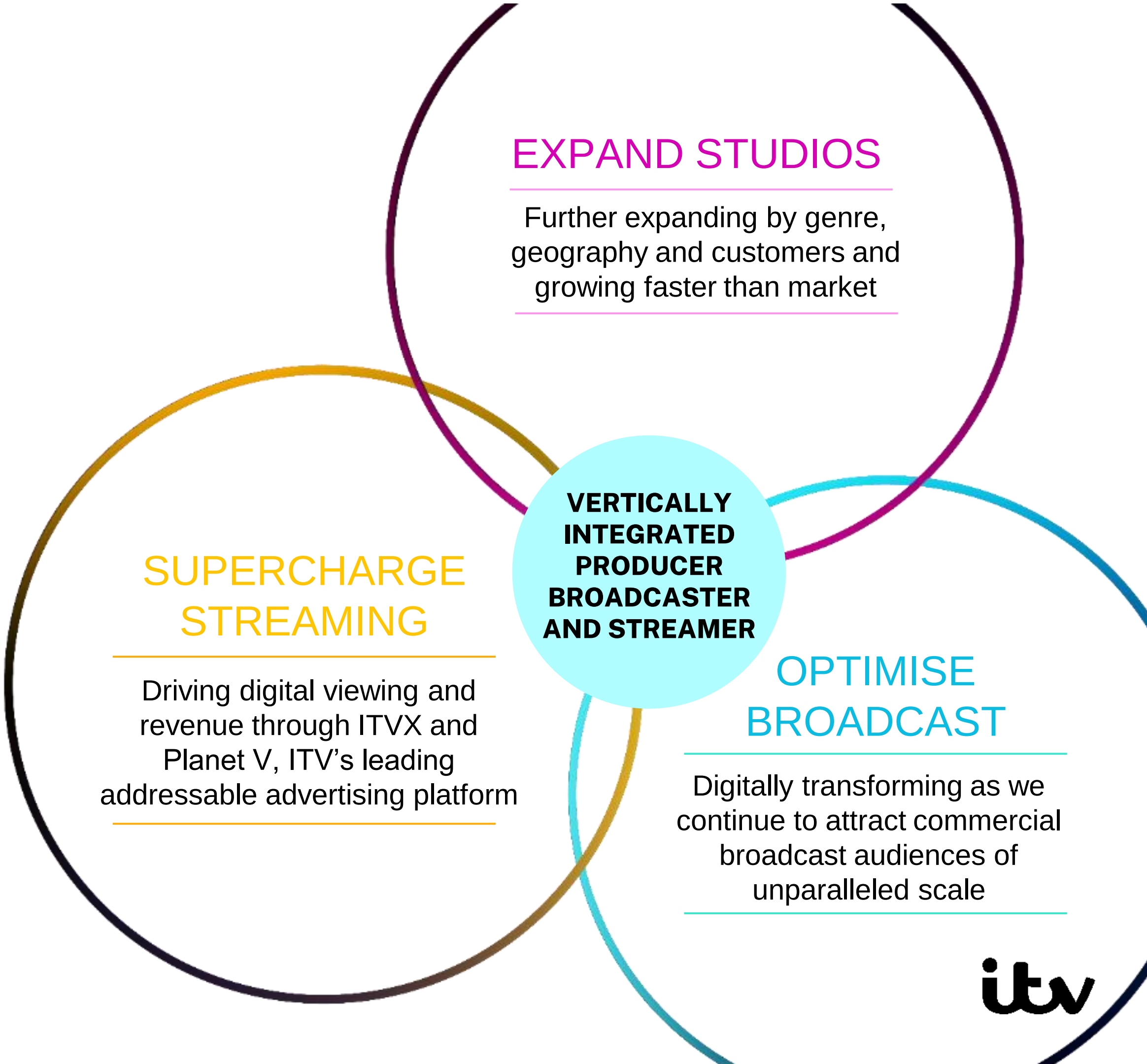
Cash

Capex	Total capex is expected to be around **£75 million** as we further invest in our digital capabilities
Exceptional Items	The cash cost of exceptionals is expected to be around **£65 million**, higher than the £35 million previously guided, mainly driven by digital transformation costs and professional fees related to acquisitions
Profit to Cash	Profit to cash conversion is expected to be **between 70% to 75%**, reflecting increases in working capital as we continue to grow ITV Studios and invest in ITVX
Pension	Total pension deficit funding contribution for 2023 is expected to be **£46 million**, made up of £43 million relating to the main section of the Scheme and £3 million relating to the LTVC PFP
Dividend	The Board has proposed an interim dividend of 1.7p, which will be paid in November 2023. Going forward, the Board intends to pay a full year ordinary dividend of at least 5.0p, which it expects to grow over time

