USE AND NATURE OF ALTERNATIVE PERFORMANCE MEASURES – YEAR ENDED 31 MARCH 2017

The use of alternative performance measures

The Group presents a number of alternative performance measures to measure and report underlying financial performance. These measures are used by management for internal performance analysis and management considers that they provide investors with valuable additional information about the performance of the business. Many of these measures are also used in incentive compensation arrangements for employees.

Alternative performance measures reported by the Group are not defined terms under IFRS and may therefore not be comparable with similarly-titled measures reported by other companies.

Alternative performance measures derived from the Income Statement

The adjusted performance measures presented are adjusted operating profit, adjusted profit before tax and adjusted earnings per share (basic and diluted). These performance measures have been adjusted to exclude, where relevant:

- Exceptional items (excluded as they relate to events which are unlikely to recur, are outside the normal course of business and therefore merit separate disclosure in order to provide a better understanding of the Group's underlying financial performance);
- Amortisation of acquired intangible assets (costs associated with amounts recognised through acquisition accounting that impact earnings compared to organic investments);
- Net retirement benefit interest (accounting charges or credits which are not linked to the underlying performance of the business. The amounts excluded reflect the net interest cost of post-retirement benefit plans substantially closed to future accrual);
- Tax on the above items and tax items that themselves meet these definitions.

Summary of adjustments made by reporting item

Adjusted to exclude	Adjusted operating profit	Adjusted profit before tax	Adjusted earnings per share	
Exceptional items	✓	✓	✓	
Amortisation of acquired intangibles assets	✓	\checkmark	✓	
Net retirement benefit interest		\checkmark	✓	
Tax on the above items			✓	
Tax items that themselves meet these definitions			✓	

USE AND NATURE OF ALTERNATIVE PERFORMANCE MEASURES – YEAR ENDED 31 MARCH 2017

Alternative performance measure derived from the Consolidated Statement of Cash Flows

The adjusted performance measures presented are adjusted operating cash flow and adjusted free cash flow. These performance measures are not prescribed line items within a statement of cash flows, and have been adjusted from a statement of cash flows to present an underlying view of cash generated by the business.

Other alternative performance measures used by the Group

The Group presents certain financial measures as defined in its external financial covenants as well as return on capital employed (ROCE) metrics as Key Performance Indicators. Net debt to EBITDA and interest cover are defined under the Group's financial covenants and reported on a proportionate consolidation basis. For financial covenant purposes these ratios are calculated based on the accounting standards that applied for the 2014 financial year, with new accounting standards adopted by the Group subsequent to 1 April 2014 disregarded. Net debt is calculated using average currency exchange rates. Return on capital employed is calculated based on the Group's average invested operating capital at the beginning and end of the period, being the aggregate of: goodwill and other intangible assets; property, plant and equipment; and working capital, provisions and non-debt derivatives. All ratios are calculated based on unrounded figures in £ million.

Calculation of alternative performance measures

The following table shows the reconciliation of the key alternative performance measures to the most directly comparable measures reported in accordance with IFRS for the Group's two most recent financial years:

Income statement measures:

	Year ended 31 March 2017		Year ended 31 March 2016			
£m unless otherwise stated	IFRS	Adjusting	Adjusted	IFRS	Adjusting	Adjusted
Continuing operations	Reported	items	Reported	Reported	items	Reported
Sales	2 753	_	2 753	2 355	-	2 355
Operating profit	233	31	264	127	61	188
Net finance expense	(32)	7	(25)	(29)	6	(23)
Share of profit after tax of joint						
ventures and associates	32	_	32	28	_	28
Profit before tax	233	38	271	126	67	193
Income tax credit/(expense)	22	(71)	(49)	(5)	(27)	(32)
Non-controlling interests	_	_	_	_	_	_
Profit attributable to owners of the						
Company	255	(33)	222	121	40	161
Basic earnings per share	55.0p	(7.2p)	47.8p	26.1p	8.6p	34.7p
Diluted earnings per share	54.2p	(7.1p)	47.1p	25.9p	8.6p	34.5p
Effective tax rate	(9.6%)		18.2%	4.0%		16.5%

