Delivering growth through Transformation

Full Year Results 2012

27th February 2013

Agenda

Introduction and 2012 Highlights	Adam Crozier
2012 Financial Results	Ian Griffiths
Strategic and Operating review	Adam Crozier
Q&A	

Introduction and 2012 Highlights

Adam Crozier

27th February 2013

Strategy is working and Transformation Plan is on track

A lean ITV that can create world class content, executed across multiple platforms and sold around the world

1 Create a lean, creatively dynamic and fit for purpose organisation

2 Maximise audience and revenue share from existing free-to-air broadcast business

3 Drive new revenue streams by exploiting our content across multiple platforms, free and pay

4 Build a strong international content business

Delivering growth through Transformation

- Clear, consistent strategy which our people support and drive
- Delivering real growth across the business, with double digit earnings growth for a 3rd year
- Creating a better, more efficient and more balanced ITV
- Our Broadcast business is robust and growing
- Online, Pay & Interactive revenue streams are now a material part of the business with significant opportunities for growth
- Our focus on creativity and content is delivering strong, sustainable organic growth in our UK and International Studios business which we are enhancing through targeted acquisitions and partnerships in key creative markets
- Robust balance sheet and strong cash flows to support the investment required to deliver our growth strategy and future shareholder returns

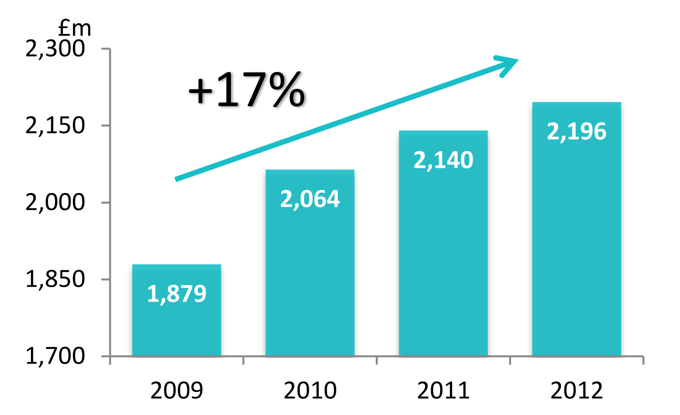
Delivering growth through Transformation

External revenue	▪ Up 3% to £2,196m
NAR	▪ Maintained at £1,510m ▪ Outperformed the TV advertising market
Non-NAR	▪ Up 12% (£114m) to £1,036m
Earnings	▪ ITVS EBITA up 29% to £107m ▪ Broadcast & Online EBITA up 9% to £413m ▪ Group EBITA* up 13% to £520m ▪ Adjusted PBT up 17% to £464m ▪ Adjusted EPS up 16% to 9.2p
Cash	▪ Profit to cash conversion of 95% ▪ Positive net cash of £206m
Dividend	▪ Full year dividend of 2.6p ▪ Special dividend of 4p (£156m)

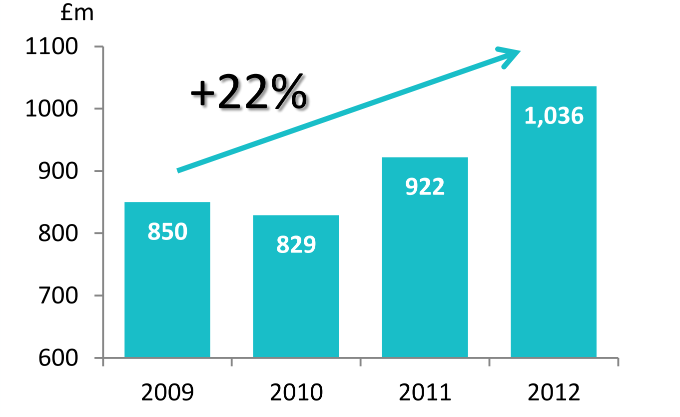
* EBITA is before exceptional items

Delivering growth through Transformation

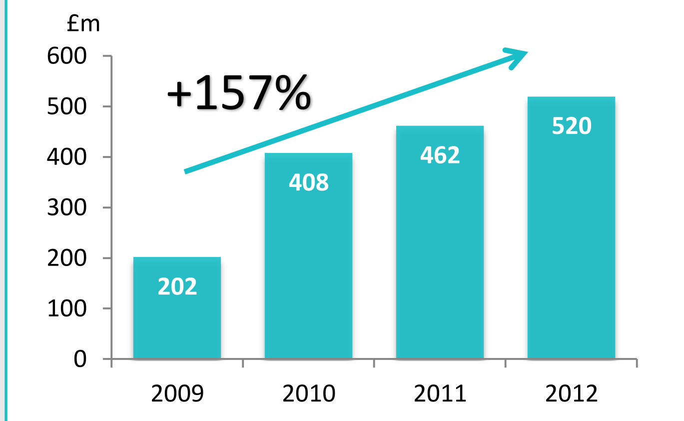
Group External Revenues



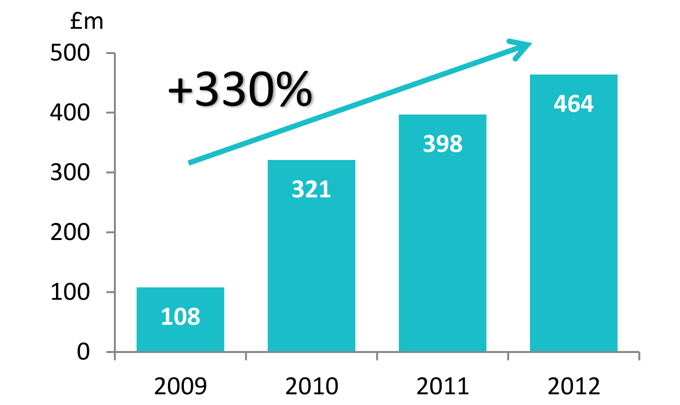
Non-NAR Revenues



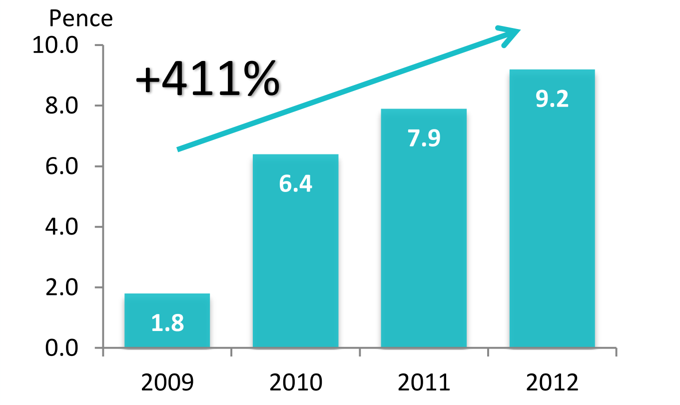
EBITA before exceptional items



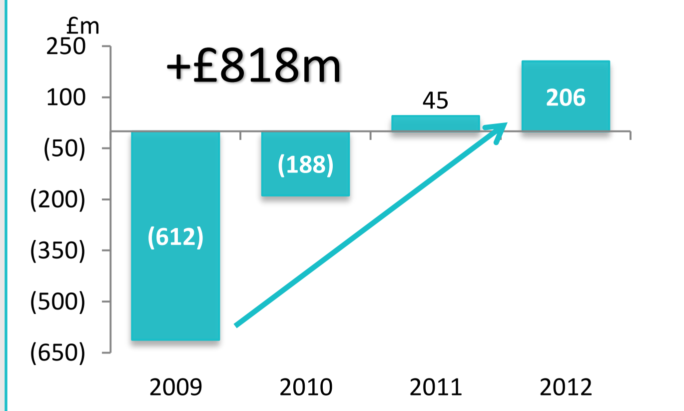
Adjusted profit before tax



Adjusted EPS



Net Cash/(Debt)



2012 Financial Results

Ian Griffiths

27th February 2013

FY 2012 Financial Highlights – delivering growth through Transformation

External revenue	£2,196m	Up 3%, £56m	Growth in **all** areas
NAR	£1,510m	Flat	**Outperforming** the market
Non-NAR	£1,036m	Up 12%, £114m	**Delivering** in line with Transformation Plan
EBITA*	£520m	Up 13%, £58m	Growth from new revenue and tight cost control
EPS*	9.2p	Up 16%, 1.3p	**Double** digit earnings growth
Cash	£206m	Up £161m	Strong cash conversion **95%**
Dividends	2.6p	Up 63%, 1.0p	Increased cash returns plus **4p** special dividend

