Our key performance indicators (KPIs)

We hit our operational targets for the year, but we want to go further. Overall our financial results were in line with the guidance we gave in July 2020[a].

This year, we continued to refine the KPIs we use to track progress against our strategy. We use 11 KPIs – five operational and six financial.

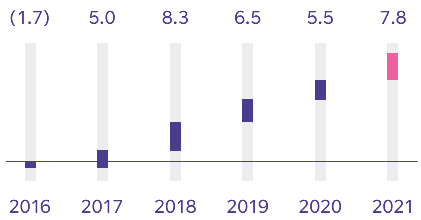
We reconcile financial measures to the closest IFRS measure on **pages 197 to 199**.

Operational At 31 March

(R) The annual bonus and long-term incentive plans that comprise our directors' remuneration are linked to certain KPIs. See the **Report on directors' remuneration** on pages 88 to 104.

a We gave our original outlook in July 2020 and updated it in September 2020 to raise the lower end of the adjusted[b] EBITDA range. We updated it again in February 2021 to raise the lower end of the normalised free cash flow outlook range. Our final outlook was adjusted[e] revenue down 5%–6%, adjusted[b] EBITDA £7.3bn–£7.5bn, capital expenditure £4.0bn–£4.3bn and normalised free cash flow[c] £1.3bn–£1.5bn.
b Adjusted EBITDA as stated is before specific items, share of post tax profits/losses of associates and joint ventures and net non-interest related finance expense, as explained on page 198.
c Normalised free cash flow as defined on page 199.
d Restated from 42% as presented in the Annual Report 2020 following review of our carbon emissions.
e Adjusted measures exclude specific items, as explained on page 197.

Group Net Promoter Score (NPS)
pp (R)



Definition

This tracks changes in our customers' perceptions of BT since we launched the measure in April 2016. It's a combined measure of 'promoters' minus 'detractors' across our business units. Group NPS measures Net Promoter Score in our retail business and Net Satisfaction in our wholesale business.

Link to strategy

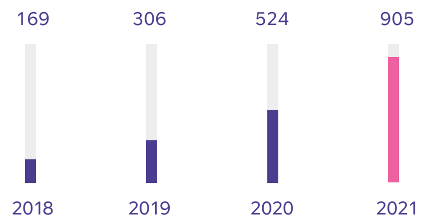
2

Performance

Group NPS increased by 7.8pp (2019/20: up 5.5pp). Our priority is to truly differentiate ourselves on customer experience and we'll keep exploring ways to do that.

You can read more about our approach to customer experience on **pages 26 to 29**.

Total Openreach FTTP connections
'000 (R)



Definition

This tracks how many premises are connected to Openreach's full fibre network.

Link to strategy

1

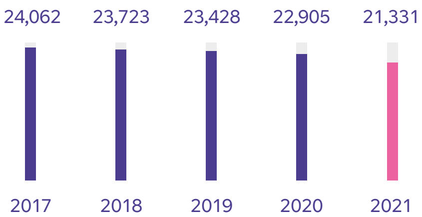
Performance

A total of 905k premises were connected to Openreach's FTTP (full fibre) network at 31 March 2021, compared to 524k at 31 March 2020. Openreach's full fibre rollout has now reached 4.6m footprint, achieving a record 2.0m premises passed in year.

You can read more about the full fibre rollout on **page 20**.

Financial Year ended 31 March

Reported revenue
£m



Definition

This is our revenue as reported in our income statement.

Link to strategy

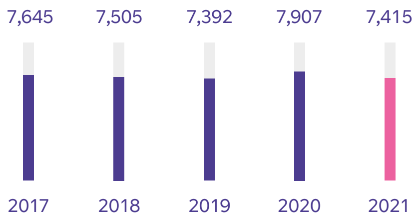
1 2 3

Performance

Reported revenue was £21,331m (2019/20: £22,905m). The decrease was mainly due to the impact of Covid-19 and ongoing legacy product declines and divestments, partly offset by higher Openreach bases in fibre and Ethernet.

You can read more about how our customer-facing units performed on **pages 54 to 55**.

Adjusted[b] EBITDA
£m (R)



Definition

This measures our earnings before interest, tax, depreciation and amortisation, specific items, share of post tax profits/losses of associates and joint ventures and net non-interest related finance expenses.