USE AND NATURE OF ALTERNATIVE PERFORMANCE MEASURES - YEAR ENDED 31 MARCH 2017

The following table shows the reconciliation of the adjusting items in the current and comparative year:

	Year ended 31 March		
Continuing operations	2017 £m	2016 £m	
Exceptional items in operating profit	19	50	
Amortisation of acquired intangible assets	12	11	
Total excluded from adjusted operating profit	31	61	
Net retirement benefit interest	7	6	
Total excluded from adjusted profit before tax	38	67	
Tax on adjusting items	(6)	(27)	
Exceptional deferred tax credits	(65)	_	
Total excluded from adjusted profit attributable to owners of the Company	(33)	40	

Cash flow measures:

The following table shows the reconciliation of the key cash flow alternative performance measures:

	Year ended 31 March	
	2017 £m	2016* £m
Adjusted operating profit from continuing operations	264	188
Adjusted for:		
Depreciation and adjusted amortisation	137	104
Share-based payments charge	21	9
Changes in working capital and other non-cash movements	4	24
Net retirement benefit obligations	(36)	(38)
Capital expenditure	(153)	(198)
Net interest and tax paid	(63)	(36)
Adjusted free cash flow	174	53
Add back: net interest and tax paid	63	36
Add back: net retirement cash contributions	42	40
Less: derivatives and margin call movements within changes in working capital	(6)	(5)
Adjusted operating cash flow	273	124

^{*} Restated to reflect exclusion of operating post-retirement benefit costs.

USE AND NATURE OF ALTERNATIVE PERFORMANCE MEASURES - YEAR ENDED 31 MARCH 2017

Other alternative performance measures:

The following table shows the calculation of certain other alternative performance measures used by the Group:

2016 (accidation of Net debt to EBITDA ratio – on a financial covenant basis 2016 (accidation of Net debt to EBITDA ratio – on a financial covenant basis 452 (accidation of Net debt to EBITDA ratio – on a financial covenants) 434 (accidation of Net debt to EBITDA ratio – on a financial covenants: 432 (accidation of Net debt to EBITDA ratio financial covenants) 434 (accidation of Net debt to a financial covenant basis 439 (accidation of Net debt on a financial covenant basis 439 (accidation of Net debt on a financial covenant basis 449 (accidation of Net debt on a financial covenant basis 440 (accidation of Net debt on a financial covenant basis 440 (accidation of Net debt on a financial covenant basis 440 (accidation of Net debt on a financial covenant basis 440 (accidation of Net debt on a financial covenant basis 440 (accidation of Net debt on a financial covenant basis 440 (accidation of Net debt on a financial covenant basis 440 (accidation of Net debt on a financial covenant basis 440 (accidation of Net debt on a financial covenant basis 440 (accidation of Net debt on a financial covenant basis 440 (accidation of Net debt on a financial covenant basis 440 (accidation of Net debt on a financial covenant basis 440 (accidation of Net debt on a financial covenant basis 440 (accidation of Net debt on a financial covenant basis 440 (accidation of Net debt on a financial covenant basis 440 (accidation of Net debt on a financial covenant basis 440 (accidation of Net debt on a financial covenant basis 440 (accidation of Net debt on a financial covenant basis				31 March
Calculation of Net debt to EBITDA ratio – on a financial covenant basis 45 434 Net debt 45 434 Further adjustments set out in financial covenants: (13) (17) to reflect use of average exchange rates in translating net debt 239 423 Adjusted operating profit 26 188 Further adjustments set out in financial covenants: 21 9 to reflect proportionate consolidation 137 104 to exclude charges for share-based payments 21 9 to add back depreciation and adjusted amortisation 137 104 Pre-exceptional EBITDA 470 345 Net debt to EBITDA ratio (times) 264 188 Further adjustments set out in financial covenants: 264 188 Further adjustments set out in financial covenants: 21 9 Operating profit 26 25 23 Adjusted net finance expense 25 23 Further adjustments set out in financial covenant basis 2 2 to reflect proportionate consolidation 1 -			2017	2016
Net deb! 452 434 Further adjustments set out in financial covenants: (13) (11) Net debt – on a financial covenant basis 439 423 Adjusted operating profit 284 188 Further adjustments set out in financial covenants: 321 98 Further adjustments set out in financial covenants: 137 04 to exclude charges for share-based payments 137 04 to add back depreciation and adjusted amortisation 470 345 Net debt to EBITDA ratio (times) 264 188 Further adjustments set out in financial covenant basis 264 188 Eutlation of interest cover ratio – on a financial covenant basis 264 188 Further adjustments set out in financial covenants: 21 9 to exclude charges for share-based payments 21 9 to exclude charges for share-based payments 25 23 Further adjustments set out in financial covenant basis 25 23 Adjusted net finance expense 25 23 Further adjustments set out in financial covenants: 1			£m	£m
Further adjustments set out in financial covenants: to reflect use of average exchange rates in translating net debt Adjusted operating profit Adjusted operating profit to reflect proportionate consolidation or to exclude charges for share-based payments to reflect proportionate consolidation or interest cover ratio (times) Calculation of interest cover ratio (times) Adjusted operating profit Calculation of interest cover ratio covenants To reflect proportionate consolidation or interest cover ratio covenants Adjusted operating profit Calculation of interest cover ratio - on a financial covenant basis Adjusted operating profit Calculation of interest cover ratio - on a financial covenant basis Adjusted operating profit To reflect proportionate consolidation to reflect proportionate consolidation of intangible assets - on a financial covenant basis Adjusted operating profit before exceptional items and amortisation of intangible assets - on a financial covenants: to reflect proportionate consolidation of intangible assets - on a financial covenants to reflect proportionate consolidation to reflect proportionate consolidation Adjusted net finance expense Calculation of return on capital employed Adjusted net finance expense Calculation of return on capital employed Adjusted operating profit Add back amortisation on acquired intangible assets Adjusted operating profit Add back amortisation on acquired intangible assets Adjusted operating profit Add back amortisation on acquired intangible assets Adjusted operating profit Add back amortisation on acquired intangible assets Adjusted operating capital of continuing operations Add back amortisation on acquired intangible assets Add back amortisation on acquired intangible assets Add back amortisation on acquired intangible assets At the finance expense on a financial covenants into more continuing operations for ROCE Add back amortisation on acquired intangible assets At the finance expense on a financial covenants into more			450	40.4