* EBITA is before exceptional items and EPS is adjusted

Revenue – a more balanced business growing revenues even with advertising flat

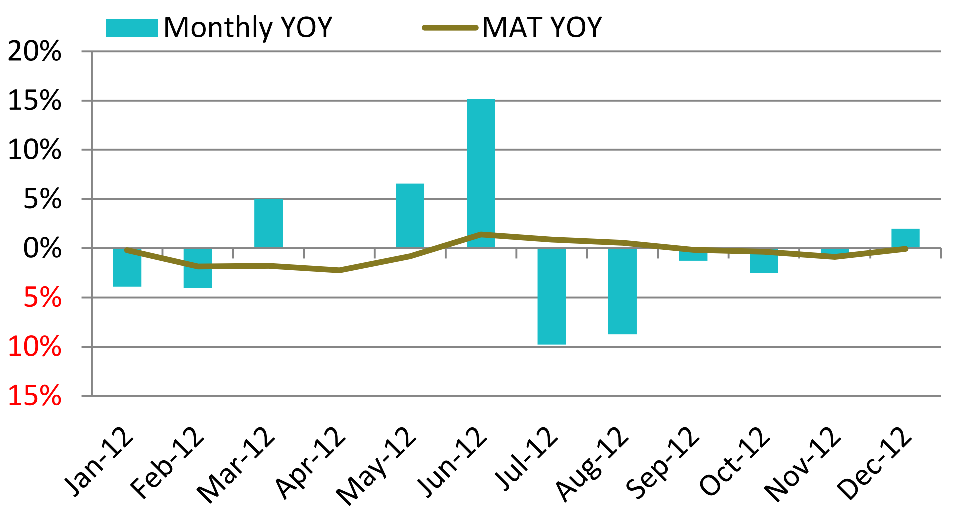
£m	2012	2011	Change
Broadcasting & Online	1,834	1,820	1%
ITV Studios	712	612	16%
Total revenue	**2,546**	**2,432**	**5%**
Internal supply	(350)	(292)	(20)%
Total External Revenue	**2,196**	**2,140**	**3%**

£m	2012	2011	Change
ITV Family NAR	1,510	1,510	0%
Non-NAR revenue	1,036	922	12%
Internal Supply	(350)	(292)	(20)%
Total External Revenue	**2,196**	**2,140**	**3%**

- Growth from both businesses
- 5% growth in total, 3% growth external
- Non-NAR growth continues - up £114m or 12%
- £100m of additional revenue from Studios
- Continued upside from Online, Pay and Interactive
- Top line growth with no help from advertising

NAR – gaining share in a broadly flat market

Monthly ITV Family NAR & MAT



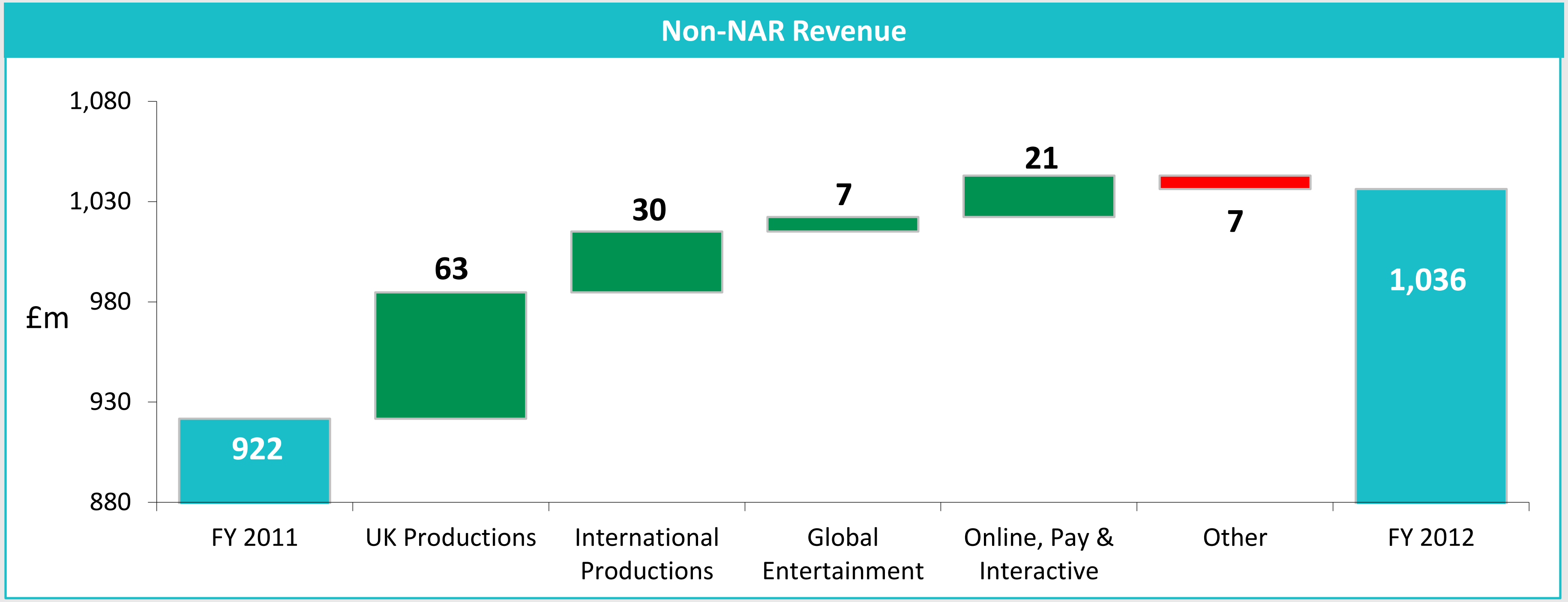
Category	2012 (£m)	YOY % change
Retail	319	-5%
Entertainment & Leisure	165	+5%
Finance	163	+17%
Food	134	+1%
Cosmetics & Toiletries	123	-4%
Telecommunications	88	+8%
Cars and Car Dealers	73	-4%
Publishing and Broadcasting	61	+2%
Airlines Travel and Holidays	58	-8%
Household stores	57	-15%
Other	384	-1%

- Underlying television advertising trend continues to be broadly flat
- ITV outperforms television advertising market again*
- Volatility across months and sectors still a feature

- Retail performance was down driven by electrical, supermarkets and a weak high street
- Cosmetics & toiletries, cars, airlines and household stores were also down
- Strong growth in competitive technology and online based categories

NOTE: Monthly ITV NAR figures based on total ITV Family advertising and category data based on ITV Sold
* ITV estimates

Non-NAR Revenue – rebalancing the business in line with the strategy

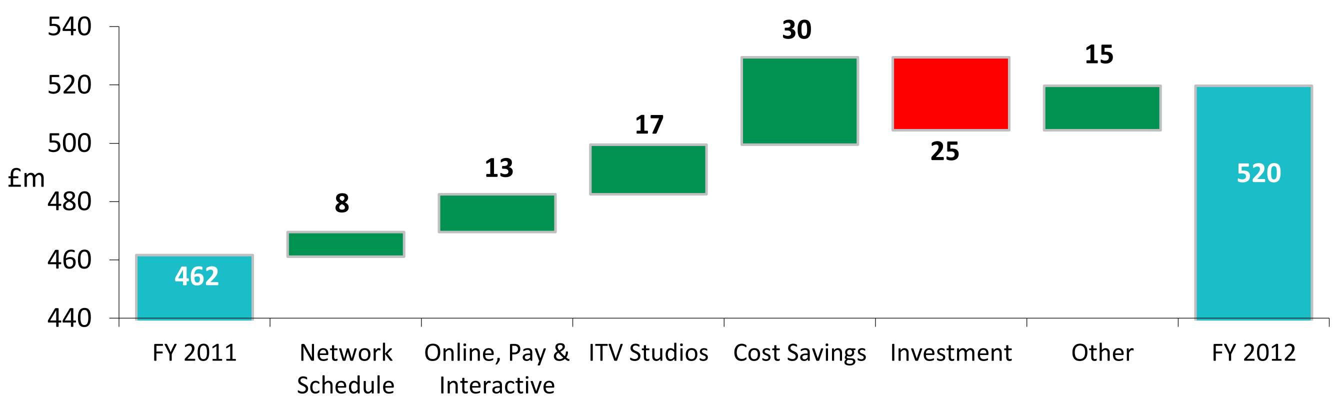


- Investment in creative delivering Studios revenues
- Strong growth in UK and International feeding into more revenue for Global Entertainment
- UK Productions growth helped by inclusion of ITV Breakfast and increased share to ITV
- International growth coming from US, Australia and France
- Material growth being delivered by Online, Pay and Interactive
- Non-NAR now 41% of total revenue

Group EBITA – continued focus on delivering cost savings improves profit and margins

£m	2012	2011	Change
Broadcasting & Online	413	379	9%
ITV Studios	107	83	29%
Group EBITA*	**520**	**462**	**13%**
Group EBITA margin	24%	22%	

Group EBITA



- £30m of cost savings
- Savings fund investments in studios development, technology, and rebrand
- New revenue streams are high margin, especially Online, Pay and Interactive
- Studios profits over £100m, up nearly 30%

* EBITA is before exceptional items

Broadcast & Online – revenue and profit growth driven by new revenues

£m	2012	2011	Change
ITV NAR	**1,510**	**1,510**	**0%**
SDN external revenue	62	59	5%
Online, Pay & Interactive	102	81	26%
Other commercial income	160	170	(6)%
Broadcast & Online non-NAR Revenue	**324**	**310**	**5%**
Total Broadcast & Online Revenue	**1,834**	**1,820**	**1%**
Schedule costs	(996)	(1,004)	1%
Other costs	(425)	(437)	3%
Broadcast & Online EBITA*	**413**	**379**	**9%**
EBITA margin	23%	21%	