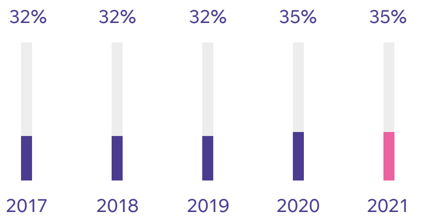
Link to strategy

1 2 3

Performance

Adjusted[b] EBITDA was £7,415m (2019/20: £7,907m). The decrease was mainly driven by the fall in revenue, special frontline bonus, increased service costs and continued investment in copper-to-fibre migration and our full fibre base, partly offset by sports rights rebates and cost savings including our modernisation programme, tight cost control and Covid-19 mitigation actions.

Adjusted[b] EBITDA margin
%



Definition

This measures our margin, calculated using our adjusted[b] EBITDA and adjusted[e] revenue.

Link to strategy

1 2 3

Performance

Adjusted[b] EBITDA margin has remained flat at 35% over the past two financial years. The increase of 3pp over the preceding years is attributable to the adoption of IFRS 16 Leases on 1 April 2019, with lease payments no longer reflected in EBITDA after this date.

Link to strategy

Each KPI measures how we're doing against at least one of our strategic pillars.

You can read more about these, and our progress against them, from **page 19**.

1 Build the strongest foundations

2 Create standout customer experiences

3 Lead the way to a bright, sustainable future

Total 5G connections
'000 R

Definition

This measures the number of EE customers connected to our 5G products.

Link to strategy

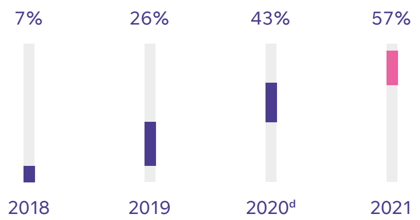
1

Performance

A total of 1,610k EE customers were connected to our 5G network at 31 March 2021 (2019/20: 64k). Coverage continues to grow and 5G is now in 160 locations. The new spectrum we secured in the latest Ofcom auction will allow us to continue to grow our position as the UK's number one 5G network next year and beyond.

You can read more on our 5G rollout on **page 20**.

Percentage reduction in carbon emissions intensity
% reduction R



Definition

This measures performance against our target to cut carbon emissions intensity by 87% by the end of March 2031 (compared to 2016/17 levels). It's measured by reference to tonnes of CO_2e (carbon dioxide equivalent) per £m value added (adjusted[b] EBITDA plus employee costs).

Link to strategy

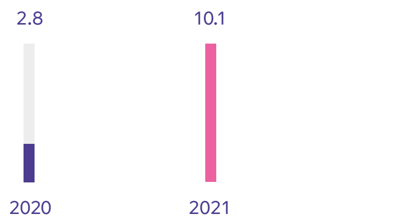
3

Performance

We've cut our carbon emissions intensity by 57% since 2016/17 (2019/20: 43%[d] reduction).

You can find more information on how we're tackling environmental challenges on **pages 32 to 33**.

Cumulative number of people reached to help improve their digital skills
m R



Definition

This measures the number of people we've reached with help to improve their digital skills through our Skills for Tomorrow programme.

Link to strategy

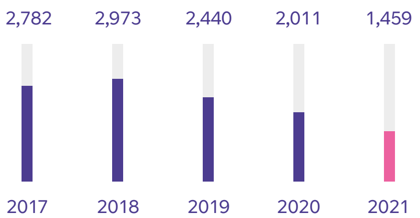
3

Performance

At 31 March 2021 we had helped a total of 10.1m people improve their digital skills (2019/20: 2.8m). We hit our initial ambition of reaching 10m people in the UK five years early, so we've extended our target and now want to reach 25m people by the end of March 2026.

You can read more about how we managed to help so many people build better digital lives on **page 31**.

Normalised free cash flow[c]
£m R



Definition

This measures free cash flow (net cash inflow from operating activities after capital expenditure) after net interest paid and payment of lease liabilities, before pension deficit payments (including the cash tax benefit of pension deficit payments) and specific items.

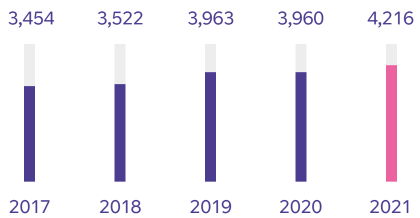
Link to strategy

1 2 3

Performance

We generated £1,459m of normalised free cash flow[c]. This was down 27% from last year and in line with our guidance range of £1.3bn to £1.5bn. The fall mainly reflects reduced EBITDA, higher cash capital expenditure and adverse working capital.

Reported capital expenditure
£m



Definition

This measures additions to property, plant and equipment and intangible assets during the year.