Net debt — on a financial covenant basis 439			452	434
Net debt − on a financial covenant basis 439 423 Adjusted operating profit 264 188 Further adjustments set out in financial covenants: 36 48 Further adjustments set out in financial covenants: 48 44 to reflect proportionate consolidation 137 104 to add back depreciation and adjusted amortisation 137 104 Pre-exceptional EBITDA 40 35 Adjusted operating profit 264 188 Further adjustments set out in financial covenants: 264 188 Further adjustments set out in financial covenants: 26 188 to reflect proportionate consolidation 43 38 to reflect proportionate consolidation 328 235 Operating profit before exceptional items and amortisation 5 23 of intangible assets—on a financial covenants: 5 23 Eurther adjustments set out in financial covenants: 5 23 Further adjustments set out in financial covenants: 6 1 1 to reflect proportionate consolidation 6			(12)	(11)
Adjusted operating profit 264 188 Further adjustments set out in financial covenants: 48 44 to reflect proportionate consolidation 137 104 to exclude charges for share-based payments 21 9 to add back depreciation and adjusted amortisation 137 104 Pre-exceptional EBITDA 470 345 Net debt to EBITDA ratio (times) 264 188 Futher adjustments set out in financial covenant basis 25 188 Futher adjustments set out in financial covenants: 26 188 Futher adjustments set out in financial covenants: 25 25 to exclude charges for share-based payments 25 23 Adjusted net finance expension an a financial covenant basis 25 23 Adjusted net finance expension an a financial covenant basis 25 23 Adjusted proportionate consolidation 7 - Other 10 - - Interest cover ratio (times) 13.9 10.7 Net finance expense – on a financial covenant basis 24 22 <				. ,
Further adjustments set out in financial covenants: 48 44 to exclude charges for share-based payments 21 9 to add back depreciation and adjusted amortisation 137 104 Pre-exceptional EBITDA 470 345 Net debt to EBITDA ratio (times) 264 188 Ediculation of interest cover ratio – on a financial covenant basis 264 188 Eurther adjustments set out in financial covenants: 261 3 38 to reflect proportionate consolidation 43 38 38 25 23 23 Eurther adjustments set out in financial covenants in the safe payments 25 23 </td <td>Net dept – on a imancial covenant basis</td> <td></td> <td>433</td> <td>423</td>	Net dept – on a imancial covenant basis		433	423
Further adjustments set out in financial covenants:	Adjusted operating profit		264	188
to reflect proportionate consolidation 48 44 to exclude charges for share-based payments 21 9 to add back depreciation and adjusted amortisation 137 104 Pre-exceptional EBITDA 470 345 Net debt to EBITDA ratio (times)				
to exclude charges for share-based payments to add back depreciation and adjusted amortisation 21 mode and 32 mode and 32 mode and 32 mode and 34			48	44
to add back depreciation and adjusted amortisation 137 104 Pre-exceptional EBITDA 470 345 Net debt to EBITDA ratio (times) 0.9 1.2 Calculation of interest cover ratio - on a financial covenant basis 264 188 Further adjustments set out in financial covenants: 264 188 Further proportionate consolidation to reflect proportionate consolidation of intengible charges for share-based payments 21 9 Operating profit before exceptional items and amortisation of intangible assets - on a financial covenant basis 328 235 Adjusted net finance expense 25 23 Further adjustments set out in financial covenants: 25 23 Further adjustments set out in financial covenants: 25 23 Further adjustments set out in financial covenants: 328 235 Further adjustments set out in financial covenants: 10 1 1 Other 11 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 2			21	9
Pre-exceptional EBITDA 470 345 Net debt to EBITDA ratio (times) 0.9 1.2 Calculation of interest cover ratio – on a financial covenants adjusted operating profit 264 188 Further adjustments set out in financial covenants: 264 188 Further adjustments set out in financial covenants: 21 9 Operating profit before exceptional items and amortisation of intangible assets – on a financial covenant basis 328 235 Adjusted net finance expense 25 23 Further adjustments set out in financial covenants: 2 2 2 Further adjustments set out in financial covenants: 2 1 3 3 3 3 </td <td>· ·</td> <td></td> <td>137</td> <td>104</td>	· ·		137	104