- ITV Family NAR flat
- Overall market down 1%
- Strong growth in Non-NAR, mainly from Online, Pay & Interactive
- NPB held at around £1bn
- Costs managed tightly
- Margins continue to improve

* EBITA is before exceptional items

ITV Studios - £100m growth in revenue, over £100m of profit

£m	2012	2011	Change
UK Productions	408	345	18%
International Productions	171	141	21%
Global Entertainment	133	126	6%
Total Revenue	**712**	**612**	**16%**
Total Studio costs	(605)	(529)	(14)%
ITV Studios EBITA*	**107**	**83**	**29%**
EBITA Margin	15%	14%	

£m	2012	2011	Change
Internal – ITVS to ITV Network	350	292	20%
External Revenue	362	320	13%
Total Revenue	**712**	**612**	**16%**

- Growth in all parts of the business
- UK growth excluding ITV Breakfast is 9%
- International growth is in the US, Australia and France
- GE benefits from Titanic and Prime Suspect
- Production efficiencies and lower overheads improve margins, even with investment in creative pipeline
- 2013 will benefit from recently completed acquisitions

* EBITA is before exceptional items

Adjusted Results – double digit earnings growth and increased cash returns to shareholders

£m	2012	2011	Change
Total External revenue	**2,196**	**2,140**	**3%**
EBITA before exceptional items	**520**	**462**	**13%**
Associates and JVs	(1)	(2)	50%
Internally generated amortisation	(11)	(12)	8%
Financing costs	(44)	(50)	12%
Profit before tax	**464**	**398**	**17%**
Tax	(105)	(91)	(15)%
Profit after tax	**359**	**307**	**17%**
Non-controlling interests	(1)	(1)	-
Earnings	**358**	**306**	**17%**
Adjusted EPS (p)	**9.2p**	**7.9p**	**16%**

Diluted Adjusted EPS (p)	8.9p	7.6p	17%
Statutory EPS (p)	6.9p	6.4p	8%

Dividend (p)	2.6p	1.6p	63%
Special Dividend (p)	4.0p	-	-

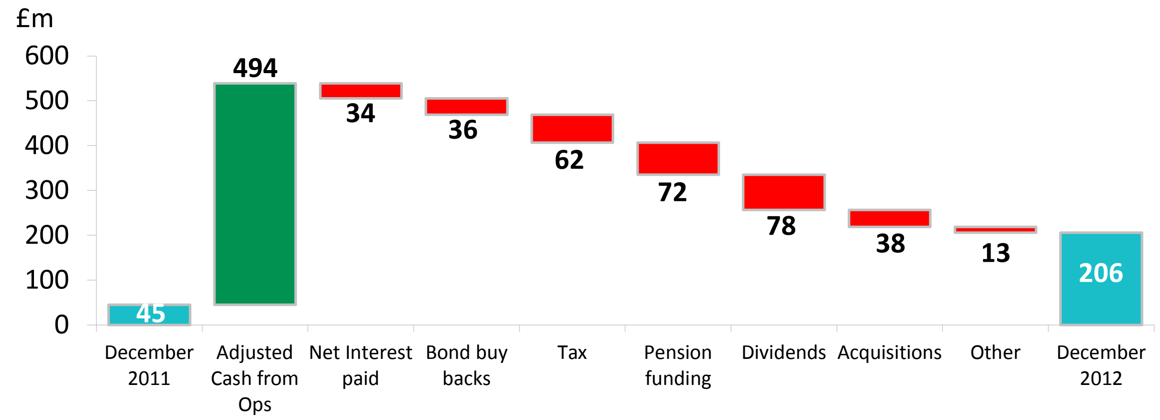
- Improved operating margins
- Interest savings from bond buybacks – further savings in 2013
- Tax rate held at 23%
- 9.2p EPS , up 16%

- Statutory EPS impacted by £36m loss on bond buyback executed in H1
- 63% increase in full year dividend
- Special dividend for one off return of cash

Profit to cash conversion – another year of strong cash generation

£m	2012	2011
EBITA before exceptional items	**520**	**462**
Working capital movement	1	18
Share based compensation	9	11
Capex – Tangible and Intangible Assets	(61)	(43)
Depreciation	27	26
Adjusted cash flow	**496**	**474**
Profit to cash ratio	**95%**	**103%**

Net Cash Movements



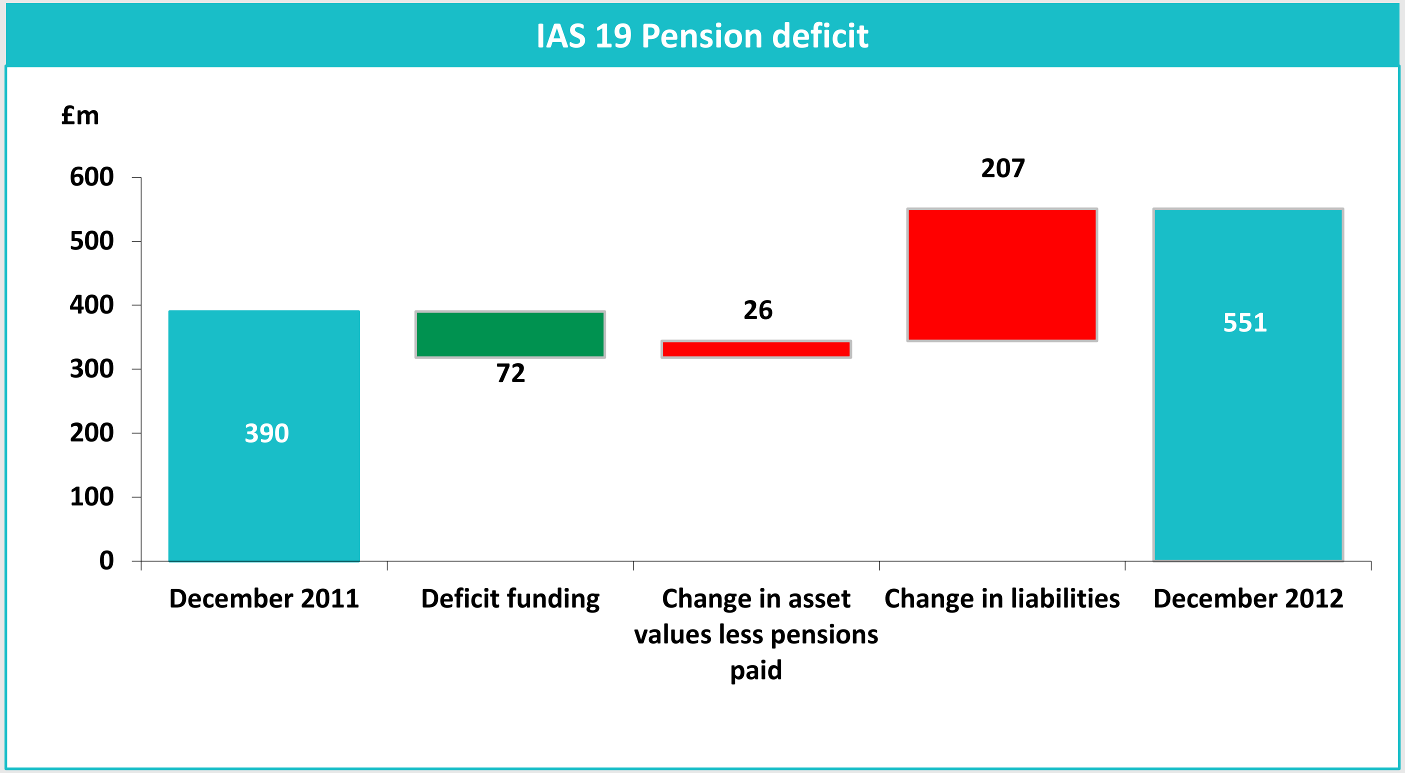
- >90% of cash conversion for 3rd year in a row – rolling three year average of 107%
- Free cash flow, after financing costs, tax and pension funding was £329m
- Step up in Capex for technology and MediaCity
- £275m of bonds bought back in June, £937m since October 2009
- Less than £100m of debt is repayable in next 3 years
- Adjusted leverage (including pension, leases and M&A commitments) is 1.7 x EBITDA
- Total acquisition consideration of up to £96m including initial £38m cash paid

Acquisitions – investing in an international content business

Acquisition	Country	Initial consideration £m	Max total consideration £m	Expected payment date
Gurney	US	25	69	2016 - 2018
So TV	UK	10	17	2016
MediaCircus	Norway	2	4	2016
Tarinatalo	Finland	1	6	2016
Total		**38**	**96**	

- Building an international content business
- Strict criteria in terms of ROCE, DCF and strategic conditions
- Acquisitions structured to lock in creative talent and align incentives
- In all cases, final consideration driven by growth in acquired companies
- Total maximum consideration is £96m (undiscounted), including initial £38m

