BT Group plc

Q4/full year 2014/15 results

7 May 2015
Forward-looking statements caution

Certain statements in this presentation are forward-looking and are made in reliance on the safe harbour provisions of the US Private Securities Litigation Reform Act of 1995. These statements include, without limitation, those concerning: current year’s outlook, including revenue growth, EBITDA growth and free cash flow; growing dividends and continued share buyback; further cost transformation; net debt and credit rating; the defined benefit pensions operating charge, net interest expense and cash ordinary contributions for the BTPS; the benefits of the planned EE acquisition; our investment in ultrafast fibre broadband and deployment, and our fibre rollout progress; and our investment in TV and BT Sport content.

Although BT 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. Because these statements involve risks and uncertainties, actual results may differ materially from those expressed or implied by these forward-looking statements.

Factors that could cause differences between actual results and those implied by the forward-looking statements include, but are not limited to: material adverse changes in economic conditions in the markets served by BT; future regulatory and legal actions, decisions, outcomes of appeal and conditions or requirements in BT’s operating areas, including competition from others; selection by BT and its lines of business of the appropriate trading and marketing models for its products and services; fluctuations in foreign currency exchange rates and interest rates; technological innovations, including the cost of developing new products, networks and solutions and the need to increase expenditures for improving the quality of service; prolonged adverse weather conditions resulting in a material increase in overtime, staff or other costs, or impact on customer service; developments in the convergence of technologies; the anticipated benefits and advantages of new technologies, products and services not being realised; the timing of entry and profitability of BT in certain communications markets; significant changes in market shares for BT and its principal products and services; the underlying assumptions and estimates made in respect of major customer contracts proving unreliable; the aims of the group-wide restructuring programme not being achieved; uncertainties and assumptions relating to the proposed EE acquisition, conditions of the acquisition not being satisfied and the anticipated synergies, benefits and return on investment not being realised; and general financial market conditions affecting BT’s performance and ability to raise finance. BT undertakes no obligation to update any forward-looking statements whether as a result of new information, future events or otherwise.
Overview

- Delivered strong performance in year
- Driven by the investments we’re making
- Our investment in fibre broadband is transforming the UK
  - on budget and ahead of schedule

**Superfast**
- 2008 Fibre plans announced
- March 2012 >10m premises passed
- March 2015 >22m premises passed (>75% of UK)

**Ultrafast**
- Working with government to help take fibre to 95%
- Up to 500Mbps to most of UK within a decade + 1Gbps on demand
### Investing across all parts of the business

<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>EE</td>
<td>Transformational deal, will provide new innovative services to UK consumers and businesses</td>
</tr>
<tr>
<td>Sport</td>
<td>Secured more top content for BT Sport</td>
</tr>
<tr>
<td>Customers</td>
<td>Progress on customer service, a key priority for further improvement</td>
</tr>
<tr>
<td>R&amp;D</td>
<td>&gt;£500m invested in R&amp;D, supporting new services</td>
</tr>
<tr>
<td>Capabilities</td>
<td>Investing in new business products and our global network</td>
</tr>
</tbody>
</table>
| People   | 2,500 engineers and >500 contact centre agents recruited in year  
|          | Strong volunteering ethos, with more than 1 in 4 people volunteering in year |
Delivering returns for our shareholders

- 8.5p proposed final dividend, up 13%
- Share buyback of £320m in 2014/15
  - buyback of c.£300m in 2015/16
BT Group plc

Tony Chanmugam, Group Finance Director
Financial overview

- Delivered or beaten outlook
- Further progress on cost transformation, with more to come
- Strong growth in profit and cash flow
- 2015/16 free cash flow outlook upgraded
## FY 2014/15 results vs. outlook

<table>
<thead>
<tr>
<th></th>
<th>Outlook</th>
<th>FY 2014/15 results</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Underlying</strong>¹ revenue ex transit</td>
<td>Broadly level with 2013/14</td>
<td>(0.4)%</td>
</tr>
<tr>
<td><strong>EBITDA</strong>²</td>
<td>£6.2bn – £6.3bn</td>
<td>£6,271m</td>
</tr>
<tr>
<td><strong>Normalised free cash flow</strong>³</td>
<td>Above £2.6bn</td>
<td>£2,830m</td>
</tr>
<tr>
<td><strong>Dividend per share</strong></td>
<td>Up 10-15%</td>
<td>Up 14%</td>
</tr>
</tbody>
</table>

