

A message from our Chief Executive

In a year when so much has been reappraised across business and society, BT's purpose has shone through as a clear guiding principle: we connect for good. Globally, our colleagues have gone the extra mile for our customers this year, keeping them, their families, friends and businesses connected.

We launched a range of customer initiatives to help people during the pandemic, including our digital skills and inclusion campaigns, Top Tips on Tech and our Lockdown Learning support package; our free unlimited data offer for EE customers working in the NHS; the launch of our Small Business Support Scheme; and we provided high-speed fibre and wi-fi connectivity to over 200 vaccination centres, connecting mass testing centres and 17 temporary NHS hospitals in England, Scotland and Wales.

A pivotal year



A message from our Chief Executive continued



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That doesn't mask the fact that the pandemic has been hard for our colleagues. At the start of the year we gave our frontline key workers a 1.5% pay rise and froze pay for managers; we guaranteed no job losses directly resulting from the pandemic in the first three months of the year; and we took the decision not to use the Government's furlough scheme. For the current financial year we have frozen pay for all colleagues but plan to pay a special bonus for our frontline colleagues of £1,000 in cash and £500 in shares to recognise and thank them for their efforts.

We also supported colleagues around the world by setting up a dedicated wellbeing portal, providing weekly updates from our chief medical officer, listening and responding to colleagues' concerns and massively ramping up our internal communications to ensure they felt supported wherever they are.

Despite the outstanding operational performance of our colleagues in the face of the pandemic, our financial performance during the year was significantly impacted by Covid-19. Revenue alone was around £1.6bn lower than the previous year and this had a knock-on effect on our EBITDA and normalised free cash flow.

Importance of our networks

Without connectivity as we know it today, the global impact of Covid-19 would have been unthinkable. BT's leading networks have been a lifeline throughout the pandemic for our customers. Daytime data traffic over our broadband network doubled from an average of five terabits per second (Tbps) to around 10 Tbps with more people at home during the day.

2020 will be the year we look back on as the moment society truly understood the value of good connectivity. In 2021, we're stepping up to deliver the next generation of infrastructure and we will be increasing and accelerating our FTTP build plan by an additional 5m premises, from 20m to 25m by December 2026. We

have the capacity to fund this additional build from internal resources. However, we believe we can deliver further value to shareholders by funding the additional 5m premises through a joint venture with external parties and we will begin exploring options.

In mobile, we have extended our 4G coverage, and hit our target of doubling our 5G network which now reaches 160 towns and cities with broader and more highly rated coverage than any other operator. Following the conclusion of Ofcom's 5G spectrum auction in March 2021 – securing the spectrum we need at a lower than expected cost – we will be able to continue growing our position as the UK's number one 5G network.

The investments we make in these two leading networks over the next decade or so mean we'll be able to combine them to create the UK's leading smart converged network, the power of which will deliver economic prosperity for decades to come.

Improved investment case

The confirmation of our FTTP investment, based on our confidence of being able to achieve a fair return; the completion of the 5G spectrum auction; and the successful conclusion of the 2020 triennial BT Pension Scheme valuation have cleared up some significant uncertainties for our shareholders. This clarity now allows us to focus on executing our strategy and returning BT to growth.

Refreshed strategic direction

In July 2020, we introduced BT's new strategic framework. It comprises three pillars which support our ambition to be the world's most trusted connector of people, devices and machines: build the strongest foundations; create standout customer experiences; and lead the way to a bright sustainable future.

Our network investments form a key part of our work to build the strongest foundations for the company. During the year, I also made changes to the *Executive Committee* and to the way we operate across the organisation to ensure we are best placed to continue delivering for our customers.

160

We continued to invest in our mobile network, hitting our target of doubling our 5G footprint and reaching 160 towns and cities with EE's mobile network

Halo 3+

We're providing customers with the seamless connectivity they need: we launched Halo 3+, the UK's first unbreakable broadband connection



x2

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In January 2021, we announced Mike Sherman's departure and the formation of two new units: Digital, led by Harmeen Mehta, who joined from Bharti Airtel, in the newly created role of chief digital and innovation officer; and Networks, led by Howard Watson, chief technology officer. Rob Shuter joined as CEO of Enterprise in February 2021 from MTN, replacing Gerry McQuade who retired from BT. In March we announced that Sabine Chalmers will become general counsel and director of regulatory affairs, following the departure of Cathryn Ross who will leave BT in June 2021 for a new role outside our sector.

With this much strengthened executive team now in place, we are set to accelerate our progress to modernise BT and return this business to top-line, profitable growth. Last year we set our target of £1bn annualised cost savings by 2023, rising to £2bn by 2025. We've made very good progress in the first year, achieving £764m of gross annualised savings in 2020/21.

During the year we also broke new ground with the introduction of exciting products that will provide customers with the seamless connectivity they need: we launched Halo 3+, the UK's first unbreakable broadband connection; EE had a great launch of the Apple iPhone 12 in the autumn; and Global launched Eagle-i, our new security platform that will transform our managed services through proactive, predictive cyber security protection.

Looking forward

In March 2021, our chairman, Jan du Plessis, announced his intention to retire from the Board. On behalf of everyone at BT, including the Board and the *Executive Committee*, I wish Jan all the very best for his retirement, thanks for his wise counsel and congratulations on a truly outstanding and accomplished career.

We are investing heavily in the future of the business, including the expansion and acceleration of our full fibre build plan. This additional investment reflects the scale of our ambition to reinforce the foundations for growth, both for the company and the nation.

During this financial year we'll start our pivot to growth in revenue and EBITDA. We'll continue to grow both metrics predictably and consistently into the future, underpinning the reintroduction of our progressive dividend this year.

Although the scale of the investments we are making will inevitably press on cash flow over the next few years, they will not impact our ability to pay a dividend and they are designed to deliver enduring success for all BT stakeholders. Furthermore, once we are through the peak investment phase, we will see a very material increase in cash flow creating further options for BT in the future.

We've achieved a huge amount this year, and while there's still a lot more to do, BT is now on the front foot and driving growth and value for all our investors and stakeholders.

Philip Jansen
Chief Executive
12 May 2021



To see Philip in conversation visit our online annual review.

bt.com/annualreview