Pension deficit – record low bond yields continue to impact the deficit



Impact of revised IAS19 £m	2013 - under revised IAS19	2012 - under* revised IAS19	2012 actual
Operating costs – pension service cost	13	15	8
Unadjusted financing costs	21	16	9

- Funding plan agreed for the next 10 -15 years
- Contributions linked to future ITV profitability
- Deficit payment of £72m in 2012
- Deficit payment in 2013 will be £79m
- Pension deficit sensitive to changes in assumptions
- Bond yield fall has added £240m to the IAS deficit
- Over last 3 years impact of decline in bond yield has added £681m to the pension deficit

* This will be applied retrospectively

2013 Planning assumptions – continued focus on costs and cash

NPB	£15m savings	Total NPB spend around **£980m** – reinvesting some of the sports savings on ITV2 and 4
Cost savings	£20m	Continued focus on non-programme **efficiency**
Investments	£20-25m	In content pipeline, technology and Online
Interest	£35m	Full year benefit of bond buybacks **reduces** interest costs
Tax	22-24%	Adjusted effective tax rate **remains** within previous guidance
Capex	£110-120m	Normal spend at around £60m plus LTVC Tower acquisition
Pension	£79m	Cash funding to reflect 2012 profit

Strategic and Operating Review

Adam Crozier

27th February 2013

Strategy is working and Transformation Plan is on track

A lean ITV that can create world class content, executed across multiple platforms and sold around the world

1

Create a lean, creatively dynamic and fit for purpose organisation

2

Maximise audience and revenue share from existing free-to-air broadcast business

3

Drive new revenue streams by exploiting our content across multiple platforms, free and pay

4

Build a strong international content business

Priority 1: Create a lean, creatively dynamic and fit for purpose organisation

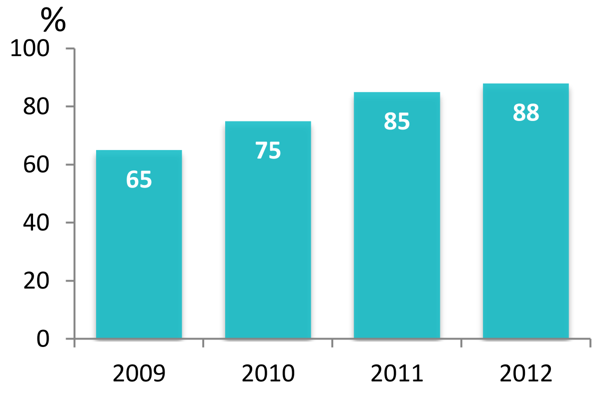
2012

- Our people are at the heart of our success
- Relentless focus on cost efficiency delivering £30m savings
- Driving value from our integrated producer broadcaster model
- Strong revenue and earnings growth across all parts of ITV
- ITV Rebrand announced
- Stronger and more flexible balance sheet to support future growth
- New pension agreement in place
- Improved shareholder returns – ordinary and special dividend

Priority 1: Create a lean, creatively dynamic and fit for purpose organisation

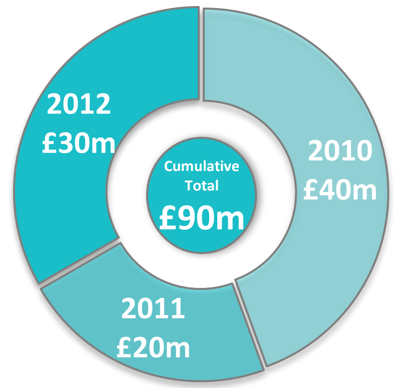
Building growth on positive momentum

Employee Engagement



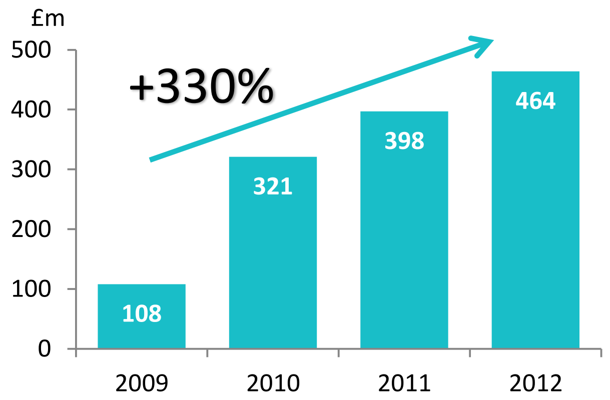
Record employee engagement at 88%

Cost Savings

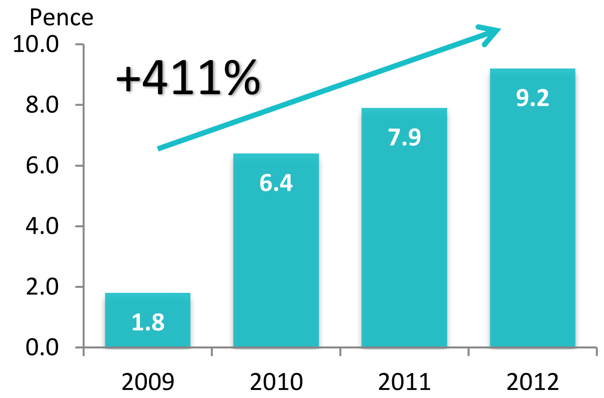


£90m of cumulative cost savings

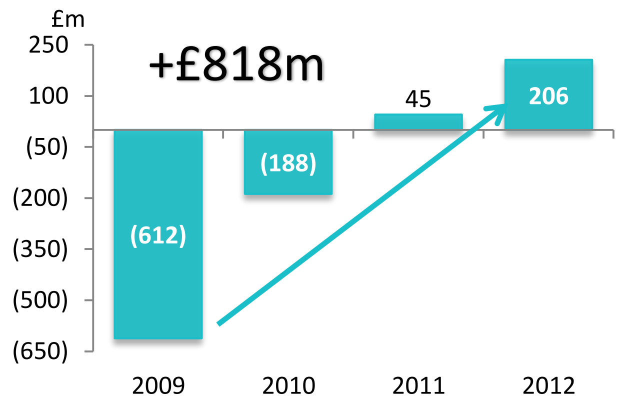
Adjusted profit before tax



Adjusted EPS



Net Cash/(Debt)



Priority 1: Create a lean, creatively dynamic and fit for purpose organisation

2013

- Continuing to restructure across ITV to drive out complexity
  - £20m of cost savings identified
- Delivering further value from being an integrated producer broadcaster
- Driving the benefits through the business of the ITV Rebranding exercise
  - Heart of popular culture
- Maintain relentless focus on cash conversion

Priority 2: Maximise audience and revenue share from our existing free-to-air business

2012

- Increased variety and quality across the ITV schedule

- ITV Family SOV down 3%
    - 2012 – unprecedented year for TV
    - Digital channel SOV up 3%
    - ITV delivers 99% of all commercial audiences over 5 million

- ITV outperformed the advertising market

- New deals in place to support 2013 advertising performance

- Built creative and innovative partnerships with advertisers that drove ‘related’ revenue streams
    - Sponsorship, interactive, product placement, brand extensions

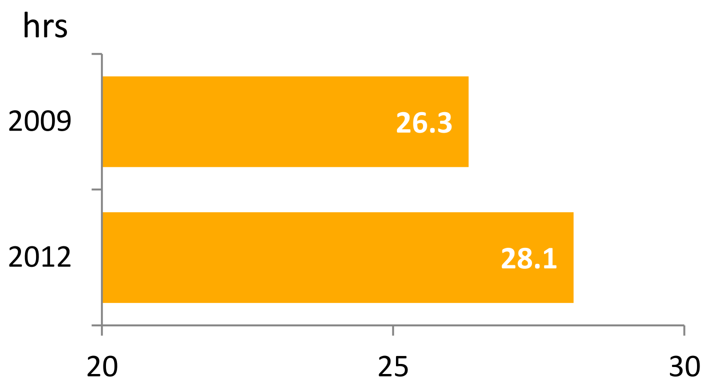
- Stability and strength of Broadcast fundamentals
    - Enhanced by our performance online

- Secured government / regulatory support for a new 10 year licence

Priority 2: Maximise audience and revenue share from our existing free-to-air business

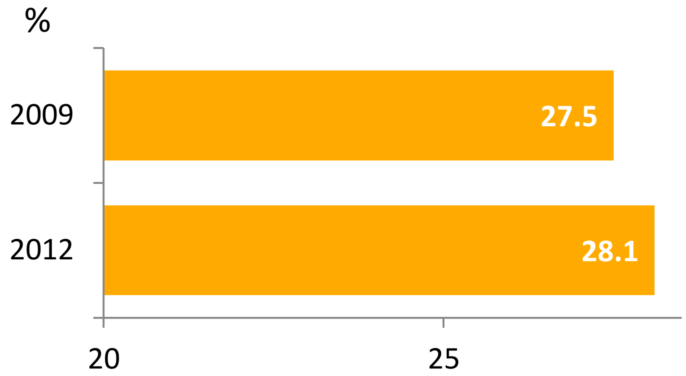
Building growth in Broadcast on strong fundamentals

