

Alternative performance measures (continued)

Unaudited information

Group adjusted EBIT, adjusted operating profit and adjusted earnings per share

Group adjusted EBIT and adjusted operating profit exclude impairment losses, restructuring costs arising from discrete restructuring plans, amortisation of customer bases and brand intangible assets, other operating income and expense and other significant one-off items. Adjusted EBIT also excludes the share of results in associates and joint ventures. Adjusted earnings per share also excludes certain foreign exchange rate differences, together with related tax effects.

We believe that it is both useful and necessary to report these measures for the following reasons:

- These measures are used for internal performance reporting;
- These measures are used in setting director and management remuneration; and
- They are useful in connection with discussion with the investment analyst community and debt rating agencies.

Adjusted EBIT is reconciled to the respective closest equivalent GAAP measure, operating profit, in the “Our financial performance” section on page 26. A reconciliation of adjusted operating profit to the respective closest equivalent GAAP measure, operating profit, is provided in note 2 “Revenue disaggregation and segmental analysis” to the consolidated financial statements. A reconciliation of adjusted earnings per share to basic earnings per share is provided in the “Our financial performance” section on page 28.

Cash flow measures and capital additions

In presenting and discussing our reported results, free cash flow (pre-spectrum), free cash flow, capital additions and operating free cash flow are calculated and presented even though these measures are not recognised within IFRS. We believe that it is both useful and necessary to communicate free cash flow to investors and other interested parties, for the following reasons:

- Free cash flow (pre-spectrum) and free cash flow allows us and external parties to evaluate our liquidity and the cash generated by our operations. Free cash flow (pre-spectrum) and capital additions do not include payments for licences and spectrum included within intangible assets, items determined independently of the ongoing business, such as the level of dividends, and items which are deemed discretionary, such as cash flows relating to acquisitions and disposals or financing activities. In addition, it does not necessarily reflect the amounts which we have an obligation to incur. However, it does reflect the cash available for such discretionary activities, to strengthen the consolidated statement of financial position or to provide returns to shareholders in the form of dividends or share purchases;
- Free cash flow facilitates comparability of results with other companies, although our measure of free cash flow may not be directly comparable to similarly titled measures used by other companies;
- These measures are used by management for planning, reporting and incentive purposes; and
- These measures are useful in connection with discussion with the investment analyst community and debt rating agencies.

A reconciliation of cash generated by operations, the closest equivalent GAAP measure, to operating free cash flow and free cash flow, is provided below.

	2019 €m	2018 €m	2017 €m
Cash generated by operations (refer to note 18)	14,182	13,860	13,781
Capital additions	(7,227)	(7,321)	(7,675)
Working capital movement in respect of capital additions	(89)	171	(822)
Disposal of property, plant and equipment	45	41	43
Restructuring payments	195	250	266
Other	(35)	—	34
Operating free cash flow	7,071	7,001	5,627
Taxation	(1,040)	(1,010)	(761)
Dividends received from associates and investments	498	489	433
Dividends paid to non-controlling shareholders in subsidiaries	(584)	(310)	(413)
Interest received and paid	(502)	(753)	(830)
Free cash flow (pre-spectrum)	5,443	5,417	4,056
Licence and spectrum payments	(837)	(1,123)	(474)
Restructuring payments	(195)	(250)	(266)
Free cash flow	4,411	4,044	3,316