Calculation of interest cover ratio – on a financial covenant basis a 264 188 Further adjustments set out in financial covenants: to reflect proportionate consolidation 43 38 to exclude charges for share-based payments 21 9 Operating profit before exceptional items and amortisation of intangible assets – on a financial covenant basis 328 235 Adjusted net finance expense 5 23 Further adjustments set out in financial covenants: 5 23 Further adjustments set out in financial covenants: 5 23 Further adjustments set out in financial covenants: 5 23 Further adjustments set out in financial covenants: 5 23 Further adjustments set out in financial covenants: 5 23 Further adjustments set out in financial covenants: 5 23 Further adjustments set out in financial covenants: 5 25 23 Further adjustments set out in financial covenants: 5 5 25 23 Interest c			470	345
Adjusted operating profit 264 188 Further adjustments set out in financial covenants: 3 38 to reflect proportionate consolidation 21 9 Operating profit before exceptional items and amortisation of intangible assets – on a financial covenant basis 328 235 Adjusted net finance expense 25 23 Further adjustments set out in financial covenants: ————————————————————————————————————			0.9	1.2
Adjusted operating profit 264 188 Further adjustments set out in financial covenants: 3 38 to reflect proportionate consolidation 21 9 Operating profit before exceptional items and amortisation of intangible assets – on a financial covenant basis 328 235 Adjusted net finance expense 25 23 Further adjustments set out in financial covenants: ————————————————————————————————————				
Further adjustments set out in financial covenants: 43 38 38 38 38 20 20 9 9 Operating profit before exceptional items and amortisation of intangible assets – on a financial covenant basis 328 235 Adjusted net finance expense 25 23 Further adjustments set out in financial covenants: """ """ """ """ """ """ """ """ """ ""	Calculation of interest cover ratio – on a financial covenant basis			
to reflect proportionate consolidation to exclude charges for share-based payments 43 38 Operating profit before exceptional items and amortisation of intangible assets – on a financial covenant basis 328 235 Adjusted net finance expense 25 23 Further adjustments set out in financial covenants: **** 10 cm² *** 10 cm² Further adjustments set out in financial covenants: *** 11 cm² ** 10 cm² Other (1) (1) (1) Net finance expense – on a financial covenant basis 24 22 Interest cover ratio (times) 13.9 10.7 Interest cover ratio (times) 2017 2016 2015 Em £m £m £m Em £m £m £m Em £m £m £m Adjusted operating profit 264 188 4 Add back amortisation on acquired intangible assets (12) (11) Profit before interest, tax and exceptional items from continuing operations for ROCE 252 177 Goodwill and other intangible assets 401 390	Adjusted operating profit		264	188
to exclude charges for share-based payments 21 9 Operating profit before exceptional items and amortisation of intangible assets – on a financial covenant basis 328 235 Adjusted net finance expense 25 23 Further adjustments set out in financial covenants: ————————————————————————————————————				
Operating profit before exceptional items and amortisation of intangible assets – on a financial covenant basis 328 235 Adjusted net finance expense 25 23 Further adjustments set out in financial covenants: ————————————————————————————————————	to reflect proportionate consolidation		43	38
Adjusted net finance expense 25 23 Further adjustments set out in financial covenants: to reflect proportionate consolidation	to exclude charges for share-based payments		21	9
Adjusted net finance expense 25 23 Further adjustments set out in financial covenants:				
Further adjustments set out in financial covenants: to reflect proportionate consolidation Other Net finance expense – on a financial covenant basis Interest cover ratio (times) Page 1 24 22 Interest cover ratio (times) 13.9 10.7 2016 2015 2016 2016 2016 2016 2016 2017 2016 2015 2016 2016 2016 2016 2016 2016 2016 2016	of intangible assets – on a financial covenant basis		328	235
Further adjustments set out in financial covenants: To reflect proportionate consolidation − 0 <td>Adjusted net finance expense</td> <td></td> <td>25</td> <td>23</td>	Adjusted net finance expense		25	23
to reflect proportionate consolidation Other − </td <td></td> <td></td> <td></td> <td></td>				
Other (1) (1) Net finance expense – on a financial covenant basis 24 22 Interest cover ratio (times) 13.9 10.7 2017 2016 2015 2017 2016 2015 Em £m £m £m Em £m 401 390 340 Em Fm 401 390 340 Em Fm 401 390 340 <td>·</td> <td></td> <td>_</td> <td>_</td>	·		_	_