¹ excludes specific items, foreign exchange movements and the effect of acquisitions and disposals
² before specific items
³ before specific items, pension deficit payments and the cash tax benefit of pension deficit payments
## Q4 2014/15 group results

<table>
<thead>
<tr>
<th>Metric</th>
<th>YoY change</th>
</tr>
</thead>
</table>
| **Revenue**
| £4,639m                                     | (2)%       |
| - underlying ex transit                     | (1.3)%     |
| **EBITDA**
| £1,819m                                     | 7%         |
| **EPS**
| 10.0p                                       | 11%        |
| **Normalised free cash flow**
| £1,267m                                     | down £79m  |
| **Net debt**
| £5,119m                                     | down £1,909m |

1 before specific items
2 excludes specific items, foreign exchange movements and the effect of acquisitions and disposals
3 before specific items, pension deficit payments and the cash tax benefit of pension deficit payments
# FY 2014/15 specific items in income statement

<table>
<thead>
<tr>
<th></th>
<th>FY 2014/15</th>
<th>Key points</th>
</tr>
</thead>
</table>
| Retrospective regulatory matters | 53         | • £128m benefit from ladder pricing  
• Partly offset by £75m of historical regulatory charges |
| Property                    | 22         | • £67m profit on property disposal  
• Partly offset by £45m onerous lease provisions |
| Restructuring               | (315)      | • Primarily leavers, with strong take-up of leaver programmes in Q4  
• Property and network rationalisation |
| Other                       | 5          |                                                                             |
| **Specific items¹**         | (235)      |                                                                             |

¹ before net interest on pensions, and tax

© British Telecommunications plc
Revenue trend

YoY change in underlying\(^1\) revenue ex transit

For 2010/11 to 2014/15:
- 3.0%
- 1.9%
- 3.1%
- 0.5%
- 0.4%

\(^1\)excludes specific items, foreign exchange movements and the effect of acquisitions and disposals
FY 2014/15 revenue

1 movement in underlying revenue excluding transit, excluding disclosed headwinds

© British Telecommunications plc
FY 2014/15 cost transformation

Underlying operating costs\(^1\) excluding transit and sport rights down 4%

\(^1\) before specific items and depreciation and amortisation

© British Telecommunications plc
Cost transformation

- **Contact centres**
  - rationalising contact centres to create critical mass
  - improving effectiveness of processes
  - £70m annualised benefit expected

- **Sales effectiveness**
  - incentivising sales teams to focus on high-margin activities
  - applying best practice across sales teams
  - addressing poor performance
  - £45m annualised benefit expected

- **Travel and subsistence**
  - continued forensic approach
  - costs reduced by £15m to £87m in 2014/15
Steady growth in EBITDA

<table>
<thead>
<tr>
<th>Year</th>
<th>Adjusted EBITDA £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010/11</td>
<td>£5,858m</td>
</tr>
<tr>
<td>2011/12</td>
<td>£6,034m</td>
</tr>
<tr>
<td>2012/13</td>
<td>£6,143m</td>
</tr>
<tr>
<td>2013/14</td>
<td>£6,116m</td>
</tr>
<tr>
<td>2014/15</td>
<td>£6,271m</td>
</tr>
</tbody>
</table>

1 before specific items
Strong cash flow performance

Normalised free cash flow\(^1\)

\(^1\) before specific items, purchases of telecommunications licences, pension deficit payments and the cash tax benefit of pension deficit payments
FY 2014/15 Normalised free cash flow

1 before specific items, pension deficit payments and the cash tax benefit of pension deficit payments

© British Telecommunications plc

18
## Debt and liquidity

- **Net debt down £1.9bn in year**
  - strong cash generation of business
  - £1.0bn equity placing

- Cash and investments of £3.9bn

- Committed undrawn facilities of >£5bn
  - includes £3.6bn committed facility for EE acquisition