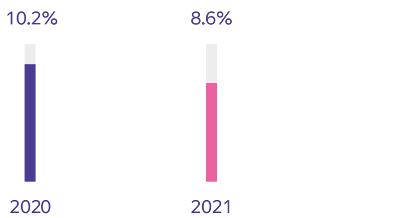
Link to strategy

1 2 3

Performance

Reported capital expenditure was £4,216m (2019/20: £3,960m). This was primarily driven by higher network and equipment spend, reflecting continued investment in full fibre deployment and the mobile network.

Return on Capital Employed (ROCE)
%



Definition

ROCE is adjusted earnings before interest and tax as a percentage of equity, debt and debt-like liabilities excluding balances associated with tax and management of financial risk. For a full definition and a reconciliation to the nearest IFRS measure see page 198.

Link to strategy

1 2 3

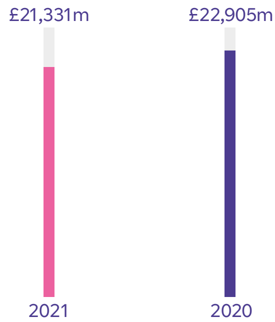
Performance

ROCE for the year was 8.6% (2019/20: 10.2%). The decline is attributable to the reduction in revenue and our investment in full fibre deployment, which will suppress ROCE in the short to medium term but will generate value-creating long-term returns.

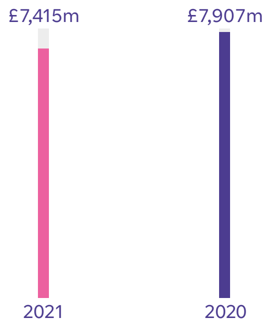
Group performance
Introduction from our Chief Financial Officer

Alternative performance measures
We assess the performance of the group using various alternative performance measures. As these are not defined under IFRS they are termed 'non-GAAP' or 'alternative performance' measures. We reconcile these to the nearest prepared measure in line with IFRS on pages 197 to 199. The alternative performance measures we use may not be directly comparable with similarly titled measures.

Revenue
£21,331m
(7)%

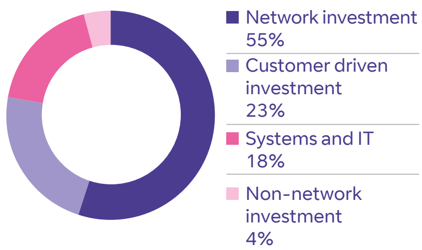


Adjusted[a] EBITDA
£7,415m
(6)%

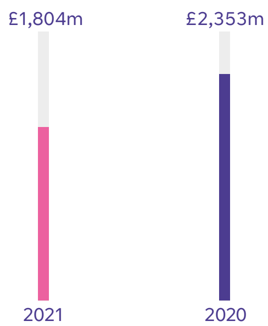


2020/21 Capital expenditure[c]

£4,216m



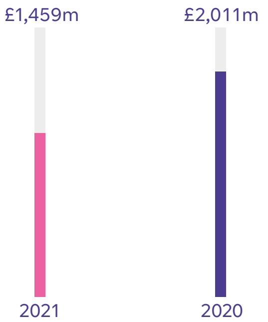
Profit before tax
£1,804m
(23)%



Normalised free cash flow[d]

£1,459m

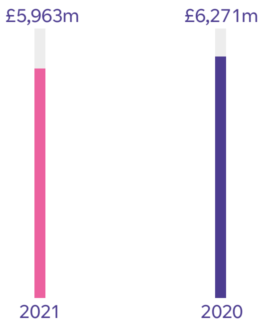
(27)%



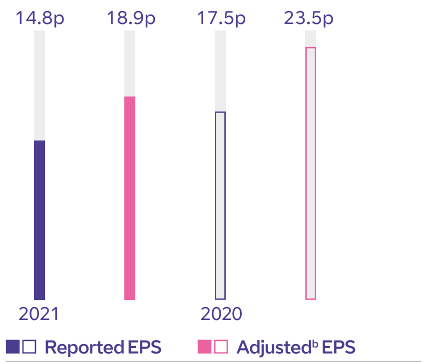
Operating cash flow

£5,963m

(5)%

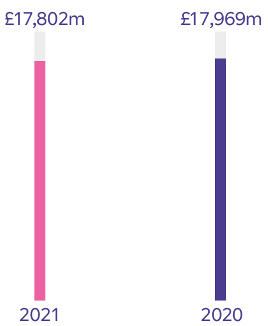


Earnings per share



Net debt[f]

£17,802m



	Outlook[e]	Result	Performance in line with outlook
Change in adjusted[b] revenue	Down 5%–6%	Down 6%	✓
Adjusted[a] EBITDA	£7.3bn–£7.5bn	£7.4bn	✓
Capital expenditure[c]	£4.0bn–£4.3bn	£4.2bn	✓
Normalised free cash flow[d]	£1.3bn–£1.5bn	£1.5bn	✓

Performance

Overall our results for the year were in line with guidance.