Strategic Update

Carolyn McCall

STRATEGIC EXECUTION
Phase Two of More Than TV strategy



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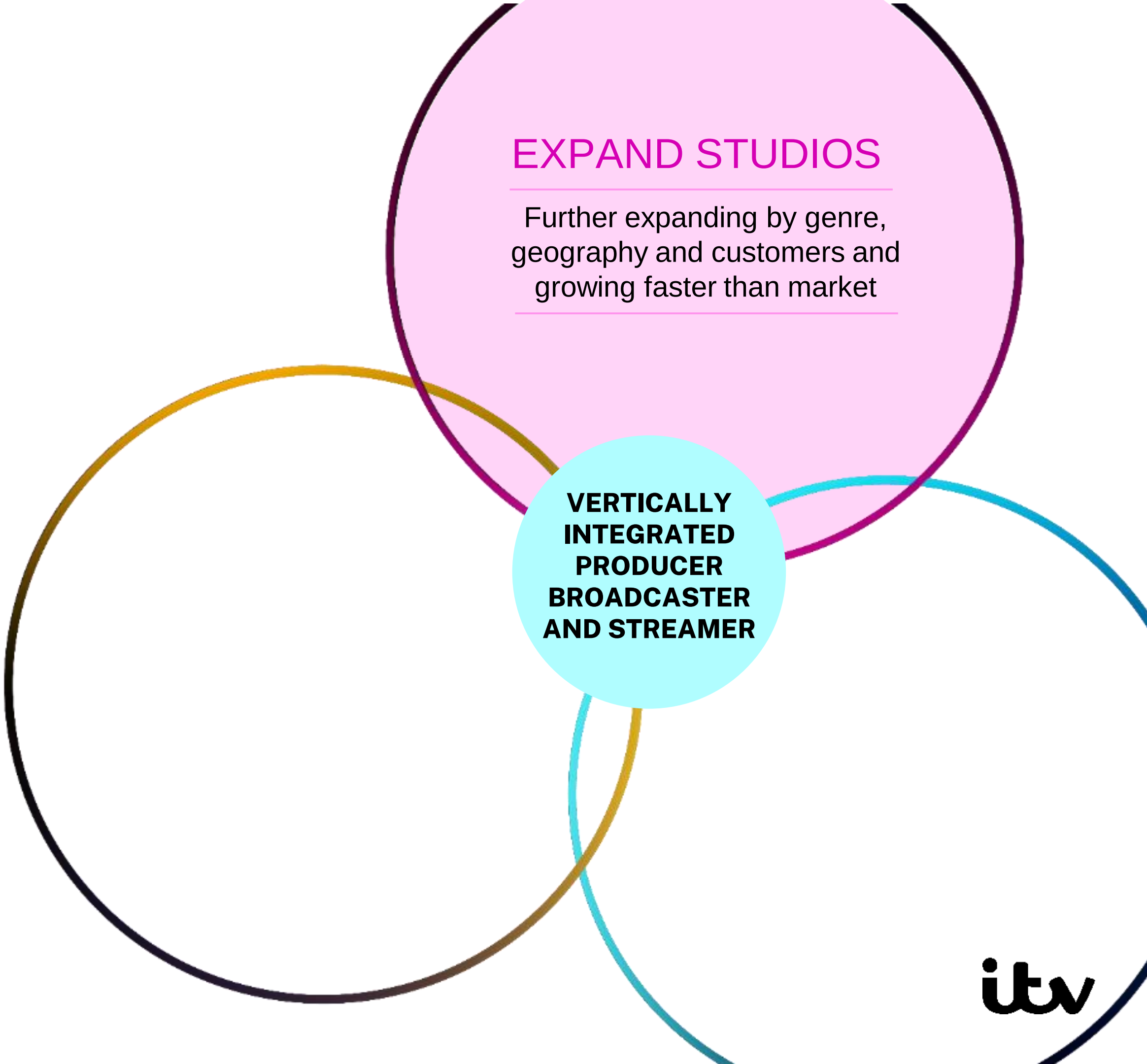
Phase Two of More Than TV strategy



ITV Studios KPIs: On track to deliver 2026 targets

	H1 2023	FY 2026 Targets	On track?
TOTAL ORGANIC REVENUE GROWTH	2% (8% on average across 2022 and H1 2023[1])	Grow by at least 5% on average pa - ahead of the market	✓
MARGIN %	13%	13%-15%	✓
HIGH END SCRIPTED HOURS CAPITALISING ON SIGNIFICANT GROWTH IN GLOBAL DEMAND	109 hours	400 hours	✓
NUMBER OF FORMATS SOLD IN 3 OR MORE COUNTRIES MAXIMISING MONETISATION OF HIGH-VALUE FORMATS	9 formats	20 formats	✓
% OF TOTAL REVENUES FROM STREAMING PLATFORMS CAPTURING GROWTH IN CONTENT SPEND	27% of total revenues	30% of total revenues (increased from 25%)	✓

[1] On average, total organic revenue growth in ITV Studios is up 8% across 2022 and H1 2023, made up of 14% organic growth in FY 2022 and 2% organic growth in H1 2023

Successful integration of Plimsoll and recent talent deals; benefits of integrated producer broadcaster streamer model