- Continue to target BBB+/Baa1 credit rating

<table>
<thead>
<tr>
<th>31 Mar 2014 net debt</th>
<th>FCF (post pension payments)</th>
<th>Dividends</th>
<th>Share buy back</th>
<th>Other</th>
<th>Net debt pre-placing</th>
<th>Equity placing</th>
<th>31 Mar 2015 net debt</th>
</tr>
</thead>
<tbody>
<tr>
<td>£7,028m</td>
<td>£1,906m</td>
<td>£924m</td>
<td>£320m</td>
<td>£247m</td>
<td>£6,119m</td>
<td>£1,000m</td>
<td>£5,119m</td>
</tr>
</tbody>
</table>
Pension

- BT Pension Scheme triennial valuation and recovery plan announced in January
  - 16-year payment plan, £2bn over first 3 years
  - £875m paid in March 2015, £625m in April 2015
  - further £250m to be paid in each of 15/16 and 16/17

- IAS 19 deficit £6.1bn net of tax (Q4 2013/14: £5.6bn)

- In 2015/16, the lower discount rate will:
  - increase pensions operating charge by c.£20m
  - reduce net pension interest expense in specific items from £292m in 14/15 to c.£225m in 15/16

- Cash ordinary contributions to be c.£90m higher in 2015/16

---

1 includes service cost, regular contributions, interest on deficit and the impact of reflecting membership experience

© British Telecommunications plc
FY 2015/16 EBITDA\(^1\) outlook\(^2\)

**£6,271m**

- **Down c.£170m**
- **c.3% growth**

<table>
<thead>
<tr>
<th>2014/15</th>
<th>Ladder pricing</th>
<th>Pensions operating charge</th>
<th>Sale of copper</th>
<th>Leaver costs</th>
<th>UEFA launch</th>
<th>Benefit from restructuring</th>
<th>Cost transformation</th>
<th>Revenue growth</th>
</tr>
</thead>
</table>

\(^1\) before specific items

\(^2\) standalone BT, excluding any impact of proposed EE acquisition

© British Telecommunications plc
FY 2015/16 Normalised free cash flow\(^1\) outlook\(^2\)

\[\text{Before specific items, pension deficit payments and the cash tax benefit of pension deficit payments} \]

\[\text{Standalone BT, excluding any impact of proposed EE acquisition} \]

\(^1\) before specific items, pension deficit payments and the cash tax benefit of pension deficit payments

\(^2\) standalone BT, excluding any impact of proposed EE acquisition
Outlook\(^1\) – FY 2015/16

**Underlying revenue ex transit**  
Growth

**EBITDA\(^2\)**  
Modest growth versus 2014/15

**Normalised free cash flow\(^3\)**  
Around £2.8bn

\(^1\) standalone BT, excluding any impact of proposed EE acquisition  
\(^2\) before specific items  
\(^3\) before specific items, pension deficit payments and the cash tax benefit of pension deficit payments

© British Telecommunications plc
Overview

- A ground-breaking year for BT
- Strong financial discipline is helping us fund strategic investments
- Key strategic decisions made
  - planned acquisition of EE
  - new FA Premier League rights
  - ultrafast broadband investment
Global Services – lower UK public sector, growth overseas

- Q4 underlying revenue ex transit down 6%
  - lower UK public sector revenue
  - growth in AMEA

- Q4 EBITDA up 13% ex FX
  - reflects cost transformation programmes;
    underlying costs ex transit down 10%

- FY operating cash inflow of £349m
  - £150m lower than last year largely driven by early
    customer receipts in prior year

- FY order intake down 7%
  - new/growth order intake up >10%

<table>
<thead>
<tr>
<th></th>
<th>Q4 2014/15</th>
<th>Change</th>
<th>FY 2014/15</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>£1,789m</td>
<td>(7)%</td>
<td>£6,779m</td>
<td>(7)%</td>
</tr>
<tr>
<td>- u/l ex transit</td>
<td>£347m</td>
<td>9%</td>
<td>£1,047m</td>
<td>1%</td>
</tr>
</tbody>
</table>
Business – continued EBITDA growth