Linear Viewing Levels – Hours/week/per person



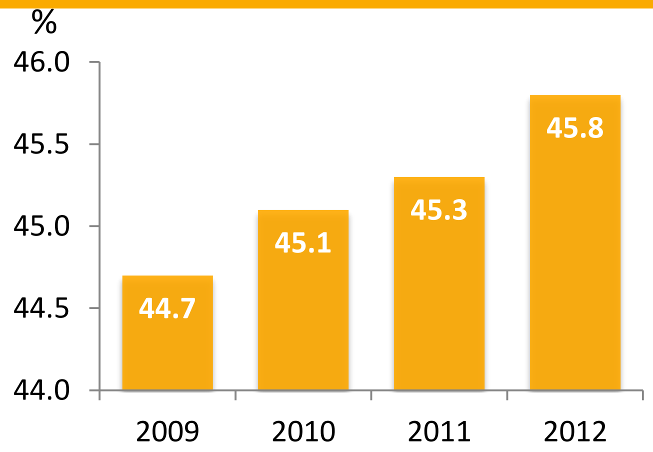
TV viewing levels higher in 2012 than 2009

TV advertising as a share of total advertising



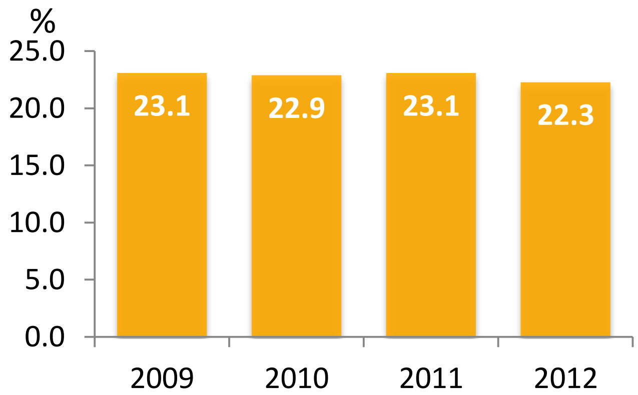
TV advertising makes up higher % in 2012 than 2009

Share of Broadcast (SOB)



Grown each year since 2009

ITV Family Share of Viewing (SOV)

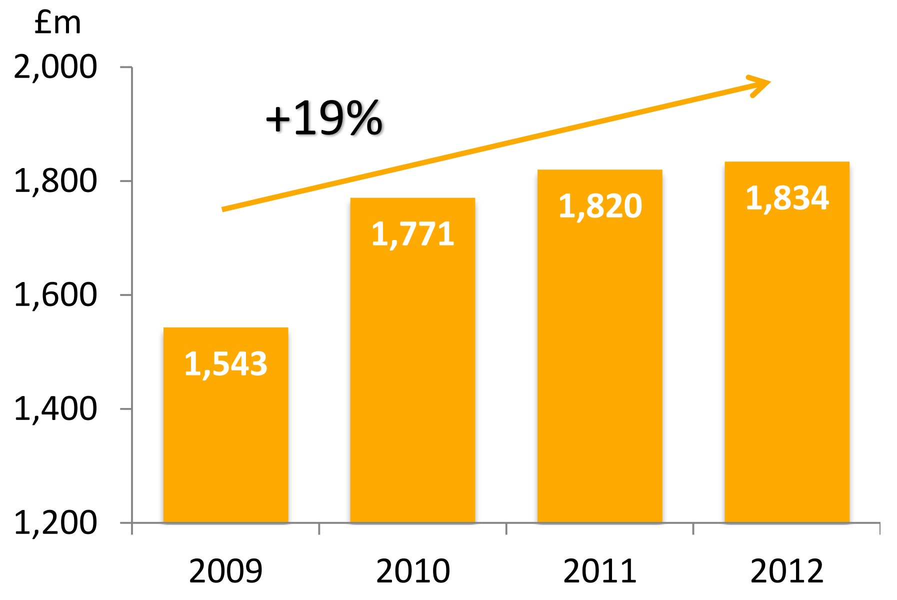


Viewing stabilised but 2012 was an unprecedented year for UK TV

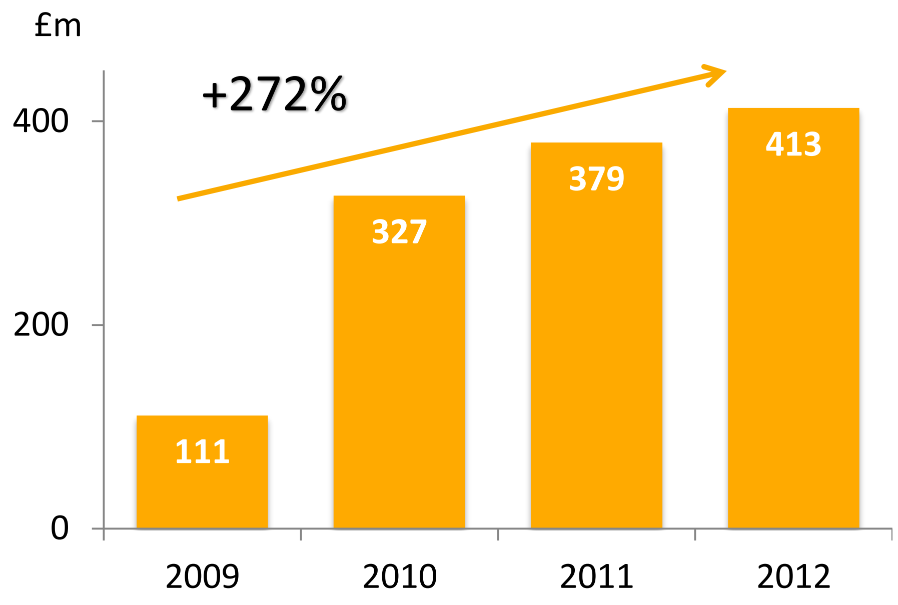
Priority 2: Maximise audience and revenue share from our existing free-to-air business

Building growth in our Broadcast & Online business

Broadcast & Online Revenue



Broadcast & Online EBITA*



* EBITA is before exceptional items

Priority 2: Maximise audience and revenue share from our existing free-to-air business

2013

- Reinvesting £20m of sports cost savings in the schedule
  - Leading to year on year reduction of £15m in the programme budget
- Growing ITV Family SOV
- Continuing to maximise the value of large audiences in a fragmented media environment
- Objective remains to outperform the television advertising market over the full year
- Continuing to build our broadcast non-NAR revenue streams
- Driving through the benefits of the ITV Rebrand in our channels and programme strategy
- Finalise the agreement for our new 10 year licence

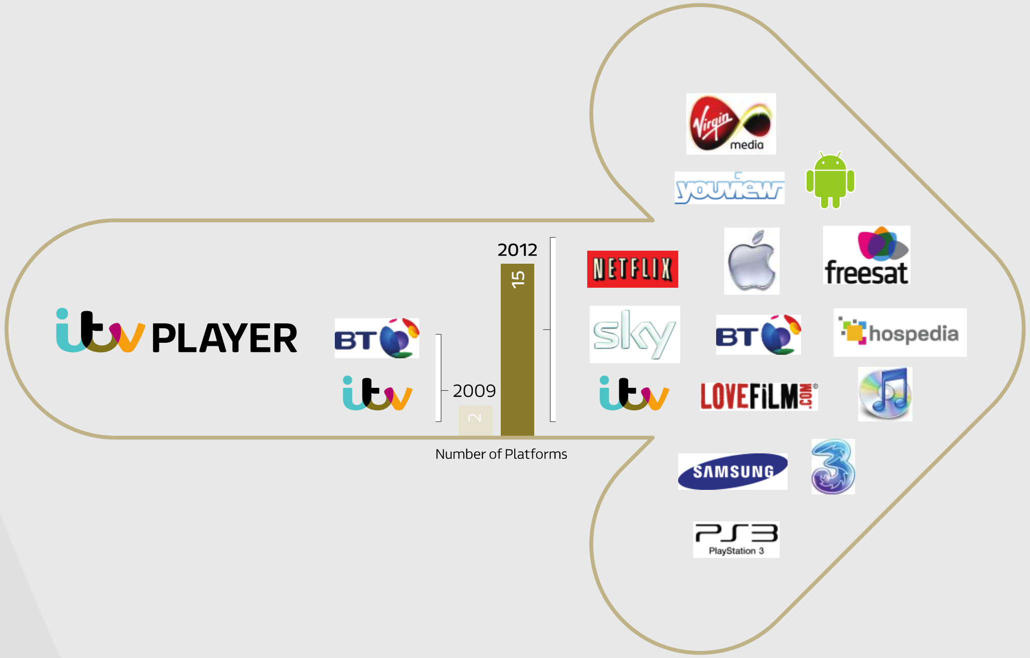
Priority 3: Drive new revenue streams by exploiting our content across multiple platforms, free and pay