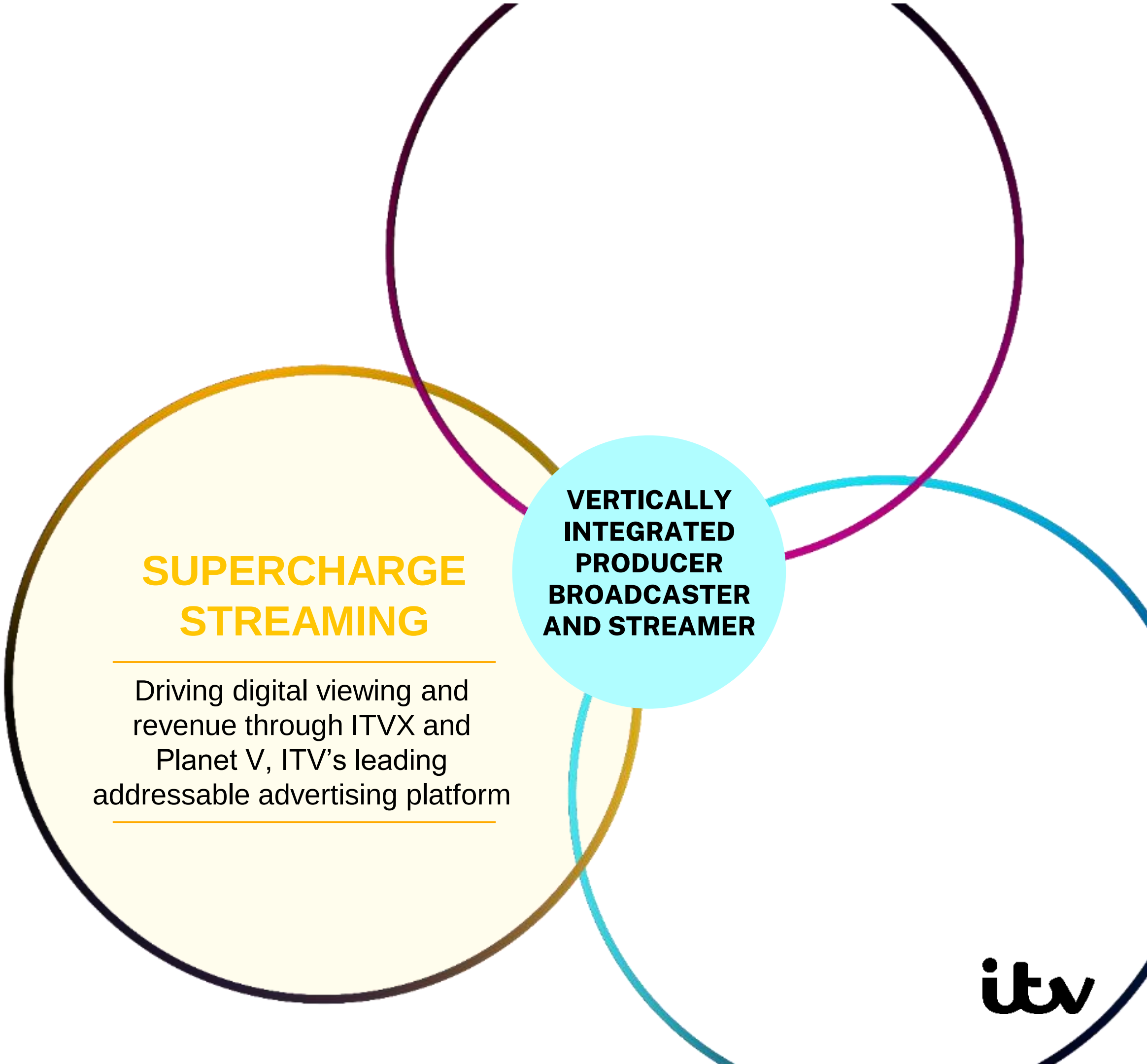
PLIMSOLL

- Acquired in **July 2022**
- **Earnings accretive** on day one
- Delivered **cost synergies** as a result of successful integration
- Delivering **revenue synergies** as a result of scale and the benefits of the integrated producer broadcaster and streamer model

itv

STRATEGIC EXECUTION

Phase Two of More Than TV strategy



Streaming KPIs – ITVX driving strong digital revenue growth and step change in viewing

	H1 2023	FY 2026 Targets	On track?
DIGITAL REVENUES	£218m	Grow to ***at least*** £750m	✓

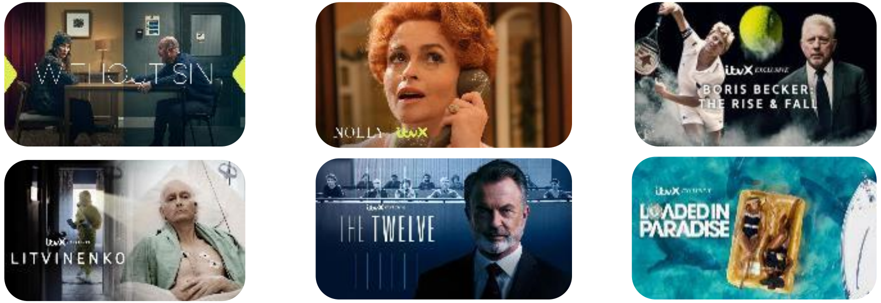
Will be achieved by delivering our Streaming KPIs and targets

TOTAL STREAMING HOURS DRIVES SCALED INVENTORY	737m hours	Double to 2 billion hours	✓
MONTHLY ACTIVE USERS (MAUs) DRIVES DIGITAL REACH	12.5m	Double to 20 million	✓
UK SUBSCRIBERS DRIVES SUBSCRIPTION REVENUE	1.4m	Double to 2.5 million	✓

ITVX – investment in content, product, distribution and marketing

CONTENT INVESTMENT

- **22,000+** hours of content which includes over 6,000 hours of additional ITVX Premium content
- **Exclusive weekly premieres**
- **19 FAST** and **5 live channels**
- **250+ films creating one of the UK's largest free film libraries**



ENHANCED PRODUCT

- **Improved** user experience, content curation, user interface and **new** kids experience
- **100%** of ITVX Exclusives now subtitled
- New **ITVX Premium** homepage, with increased cross promotion through the ad-free service

SCALED DISTRIBUTION AND MARKETING

- Available on over **20** platforms covering the vast majority of UK households
- Sky and Virgin subscribers now have access to **directly stream all** ITVX content via their set top box, resulting in lower PVR/recorded viewing, generating higher revenue

ITVX has driven a step change in key viewing metrics

ATTRACTING MORE VIEWERS

3.1 million

more registered users coming to ITVX for new and exclusive ITVX content so far this year

ATTRACTING HARD TO REACH VIEWERS

Streaming hours amongst light viewers up **93%** YOY

Streaming hours amongst 16-34s up **56%** YOY

Brand awareness amongst light viewers was **90%**[1]