- Q4 underlying revenue ex transit down 1%
  - voice down 9% reflecting move to data and VoIP
  - data and networking up 5%; business fibre net adds up 58% YoY
- Q4 EBITDA up 6%
  - strong cost discipline; underlying costs ex transit down 4%
- Good FY operating cash inflow of £874m, up 9%
- FY order intake of £2.1bn, broadly level

<table>
<thead>
<tr>
<th></th>
<th>Q4 2014/15</th>
<th>Change</th>
<th>FY 2014/15</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>£805m</td>
<td>(2)%</td>
<td>£3,145m</td>
<td>(2)%</td>
</tr>
<tr>
<td>- u/l ex transit</td>
<td></td>
<td>(1)%</td>
<td></td>
<td>(1)%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>£277m</td>
<td>6%</td>
<td>£1,041m</td>
<td>4%</td>
</tr>
</tbody>
</table>

YoY change in EBITDA and costs

- Q4 underlying revenue ex transit down 1%
- Q4 EBITDA up 6%
- Good FY operating cash inflow of £874m, up 9%
- FY order intake of £2.1bn, broadly level
Consumer – delivering top and bottom-line growth

Q4 2014/15 | Change | FY 2014/15 | Change
---|---|---|---
Revenue | £1,100m | 3% | £4,285m | 7%
EBITDA | £317m | 18% | £1,031m | 24%

- Q4 revenue up 3%
  - broadband and TV up 10%
  - calls and lines broadly flat
  - ARPU up 6% to £415
- FY EBITDA up 24%
  - up 7% over 2 years
- FY operating cash inflow of £813m, up 72% YoY
  - reflects stronger EBITDA and PY c.£60m UEFA deposit
- Q4 consumer line loss of 61,000, in line with Q3
- 121,000 retail broadband net adds\(^1\) in Q4
  - no.1 market share, with 49% of market growth
  - best-ever retail fibre net adds of 266,000

\(^1\) includes business customers; DSL & fibre

© British Telecommunications plc

Wholesale – headwinds easing, ladder pricing benefit

- Q4 underlying revenue ex transit up 3%
  - reflects benefit of c.£30m relating to ladder pricing for current year
  - IP services up 25%

- Q4 underlying operating costs ex transit down 2%

- Q4 EBITDA up 14%
  - reflects ladder pricing benefit

- Strong Q4 order intake of £956m
  - up 82% reflecting major contract re-sign
  - £1.9bn for the year, in line with last year

<table>
<thead>
<tr>
<th></th>
<th>Q4 2014/15</th>
<th>Change</th>
<th>FY 2014/15</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>£571m</td>
<td>flat</td>
<td>£2,157m</td>
<td>(11)%</td>
</tr>
<tr>
<td>- u/l ex transit</td>
<td></td>
<td>3%</td>
<td></td>
<td>(7)%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>£174m</td>
<td>14%</td>
<td>£561m</td>
<td>(9)%</td>
</tr>
</tbody>
</table>

12-month rolling order intake
Openreach – record fibre performance

- Q4 revenue flat
  - c.£50m impact from regulation
  - mostly offset by 43% growth in fibre broadband

- Q4 operating costs down 2%
  - cost efficiencies
  - despite smaller benefit from sale of redundant copper

- Q4 EBITDA up 1%

- 455,000 net fibre connections in Q4, up 31%

- Physical line base up 76,000 in Q4
  - FY up 215,000, best annual performance on record
  - connecting new homes

- Adding new Ethernet sites

<table>
<thead>
<tr>
<th></th>
<th>Q4 2014/15</th>
<th>Change</th>
<th>FY 2014/15</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>£1,266m</td>
<td>flat</td>
<td>£5,011m</td>
<td>(1)%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>£698m</td>
<td>1%</td>
<td>£2,600m</td>
<td>flat</td>
</tr>
</tbody>
</table>

12-month rolling line movement

© British Telecommunications plc
Our purpose, goal, strategy and culture

Our purpose

To use the power of communications to make a better world

Our goal

A growing BT: to deliver sustainable profitable revenue growth

Our strategy

Broaden and deepen our customer relationships

Deliver superior customer service

Transform our costs

Invest for growth

Fibre

TV and content

Mobility and future voice

UK business markets

Leading global companies

Our culture

A healthy organisation
Deliver superior customer service

Achieved so far

- ‘Right First Time’ improvement across BT
- 2,500 new engineers and >500 new contact centre agents recruited
- Speed of delivery of main Global Services products improved by 25%
- Business complaints down 11%
- Consumer complaints down >25%
- All 60 Ofcom minimum service levels exceeded by Openreach