2012

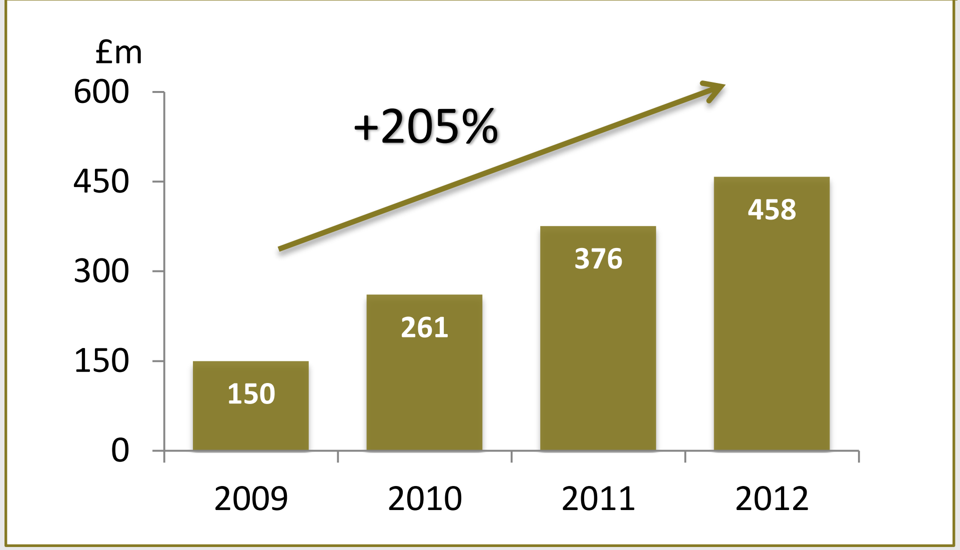
- Clarity around what viewers want from ITV online
- Improved quality of ITV Player
  - Reliability, content, Sports and News sites
- Exploiting our original and archive content on new fast growing platforms
  - Over 7m downloads of ITV player app
  - YouView launched
- Long form video requests up by 22% to 458m
- Online revenues up around 40%
- Developing pay services
  - ITV Pay Player launched on PC's
  - 3rd party margin enhancing content deals negotiated
- Online, Pay and Interactive revenues up by 26% to £102m
- Deepening consumer engagement

Priority 3: Drive new revenue streams by exploiting our content across multiple platforms, free and pay

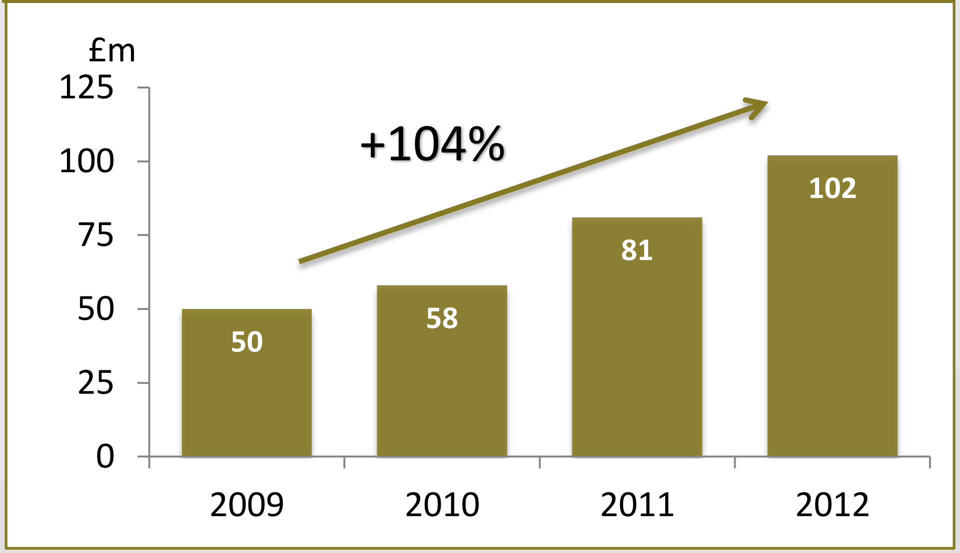
Building growth on positive momentum



Long Form Video Requests



Online, Pay & Interactive Revenues



Priority 3: Drive new revenue streams by exploiting our content across multiple platforms, free and pay

2013

- Growing Online through increased distribution and changing consumer behaviour
- Building Online advertising revenues with increasing Online audiences
- Rolling out Pay 'VOD' opportunities across mobile platforms
- Increasing number of third party pay deals
  - Renegotiate existing pay deals
- Maintaining 'premium' online advertising rates
  - Increased take up of interactive opportunities
- Developing pay channel opportunities
- Building on our data knowledge to develop targeted opportunities

Priority 4: Build a strong international content business

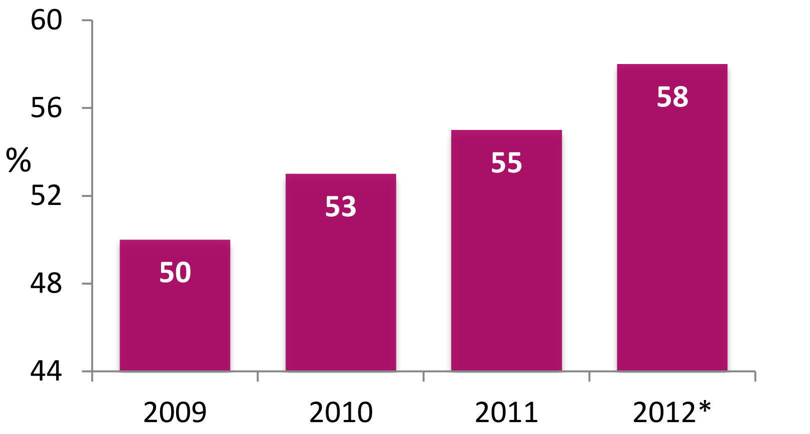
2012

- Increasingly strong global demand for great content from broadcaster's and platform owners
- ITVS delivered strong organic growth across all three divisions
  - UK +18%, International +21%, Global Entertainment +6%
- Investing in a strong, healthy creative pipeline
- Producing more programmes that travel
  - 10 programmes now produced in 3 or more countries
  - Quality drama: Mr Selfridge, Titanic, Prime Suspect, Lewis, Vera
- Building on strong organic growth with acquisitions and partnerships
  - Key and emerging creative markets

Priority 4: Build a strong international content business

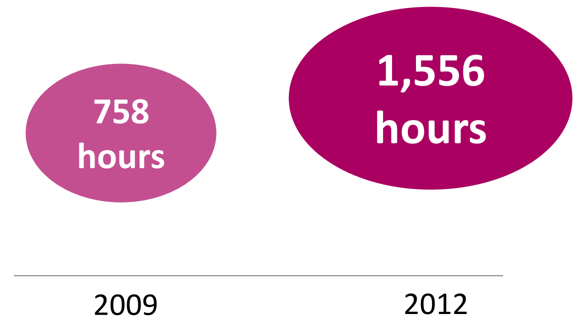
Building growth on positive momentum in content

ITV Output from ITV Studios



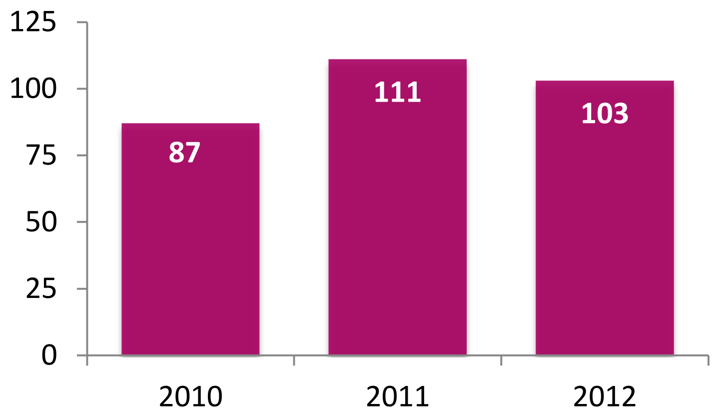
40% increase in number of hours supplied to ITV

International Hours Produced



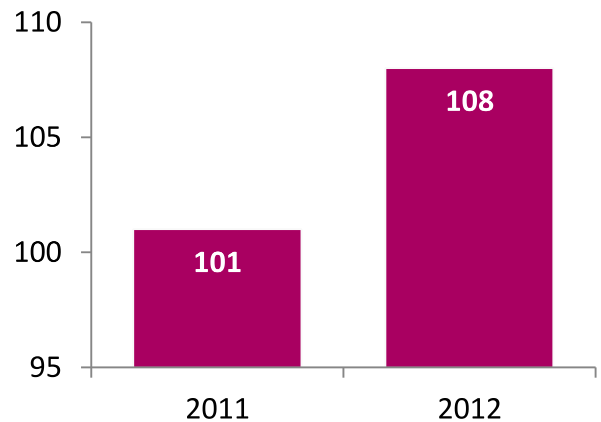
International hours produced has doubled since 2009