KEEPING THEM VIEWING FOR LONGER

Dwell time up **22%** YOY

86% of those who watched an ITVX exclusive, went on to watch other ITVX content

Expanded reach and scale provides advertisers with valuable targeting opportunities which has driven **strong growth in digital advertising revenues** through **Planet V**

[1] Amongst all UK adults (Jan to Jun 2023). Source: ITV / YouGov - base: 26,133 Nat Rep UK Adults

Significant growth in serviceable addressable market, driven by ITVX and Planet V

Planet V is a key competitive strength

ITV's proprietary, end-to-end, self service, programmatic addressable advertising platform

Second largest programmatic video advertising platform in UK, after Google

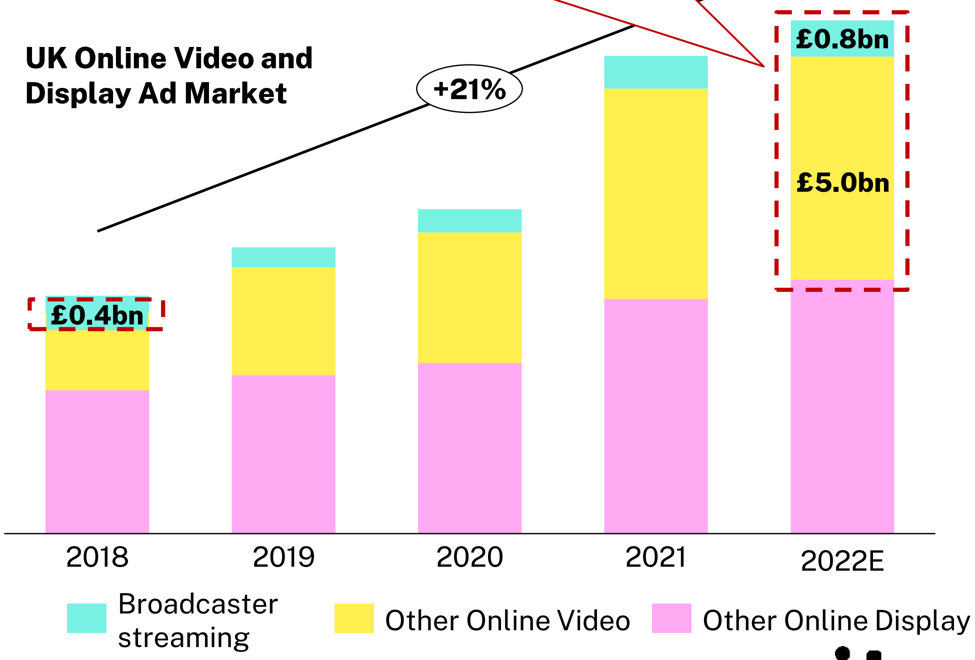
All of ITV's online inventory is booked through Planet V

Sophisticated targeting with over **20,000** targeting options

Attracted over **1,000 new advertisers** since its launch

Higher value data driven targeting drives a **higher CPM**

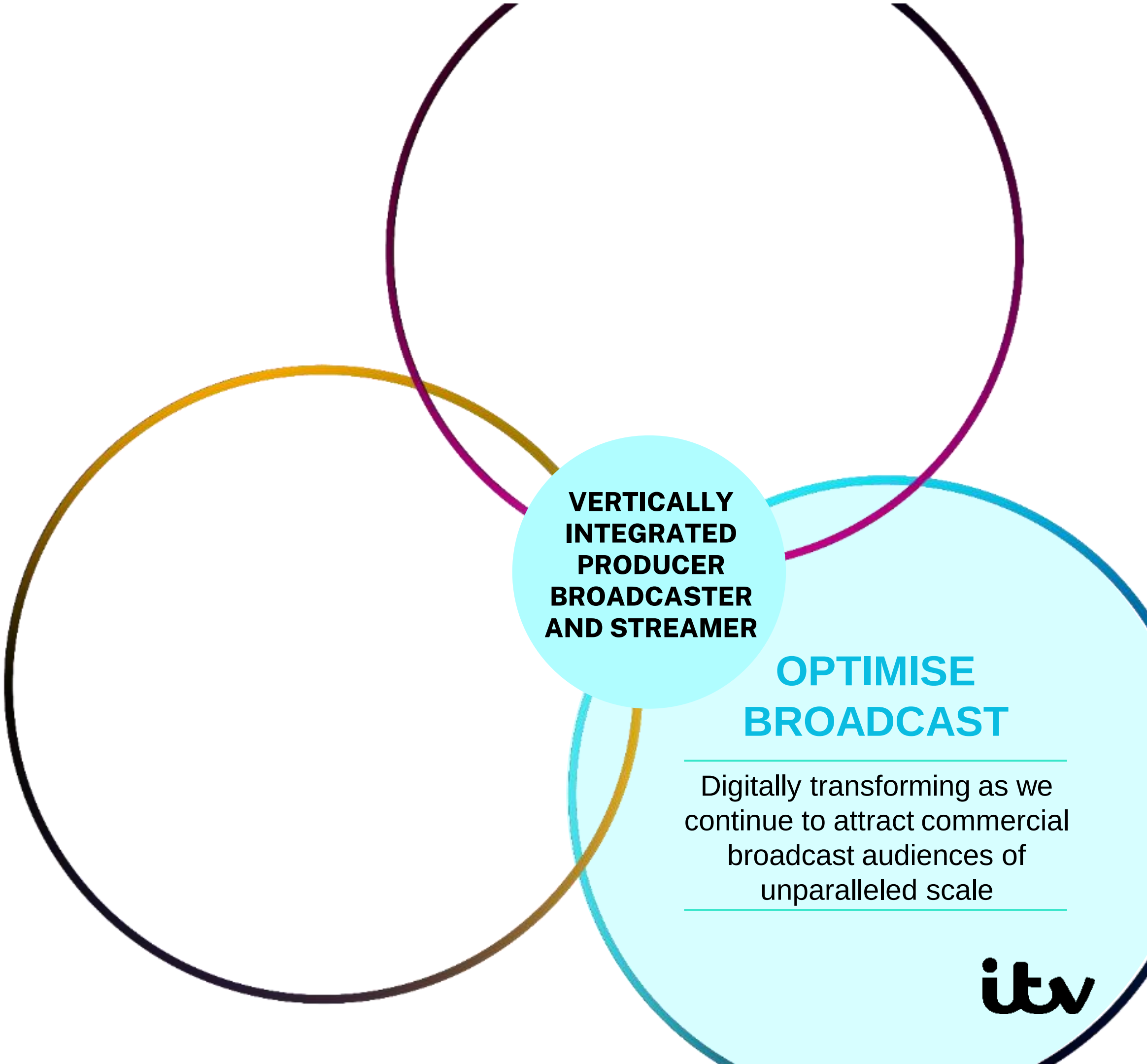
*ITV's overall **serviceable addressable market** has grown from **£0.4bn to £5.8bn between 2018-22E**, driven by the launch of ITVX and Planet V*