Interest cover ratio (times) 13.9 10.7 Interest cover ratio (times) 31 March 2017 2016 2015 £m £m £m £m Profit before interest, tax and exceptional items from continuing operations for ROCE 252 177 Goodwill and other intangible assets 401 390 340 Property, plant and equipment 1 061 926 750 Working capital, provisions and non-debt derivatives 394 323 339 Other - 29 31 Invested operating capital of continuing operations <td>·</td> <td></td> <td>(1)</td> <td>(1)</td>	·		(1)	(1)
State	Net finance expense – on a financial covenant basis		24	22
Calculation of return on capital employed £m £m £m Adjusted operating profit Add back amortisation on acquired intangible assets 264 188 188 Profit before interest, tax and exceptional items from continuing operations for ROCE 252 177 Goodwill and other intangible assets 401 390 340 Property, plant and equipment 1 061 926 750 Working capital, provisions and non-debt derivatives 394 323 339 Other - 29 31 Invested operating capital of continuing operations 1 856 1 668 1 460 Average invested operating capital 1 762 1 564	Interest cover ratio (times)		13.9	10.7
Calculation of return on capital employed £m £m £m Adjusted operating profit Add back amortisation on acquired intangible assets 264 188 188 Profit before interest, tax and exceptional items from continuing operations for ROCE 252 177 Goodwill and other intangible assets 401 390 340 Property, plant and equipment 1061 926 750 Working capital, provisions and non-debt derivatives 394 323 339 Other - 29 31 Invested operating capital of continuing operations 1 856 1 668 1 460 Average invested operating capital 1 762 1 564				31 March
Calculation of return on capital employedAdjusted operating profit264188Add back amortisation on acquired intangible assets(12)(11)Profit before interest, tax and exceptional items from continuing operations for ROCE252177Goodwill and other intangible assets401390340Property, plant and equipment1 061926750Working capital, provisions and non-debt derivatives394323339Other-2931Invested operating capital of continuing operations1 8561 6681 460Average invested operating capital1 7621 564	•	2017	2016	
Adjusted operating profit Add back amortisation on acquired intangible assets (12) (11) Profit before interest, tax and exceptional items from continuing operations for ROCE Goodwill and other intangible assets Property, plant and equipment Working capital, provisions and non-debt derivatives Other Invested operating capital of continuing operations Average invested operating capital 188 401 390 340 750 750 750 394 323 339 0ther 1856 1 668 1 460		£m	£m	£m
Add back amortisation on acquired intangible assets Profit before interest, tax and exceptional items from continuing operations for ROCE Goodwill and other intangible assets Property, plant and equipment Working capital, provisions and non-debt derivatives Other Invested operating capital of continuing operations Average invested operating capital (12) (11) 401 390 340 750 750 401 394 323 339 750 1856 1 668 1 460 401 401 401 401 401 401 401	Calculation of return on capital employed			
Profit before interest, tax and exceptional items from continuing operations for ROCE Goodwill and other intangible assets Property, plant and equipment Working capital, provisions and non-debt derivatives Other Invested operating capital of continuing operations Average invested operating capital 1762 177 401 390 340 750 750 750 394 323 339 015 1856 1 668 1 460	Adjusted operating profit	264	188	
Goodwill and other intangible assets 401 390 340 Property, plant and equipment 1 061 926 750 Working capital, provisions and non-debt derivatives 394 323 339 Other - 29 31 Invested operating capital of continuing operations 1 856 1 668 1 460 Average invested operating capital 1 762 1 564		(12)	(11)	
Property, plant and equipment 1 061 926 750 Working capital, provisions and non-debt derivatives 394 323 339 Other - 29 31 Invested operating capital of continuing operations 1 856 1 668 1 460 Average invested operating capital 1 762 1 564	Profit before interest, tax and exceptional items from continuing operations for ROCE	252	177	
Property, plant and equipment 1 061 926 750 Working capital, provisions and non-debt derivatives 394 323 339 Other - 29 31 Invested operating capital of continuing operations 1 856 1 668 1 460 Average invested operating capital 1 762 1 564	Coodwill and other intermible coasts	404	200	240
Working capital, provisions and non-debt derivatives394323339Other-2931Invested operating capital of continuing operations1 8561 6681 460Average invested operating capital1 7621 564	<u> </u>	-		
Other-2931Invested operating capital of continuing operations1 8561 6681 460Average invested operating capital1 7621 564				
Invested operating capital of continuing operations 1856 1 668 1 460 Average invested operating capital 1762 1 564	• • • •	-		
Average invested operating capital 1 762 1 564		1 856		
0 1 0 1				1 700
	Return on capital employed (ROCE) %	14.3	11.3	