Number of New Commissions



Healthy level of new commissions

Number of recommissions

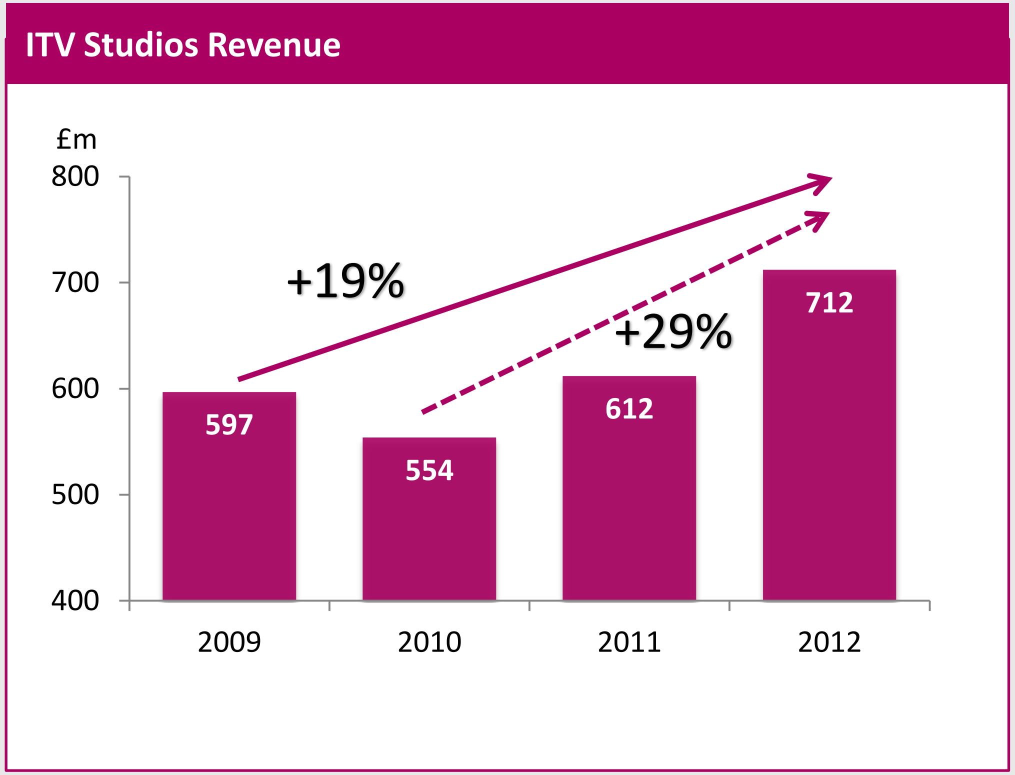


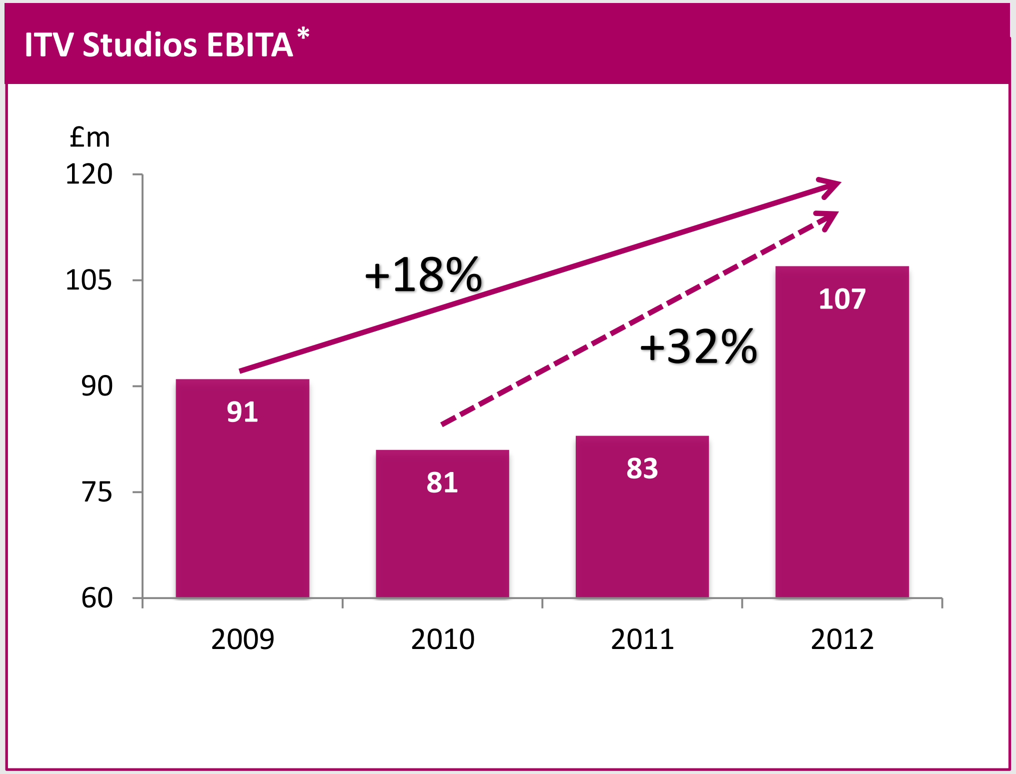
Increasing as we focus on returnable programmes

* Includes ITV Breakfast

Priority 4: Build a strong international content business

Building growth on positive momentum in content





* EBITA is before exceptional items

Priority 4: Build a strong international content business

2013

- Global demand expected to increase
- Investing in creative talent and development to maintain healthy pipeline
- Continuing to drive strong organic growth, UK and Internationally
- Focusing on key genres that travel; Drama, Entertainment and Factual entertainment
- Building on our growing strength with selective acquisitions and partnerships in key creative markets
- Increasingly scale our international distribution business

Delivering growth through Transformation

- Clear, consistent strategy which our people support and drive
- Delivering real growth across the business, with double digit earnings growth for a 3rd year
- Creating a better, more efficient and more balanced ITV
- Our Broadcast business is robust and growing
- Online, Pay & Interactive revenue streams are now a material part of the business with significant opportunities for growth
- Our focus on creativity and content is delivering strong, sustainable organic growth in our UK and International Studios business which we are enhancing through targeted acquisitions and partnerships in key creative markets
- Robust balance sheet and strong cash flows to support the investment required to deliver our growth strategy and future shareholder returns

Outlook

- Continue to focus on delivering our strategy
- Relentless focus on cash and costs
- Healthy broadcast business:
  - Focus on improving share of viewing
  - Our objective remains to outperform TV advertising market in 2013
  - Remain cautious on 2013 advertising
  - Advertising in Q1 expected to be up 5% and SOV is up year to date
- Strong growth forecast for Online, Pay and Interactive
- Continuing to improve ITV Studios performance
  - Strong organic growth through investing in creative pipeline
  - Enhancing growth through selected acquisitions and partnerships if on strategy
  - Increasing focus on programmes that travel and return
- Stronger, more flexible balance sheet to support future growth
- Continuing to deliver shareholder returns and maintain capital discipline

Appendix

Full Year Results 2012

27th February 2013

Reported numbers

£m	2012	2011	Change
Revenue	2,196	2,140	3%
EBITA before exceptional items	520	462	13%
Amortisation and Impairment	(60)	(59)	(2)%
Exceptional items (total)	(12)	1	-
Associates and JVs	(1)	(2)	50%
Profit before interest and tax	**447**	**402**	**11%**
Net financing costs*	(99)	(75)	(32)%
Profit before tax	**348**	**327**	**6%**
Tax	(80)	(79)	(1)%
Profit after tax	**268**	**248**	**8%**
Non-controlling interests	(1)	(1)	-
Earnings	**267**	**247**	**8%**
Earnings per share (p)	**6.9p**	**6.4p**	**8%**

* Includes £36m exceptional cost relating to bond buybacks in 2012 (2011: £39m)

Reconciliation between 2012 reported and adjusted earnings

£m	Reported	Adjustments	Adjusted
EBITA before exceptional items	520	-	520
Exceptional items (total)	(12)	12	-
Amortisation and impairment	(60)	49	(11)
Financing costs	(99)	55	(44)
JVs and associates	(1)	-	(1)
Profit before tax	**348**	**116**	**464**
Tax	(80)	(25)	(105)
Profit after tax	**268**	**91**	**359**
Non-controlling interests	(1)	-	(1)
Earnings	**267**	**91**	**358**
Number of shares*	3,888		3,888
Earnings per share (p)	**6.9p**		**9.2p**

* Diluted number of shares of 4,123m

Reconciliation between 2011 reported and adjusted earnings

£m	Reported	Adjustments	Adjusted
EBITA before exceptional items	462	-	462
Exceptional items (total)	1	(1)	-
Amortisation and impairment	(59)	47	(12)
Financing costs	(75)	25	(50)
JVs and associates	(2)	-	(2)
Profit before tax	**327**	**71**	**398**
Tax	(79)	(12)	(91)
Profit after tax	**248**	**59**	**307**
Non-controlling interests	(1)	-	(1)
Earnings	**247**	**59**	**306**
Number of shares	3,883		3,883
Earnings per share (p)	**6.4**		**7.9**