Source: AA/Warc Expenditure Report, 2018-2022 – Other Online Video consists primarily of Meta, Google, Instagram and TikTok

STRATEGIC EXECUTION

Phase Two of More Than TV strategy



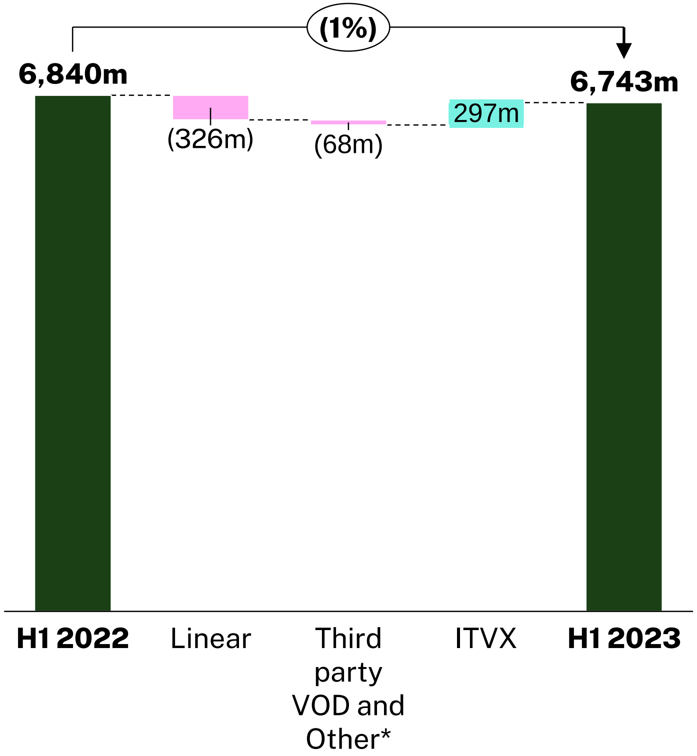
Broadcast KPIs – Unique linear position remains strong

	H1 2023	FY 2026 Targets	On track?
SHARE OF TOP 1000 COMMERCIAL BROADCAST TV PROGRAMMES KEY TO DELIVERING MASS AUDIENCES AND REACH	93%	Maintain a share of at least 80%	✓
SHARE OF COMMERCIAL VIEWING KEY TO MAINTAINING OUR SCALE AND USP	33.6%	Maintain at 33%	✓

Drives linear advertising and creative partnership and sponsorship revenues

Growth in viewing on ITVX, largely offsetting decline in linear viewing

Total ITV Viewing Hours



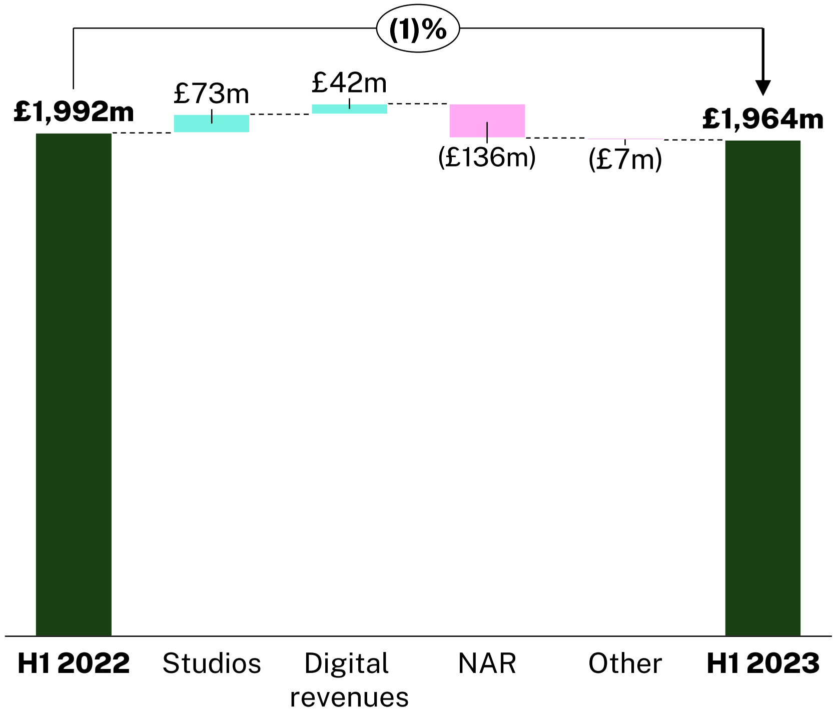
Total ITV viewing down 1% in H1 with growth in ITVX viewing largely offsetting decline in linear viewing