<table>
<thead>
<tr>
<th></th>
<th>GS</th>
<th>Business</th>
<th>Consumer</th>
<th>Wholesale</th>
<th>Openreach</th>
<th>BT Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>‘Right First Time’</td>
<td>8.6%</td>
<td>5.1%</td>
<td>1.9%</td>
<td>4.4%</td>
<td>3.5%</td>
<td>4.7%</td>
</tr>
</tbody>
</table>

Future plans

- Acting on insight
  - ‘Journey Analytics’ model measures customer interactions on and offline, allowing prompt intervention

- Keeping customers connected
  - a programme of targeted network maintenance reduced faults by >100k in 2014/15

- Creating great systems and tools
  - easy-to-use interfaces for our contact centre advisors and customers, with engineer tracking

- Working end-to-end
  - global access delivery times being reduced by up to 5 days

- Supporting our people
  - new training and operating models to embed accountability and ownership

+3,000

+25%

-11%

-25%

60
Deliver superior customer service

- Customer service and cost transformation work hand-in-hand

- **Legacy copper cabinets**
  - typically have high fault rates

- **Next generation copper cabinets**
  - will save c. 35,000 faults in 2015/16
  - will reduce installation time
  - use fewer components, and
  - cost less
Invest for growth – Fibre

- >22m premises passed
  - over three-quarters of the UK
- Working with government to help reach 95% of UK
- c.4.2m Openreach premises now connected
  - up >50%
  - 19% of those passed
  - 1.2m external fibre customers, more than doubled YoY
- G.fast trials to start in summer
- Ten-year vision of up to 500Mbps across most of UK
  - premium 1Gbps fibre broadband service for high-demand customers
Invest for growth – TV and content

- 1.14m BT TV customers, up 14% YoY
- New services and capabilities introduced in year
  - Netflix
    - two smaller, faster boxes; with and without PVR
  - Extra Box, our multi-room service
  - TV Everywhere, enabling customers to watch on multiple devices
  - Buy-to-Keep movies and TV box sets
  - Sky Sports 1&2 on YouView
**Invest for growth – TV and content**

**BT Sport**

- Base continued to grow in quarter
  - 3.3m direct customers, 5.2m including wholesale

- Encouraging viewing figures
  - average daily audience up 15% YoY<sup>1</sup>
  - FA Premier League viewing up 10% YoY<sup>1</sup>
  - FA Cup viewing up 35% YoY in Q4
  - 26 matches this season peaked >1m viewers

- An exciting future, with key content secured
  - exclusive UEFA Champions League and UEFA Europa League from the summer
  - FA Premier League football secured until 2019, including prime Saturday evening slot
  - Aviva Premiership Rugby extended until 2021

---

**Growing football portfolio**

<table>
<thead>
<tr>
<th>Current rights</th>
<th>From 2016/17</th>
</tr>
</thead>
<tbody>
<tr>
<td>38</td>
<td>42</td>
</tr>
<tr>
<td>16</td>
<td>c.15</td>
</tr>
<tr>
<td>54</td>
<td>&gt;115</td>
</tr>
</tbody>
</table>

Expected number of matches each year that FA Premier League clubs will be featured on BT Sport<sup>2</sup>

<sup>1</sup> from start of football season in August to end March

<sup>2</sup> based on number of times FA Premier League clubs have appeared, averaged over the past three UEFA Champions League & UEFA Europa League seasons

© British Telecommunications plc
Invest for growth – Mobility and Future Voice

Launched with MVNO proposition

Business: converged offering launched July 2014

Consumer: SIM-only deals launched March 2015

Full ‘inside-out’ network

Combined with leading macro network

Launched this year

› Business
  – new 4G mobile plans, including Apple iPhone
  – BT One Phone

› Consumer
  – three SIM-only deals offering:
    – 4G plus unlimited access to >5m BT Wi-fi hotspots
    – free BT Sport on the App
    – family-friendly features like spending caps
  – already signed up >50,000 customers