Broadcast schedule costs

£m	2012	2011	Change
Commissions	522	519	(1)%
Sport	157	160	2%
Acquired	45	59	22%
ITN News and Weather	45	43	(5)%
Other	-	2	100%
Total ITV	769	783	2%
Regional news and non-news	71	69	(3)%
ITV Breakfast	42	38	(13)%
Total ITV inc regional & Breakfast	882	890	1%
ITV2, ITV3, ITV4, CITV	114	114	-
Total schedule costs	**996**	**1,004**	**1%**

Financing costs

£m	2012	2011
€54m Eurobond at 6% Coupon Oct 11 (repaid)	-	2
£110m Eurobond at LIBOR +2.7% Mar 13 (repaid)	-	(2)
€50m Eurobond at 10% Coupon Jun 14 (€138m repaid in H1)	(7)	(13)
£78m Eurobond at 5.375% Coupon Oct 15 (£75m repaid in H1)	(1)	(9)
£135m Convertible Bond at 4% Coupon Nov 16	(5)	(5)
£161m Eurobond at 7.375% Coupon Jan 17 (£89m repaid in H1)	(12)	(15)
£200m Loan at 13.55% less £138m nominal Gilts at 8.0% Mar 19	(13)	(3)
Financing costs directly attributable to bonds and loans	**(38)**	**(45)**
Other	3	8
Cash-related financing costs	**(35)**	**(37)**
Non-cash movements		
Amortisation of bonds	(9)	(13)
Adjusted net financing costs	**(44)**	**(50)**
Mark-to-Market on bonds and swaps	(11)	16
Imputed pension interest	(9)	(5)
Losses on buybacks	(36)	(39)
Other net financing income	1	3
Statutory net financing costs	**(99)**	**(75)**

Exceptional costs

£m	2012	2011
Reorganisation and restructuring costs	(5)	-
Onerous property provision	-	1
Acquisition related expenses	(2)	-
Total operating exceptional items	**(7)**	**1**
Loss on the sale and impairment of non-current assets	(6)	(3)
Gain on sale and impairment of subsidiaries and investments	1	3
Total non-operating exceptional items	**(5)**	**0**
Total exceptional items	**(12)**	**1**

P&L tax charge and tax cash on reported basis

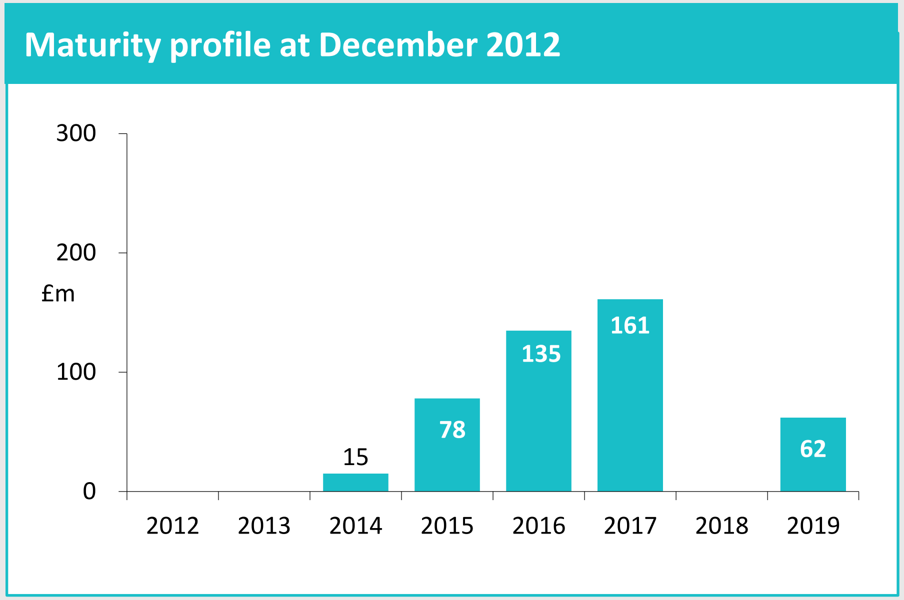
£m	2012	2011
Profit before tax as reported	348	327
Exceptional items (net)	12	(1)
Amortisation and impairment of intangible assets*	49	47
Adjustments to net financing costs	55	25
Adjusted profit before tax	**464**	**398**
Tax charge as reported	(80)	(79)
Net charge for exceptional and other items	(2)	-
Credit in respect of amortisation and impairment of intangible assets*	(12)	(12)
Charge in respect of adjustments to net financing costs	(13)	(7)
Other tax adjustments	2	7
Adjusted tax charge	**(105)**	**(91)**
Effective tax rate on adjusted profits	**23%**	**23%**
Total cash paid	**(62)**	**(68)**

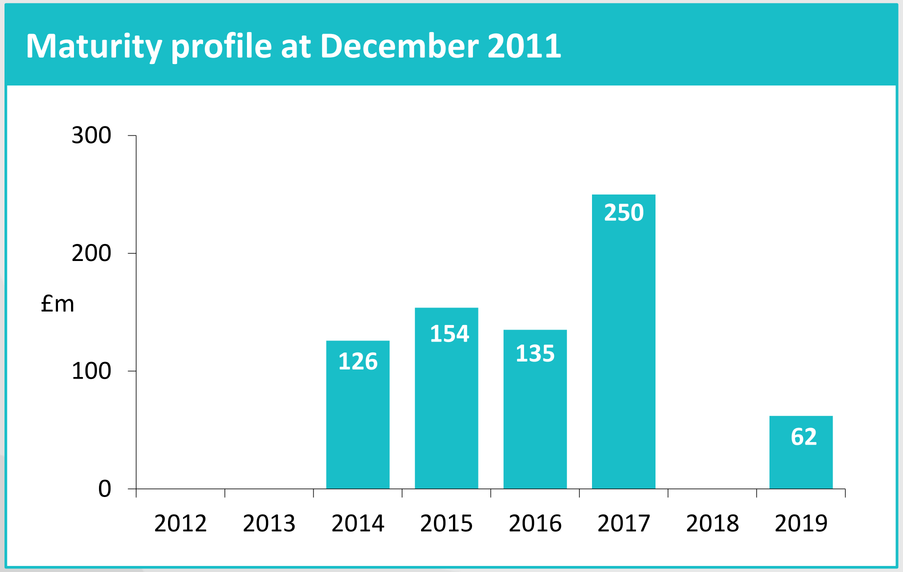
* In respect of intangible assets arising from business combinations

Analysis of net cash

£m	2012	2011
€50m Jun 14 (€138m repaid in H1)	(14)	(118)
£78m Oct 15 (£75m repaid in H1)	(78)	(153)
£135m Convertible Nov 16	(132)	(132)
£161m Jan 17 (£89m repaid in H1)	(167)	(261)
£200m Mar 19	(200)	(200)
Finance Leases	(45)	(53)
Amortised cost adjustment	7	14
£138m Gilts Mar 19	145	147
Cash and cash equivalents	690	801
Net cash	**206**	**45**

Cash & Net debt





£m	2012	2011
Cash and cash equivalents	690	801
Debt	(484)	(756)
Net cash	**206**	**45**

£m	2012	2011
Adjusted cash flow	496	474
Net cash interest paid	(33)	(37)
Cash tax paid	(62)	(68)
Pension funding	(72)	(48)
Free cash flow	**329**	**321**

£m	2012	2011
Net cash	206	45
M&A - contingent consideration	(58)	-
Pension deficit	(551)	(390)
Operating leases	(518)	(569)
Adjusted net debt	**(921)**	**(914)**

Pension contributions – 15 year plan

Section A:

The fixed payments to the main section of the scheme will be as follows:

- 2013 & 2014: £35 million plus an additional £5 million if there are no initiatives in the previous year which reduce the scheme deficit by at least £10 million, compared with the level had such initiatives not been implemented. This has not changed from the previous funding plan;
- 2015 to 2019: £48 million rising by £0.5 million per annum to £50 million in 2019;
- 2020 to 2025: £50 million per annum but reduced by performance criteria set out below.

The performance related payments to the main section of the scheme will be as follows:

- During the period 2012 to 2020 if our reported EBITA before exceptional items exceed £300 million, we will contribute an amount representing 10% of EBITA before exceptional items over the threshold level. This is subject to an annual cap for total contributions which averages to £70 million per annum over the period 2015-2020. If the additional profit-related contributions are paid at the expected rate then the £50 million per annum fixed contributions scheduled to be paid between 2021 and 2025 (inclusive) would not be required.

In addition to the agreed deficit funding contributions above, the SDN partnership established in 2010 provides an annual distribution of £11 million to this section of the Scheme from 2013 to 2021 (£10 million in 2012).

Section B and C:

Following completion of actuarial valuations of Sections B and C as at 1 January 2011 we have agreed with the Trustee to make deficit funding contributions of £5.5 million per annum in order to eliminate the deficits in these sections by 31 March 2021.