This was **better than total broadcaster viewing**, which was down 3%, and in line with the broader market including streamers, which was also down 1%

*Includes 3rd Party VOD Platforms (including Sky/Virgin), YouTube and BritBox UK

Growth in ITV Studios and Digital revenues largely offsetting decline in NAR

ITV Total Group Revenue



Total ITV revenue down only 1%, despite significant decline in NAR

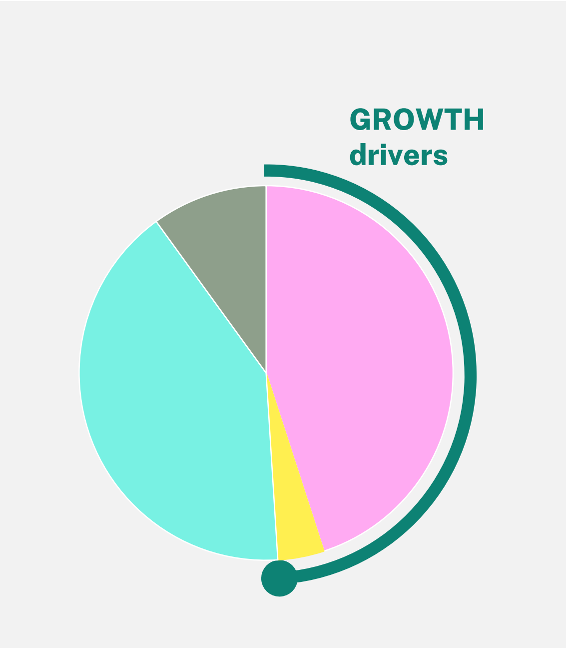
Offset by

8% growth in Studios

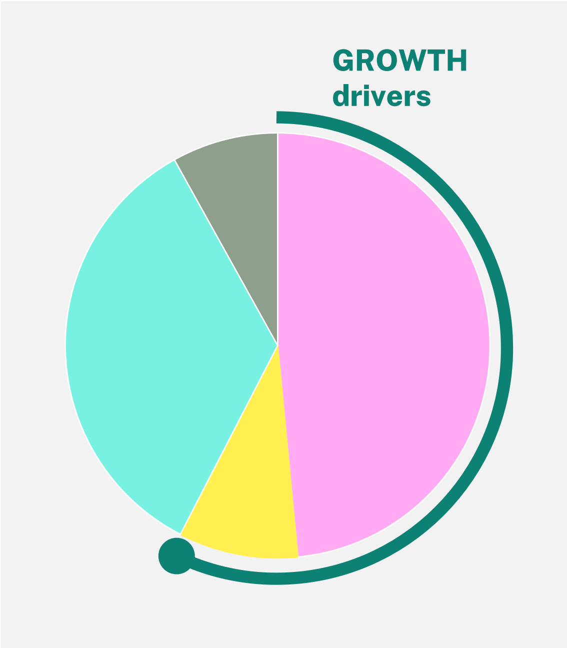
24% growth in digital revenue

Repositioning ITV towards the growth drivers of ITV Studios and the M&E digital business, supported by a cash generative linear broadcaster

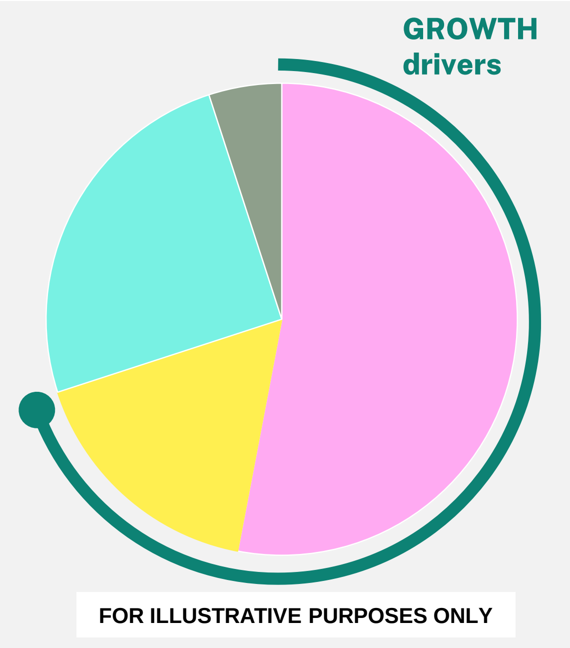
2018 REVENUE



2022 REVENUE



2026 REVENUE



Studios | M&E Digital | Net Advertising Revenue | Other M&E

*Based on total revenue

Continued strong strategic progress and execution in H1 2023 creates strong momentum into the second half of the year

- ITV is making significant **strategic progress**, with **strong execution**
- **On track** against all KPIs
- **2023** will be the year of **peak investment** in ITVX and we **expect profit growth** from here
- **Robust balance sheet** and **cash flow generation**
- **The Board has declared an interim dividend of 1.7p** and remains committed to paying a total dividend of at least 5p for the full year, which is expected to grow over time

Q&A

Carolyn McCall and Chris Kennedy

Appendices

Key Performance Indicators

Group

KPI	PERFORMANCE
Adjusted EPS	2.3p (2022: 6.0p)
Cost Savings	Delivered £11m cost savings and on track to deliver £15m by the end of the year
Profit to Cash Conversion	88% (2022: 81%)