EE acquisition

› £12.5bn acquisition approved by shareholders on 30 April

› Awaiting approval from Competition and Markets Authority
  – by 30 September if Phase 1
  – by 31 March 2016 if Phase 2

› Will accelerate our mobility strategy
Invest for growth – UK business markets

- Building on strength in connectivity to underpin customer relationships
  - strong growth in business fibre – base up c.60% YoY
  - data & networking seeing accelerating growth
- Developing strong hosted voice products to attract new customers and reduce churn
  - ranked as leader by Current Analysis in UK IP Telephony and Unified Communications market¹
- Developing more bundles and integrated solutions
  - to increase cross-selling, helped by system and sales organisation improvements
- Continued investment in IT services
  - focused on higher-margin managed services

¹ Current Analysis, BT – UK Collaboration and Communication, Gary Barton, 27 January 2015
© British Telecommunications plc
Invest for growth – Leading global companies

- 9% growth in underlying revenue ex transit in high-growth regions in FY
  - new cloud-based unified comms services in AMEA
  - new cloud-enabled data centres in Argentina, Colombia and South Africa

- Targeted investment in network
  - Ethernet Connect in 10 new countries
  - 10 new IP Connect PoPs

- New products and services launched
  - BT Assure Threat Defence and BT Assure Threat Intelligence
  - BT MeetMe with Dolby Voice made available in more countries

- New industry-specific solutions
  - BT Netrix HiTouch, a new touchscreen device for financial markets
Summary

- Delivered on outlook, with strong growth in cash flow
- Good progress on cost transformation
- Improving customer service
- Financial strength allows us to invest in the things that set us apart
- EE acquisition will create the UK’s leading communications provider

Strong platform for growth
BT Group plc

Appendix
## Income statement

<table>
<thead>
<tr>
<th>£m</th>
<th>Q4 2014/15</th>
<th>YoY change</th>
<th>Key points</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong>¹</td>
<td>4,639</td>
<td>(2)%</td>
<td>£33m negative impact from FX</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>£11m reduction in transit revenue</td>
</tr>
<tr>
<td>- underlying ex transit</td>
<td></td>
<td>(1.3)%</td>
<td>declines in UK public sector revenues in BT Global Services</td>
</tr>
<tr>
<td><strong>EBITDA</strong>¹</td>
<td>1,819</td>
<td>7%</td>
<td>driven by cost transformation, and benefiting from c.£30m ladder pricing</td>
</tr>
<tr>
<td><strong>Operating profit</strong>¹</td>
<td>1,169</td>
<td>11%</td>
<td></td>
</tr>
<tr>
<td><strong>Profit before tax</strong>¹</td>
<td>1,030</td>
<td>14%</td>
<td>finance expense down 10%</td>
</tr>
<tr>
<td><strong>EPS</strong>¹</td>
<td>10.0p</td>
<td>11%</td>
<td></td>
</tr>
<tr>
<td><strong>Specific items</strong></td>
<td>(135)</td>
<td>(6)%</td>
<td>includes £157m restructuring charges</td>
</tr>
</tbody>
</table>

¹ before specific items
## Free cash flow

<table>
<thead>
<tr>
<th>£m</th>
<th>Q4 2014/15</th>
<th>YoY change</th>
<th>Key points</th>
</tr>
</thead>
</table>
| **EBITDA**<sup>1</sup> | 1,819 | 114 | ▸ timing of BDUK build versus cash receipt  
▸ investment in BT Fleet vehicles to support Openreach |
| Capex | (792) | (248) | |
| Interest | (98) | 12 | ▸ lower net debt |
| Tax<sup>2</sup> | (76) | 74 | ▸ tax benefit from large share option maturity in August |
| Working capital & other | 414 | (31) | |
| **Normalised FCF** | 1,267 | (79) | |
| Cash tax benefit of pension deficit payments | 53 | 34 | ▸ impact of £875m payment in March |
| Specific items | (3) | 89 | ▸ restructuring costs, offset by property disposal and ladder pricing |
| **Reported FCF** | 1,317 | 44 | |

<sup>1</sup> before specific items  
<sup>2</sup> before cash tax benefit of pension deficit payments