Studios

KPI	PERFORMANCE
Total Studios Organic Revenue Growth	2% (2022: 15%)
Studios Adjusted EBITA Margin %	13% (2022: 14%)
Total High-end Scripted Hours	109 hours (2022: 133 hours)
Number of Formats Sold in 3 or More Countries	9 formats (2022: 9 formats)
% of Total ITV Studios Revenues from Streaming Platforms	27% (2022: 19%)

M&E

KPI	PERFORMANCE
Total Digital Revenues	£218m (2022: £176m)
UK Subscribers	1.4m (2022: 1.4m)
Total Streaming Hours	737m hours (2022: 556 hours[2])
Monthly Active Users	12.5m (2022: 9.7m)
Share of Commercial Viewing	33.6% (2022: 33.7%)
Share of Top 1000 Commercial Broadcast TV Programmes	93% (2022: 94%)

[1] Adjusted EBITA includes the benefit of production tax credits
[2] The 2022 comparative has been restated from 523 million due to the prior year number including estimates from third-parties which have now been actualised

M&E Key Performance Indicators Definitions

Digital Revenue	• Sum of VOD-related advertising, digital sponsorship and partnership revenue, digital innovations and subscription revenue • Includes: Ad-funded and subscription-funded streaming revenue • Includes: ITV WIN, Linear Addressable, Partnership Revenue, Digital business ventures
Monthly Active Users (MAUs)	• Monthly number of registered, identifiable users who accessed our owned and operated, and syndicated, streaming platforms • Excludes: Amazon channels users
Streaming Viewing Hours	• Total number of hours spent watching ITV across owned and operated, and syndicated, streaming platforms and YouTube UK • Includes: on-demand and simulcast • Includes: adverts
Subscribers	• Total subscribers to ITV owned and operated, and syndicated, streaming platforms • Includes: free trials
Share of Commercial Viewing	• % ITV Family viewing of all (ad supported) commercial broadcast television viewing in the UK • Includes: Catch-up for 7 days, TV devices
Commercial Mass Audiences	• ITV’s proportion of the top 1000 UK commercial broadcast television programmes, by average audience size

Financial Highlights

Six months to 30 June	2023 (£m)	2022 (£m)	Change %
ITV Studios	1,000	927	8
M&E	964	1,065	(9)
Total revenue	**1,964**	1,992	**(1)**
Internal supply	(325)	(313)	4
Total external revenue	**1,639**	**1,679**	**(2)**
ITV Studios adjusted EBITA[2]	130	127	2
M&E adjusted EBITA	23	194	(88)
Adjusted EBITA	**153**	**321**	**(52)**
Unrealised profit in stock adj	(1)	(3)	(67)
Group adjusted EBITA[1 2]	**152**	**318**	**(52)**
Group adjusted EBITA margin	9%	19%	(10% pts)
Adjusted EPS	**2.3p**	**6.0p**	**(62)**
Reported EPS	**1.0p**	**4.8p**	**(79)**
Ordinary dividend	**1.7p**	**1.7p**	**-**

[1]Adjusted EBITA includes the benefit of production tax credits
[2] ITV Studios Adjusted EBITA for 2022 has been restated to remove the unrealised profit in stock adjustment of £3 million, as this is an adjustment required on consolidation only. The launch of ITVX in the M&E division is likely to increase the levels of content held on the Statement of Financial Position, potentially requiring a larger profit in stock adjustment and therefore management believes the adjustment should be recorded at a consolidated level only.

M&E Content Costs

Six months to 30 June	2023 (£m)	2022 (£m)	Change %
Commissions	288	309	(7%)
Sport	76	88	(14%)
Acquired	11	11	-
ITN News and Weather	30	30	-
Total ITV Main Channel	**405**	**438**	**(8%)**
Regional news and non-news	38	36	6%
ITV Breakfast	21	21	-
Total ITV inc Regional & Breakfast	**464**	**495**	**(6%)**
ITV2, ITV3, ITV4, ITVBe, CITV	78	77	1%
ITVX[1]	101	26	288%
Other	5	5	-
Total Content Costs	**648**	**603**	**7%**

[1] BritBox UK content spend included in 2022

Reconciliation Between 2023 Statutory and Adjusted Earnings

Six months to 30 June	Statutory (£m)	Adjustments (£m)	Adjusted (£m)
EBITA[1]	133	19	152
Exceptional items (operating)	(27)	27	-
Amortisation and impairment	(40)	17	(23)
Operating profit	**66**	**63**	**129**
Net financing costs	(19)	10	(9)
Share of (losses)/profits on JVs and Associates	(2)	-	(2)
Profit before tax	**45**	**73**	**118**
Tax	(1)	(22)	(23)
Profit after tax	**44**	**51**	**95**
Non-controlling interests	(2)	-	(2)
Earnings	**42**	**51**	**93**
Shares (million), weighted average [2]	4,019	-	4,019
Basic EPS	**1.0p**	**-**	**2.3p**
Diluted EPS[2]	**1.0p**	**-**	**2.3p**

[1]Adjusted EBITA includes the benefit of production tax credits. This is not a statutory measure
[2]Weighted average diluted number of shares in the period was 4,046 million

Reconciliation Between 2022 Statutory and Adjusted Earnings

Six months to 30 June	Statutory (£m)	Adjustments (£m)	Adjusted (£m)
EBITA[1]	295	23	318
Exceptional items (operating)	(31)	31	-
Amortisation and impairment	(36)	23	(13)
Operating profit	228	77	305
Net financing costs	(17)	5	(12)
Share of profits on JVs and Associates	8	-	8
Profit before tax	**219**	**82**	**301**
Tax	(22)	(36)	(58)
Profit after tax	**197**	**46**	**243**
Non-controlling interests	(4)	-	(4)
Earnings	**193**	**46**	**239**
Shares (million), weighted average [2]	4,009	-	4,009
Basic EPS	**4.8p**	**-**	**6.0p**
Diluted EPS[2]	**4.8p**	**-**	**5.9p**

[1]Adjusted EBITA includes the benefit of production tax credits. This is not a statutory measure
[2]Weighted average diluted number of shares in the period was 4,044 million

Acquisitions – between 2012 and 2022

Company	Initial consideration (£m)	Additional consideration paid (£m)	Expected future payments[1] (£m)	Total expected consideration[2] (£m)	Expected payment dates[3]
Total for acquisitions between 2012-2022	**1,067**	**511**	**87**	1,665	2023-2028

[1] Undiscounted and adjusted for foreign exchange
[2] Undiscounted and adjusted for foreign exchange, including the initial cash consideration and excluding working capital adjustments. Total maximum consideration which was potentially payable at the time of acquisition was £2.6 billion
[3] £9 million is expected to be paid in 2023

Financing Costs

Six months to 30 June	2023 (£m)	2022 (£m)
€335m Eurobond at 2.125% coupon Sept 22	(0)	(3)
€259m Eurobond at 2% coupon Dec 23	(2)	(2)
€600m Eurobond at 1.375% coupon Sept 26[1]	(8)	(8)
£500m Revolving Credit Facility	(1)	-
Financing costs directly attributable to bonds and loans	**(11)**	**(13)**
Cash-related net financing income/(costs)	2	1
Amortisation of bonds and gilts	(0)	-
Adjusted financing costs	**(9)**	**(12)**
Other net financial losses and unrealised foreign exchange	(10)	(5)
Net financing costs	**(19)**	**(17)**

[1] effective coupon of c.2.9%

P&L Tax Charge and Cash Tax

Six months to 30 June	2023 (£m)	2022 (£m)
Statutory profit before tax	45	219
Production tax credits	19	23
Exceptional items (excluding exceptional finance costs)	27	31
Amortisation and impairments[1]	17	23
Adjustments to net financing costs	10	5
Adjusted profit before tax	**118**	**301**
Tax charge	(1)	(22)
Production tax credits	(19)	(23)
Charge for exceptional items	(2)	(4)
Charge in respect of amortisation and impairments[1]	(1)	(5)
Charge in respect of adjustments to net financing costs	(1)	(1)
Other tax adjustments	**1**	**(3)**
Adjusted tax charge	**(23)**	**(58)**
Effective tax rate on adjusted profits	**19.5%**	**19.3%**
Total cash tax paid (net of production tax credits received) [2]	**(16)**	**(31)**

[1] In respect of intangible assets arising from business combinations and investments. Also reflects the cash tax benefit of tax deductions for US goodwill
[2] Cash tax paid in the period was £16 million (2022: £31 million) and is net of £19 million of production tax credits received (2022: £14 million).

Analysis of Net Debt

As at 30 June	2023 (£m)	2022 (£m)
£500m Revolving Credit Facility	(100)	-
€335m Eurobond	-	(288)
€259m Eurobond	(232)	(223)
€600m Eurobond	(521)	(543)
Other debt	(14)	(18)
IFRS 16 lease liabilities	(121)	(118)
Gross cash[1]	264	575
Reported net debt	**(724)**	**(615)**
As at 30 June	**2023 (£m)**	**2022 (£m)**
Gross cash[1]	264	575
Gross debt (including IFRS 16 lease liabilities)	(988)	(1,190)
Reported net debt	**(724)**	**(615)**

[1] Gross cash in 2022 includes £50 million of restricted cash in relation to the LTVC Pension Funding Partnership. This was nil at 30 June 2023 as the restriction has now been removed and the cash replaced with a surety bond

Profit to Cash Conversion and Free Cash Flow

Six months to 30 June	2023 (£m)	2022 (£m)
Adjusted EBITA	152	**318**
Working capital movement	(2)	(103)
Adjustment for production tax credits	-	(9)
Depreciation	24	26
Share-based compensation	7	6
Acquisition of property, plant and equipment, and intangible assets[1]	(37)	(37)
Lease liability payments (including lease interest)	(15)	(16)
Adjusted cash flow	**129**	**185**
Profit to cash ratio for six months to 30 June	**85%**	**58%**
Profit to cash ratio for 12-month rolling	**88%**	**81%**

Six months to 30 June	2023 (£m)	2022 (£m)
Adjusted cash flow	**129**	**185**
Net cash interest paid (excluding lease interest)	(12)	(14)
Adjusted cash tax paid	(35)	(45)
Pension funding	(31)	(137)
Free cash flow	**51**	**(11)**

[1] Except where disclosed, management views the acquisition of operating property, plant and equipment and intangibles as business as usual capex, necessary to the ongoing investment in the business

Total Exceptional Items

Six months to 30 June	2023 (£m)	2022 (£m)	Change (£m)
Acquisition-related expenses	(17)	(1)	(16)
Restructuring and transformation costs	(11)	(12)	1
Property costs	(2)	(12)	10
Pension related costs	-	(4)	4
Insured trade receivable provision	4	-	4
Other costs	(1)	(2)	1
Total Operating Exceptional Items	**(27)**	(31)	**4**
Total Exceptional Items	**(27)**	**(31)**	**4**

Reported Net Debt Tracker