Reported revenue was £21,331m, down 7% and adjusted[b] revenue was £21,370m, down 6%. This was due primarily to the impact of Covid-19 on Consumer and our enterprise units, ongoing legacy product declines and divestments, but was partially offset by higher equipment revenue and Openreach bases in fibre and Ethernet.

Reported profit before tax was £1,804m, down 23% primarily reflecting the decline in adjusted[a] EBITDA.

Adjusted[a] EBITDA of £7,415m was down 6%. This was primarily due to the fall in revenue, special frontline bonus, increased service costs and continued investment in copper-to-fibre migrations and our full fibre base, partly offset by sports rights rebates and cost savings including our modernisation programme, tight cost control and Covid-19 mitigation actions.

Outlook

We continue to expect adjusted[a] EBITDA of at least £7.9bn in 2022/23, with sustainable growth from this point forward.

For 2021/22 we expect adjusted[b] revenue to be broadly flat year on year, dependent on the speed of Covid-19 recovery. We expect to deliver adjusted[a] EBITDA between £7.5bn and £7.7bn, benefiting from a Covid-19 recovery, price indexation in Openreach and our retail businesses, and continued cost transformation, more than offsetting legacy declines and normal inflation in our cost base.

We intend to capitalise on Openreach's build capability, a positive spectrum auction outcome and the expected benefit from the Government's tax super-deduction which is likely to reduce our UK tax payable to zero over the next two years. We are therefore utilising this to accelerate immediately our FTTP investment. As such we expect capital expenditure[c] to increase to around £4.9bn in 2021/22. We expect normalised free cash flow[d] to be between £1.1bn–£1.3bn with the increase in capital expenditure[c] relative to 2020/21 only partially offset by the increase in adjusted[a] EBITDA and the impact of the Government's tax super-deduction.

Dividend

As communicated in May 2020, the Board decided that it was appropriate to suspend all dividends for 2020/21 reflecting the need to create capacity for BT's value-enhancing investment opportunities, including our strategic intent for an accelerated FTTP build and our extensive transformation and modernisation programme, coupled with the shorter-term impact of Covid-19. The Board expects to resume dividend payments in 2021/22 at 7.7 pence per share with 30% payable at the interim stage.

The Board expects to continue with a progressive dividend policy from this re-based level for future years, and to declare two dividends per year with the interim dividend being fixed at 30% of the prior year's full year dividend. The Board believes that suspending and re-basing the dividend and then maintaining a progressive dividend policy is the right thing to do for the long-term future of BT and that the headroom generated by this decision is prudent given the Covid-19 pandemic, while the investments will create significant additional value for shareholders.

Simon Lowth
Chief Financial Officer
12 May 2021

a Adjusted EBITDA is stated before specific items, share of post tax profits/losses of associates and joint ventures. and net non-interest related finance expense, as explained on page 198.
b Adjusted measures exclude specific items, as explained on page 197.
c Additions to property, plant and equipment and intangible assets in the period.
d Normalised free cash flow as defined on page 199.
e Outlook originally provided in July 2020 was updated in September 2020 to raise the lower end of the adjusted[a] EBITDA range from £7.2bn to £7.3bn, and again in February 2021 to raise the lower end of the normalised free cash flow range from £1.2bn to £1.3bn.
f Net debt as defined on page 197. Please refer to note 26 for reconciliation from the nearest IFRS measure.

Group performance continued

Summarised income statement

Year ended 31 March	2021 £m	2020 £m
Revenue	**21,331**	**22,905**
Operating costs[a]	(14,397)	(15,348)
Depreciation and amortisation	(4,347)	(4,274)
Operating profit	**2,587**	**3,283**
Net finance expense	(791)	(897)
Share of post tax profit/(loss) of associates and ventures	8	(33)
Profit before tax	**1,804**	**2,353**
Tax	(332)	(619)
Profit for the period	**1,472**	**1,734**

Revenue

Reported revenue was down 7%, primarily due to the impact of Covid-19 on Consumer including reduced BT Sport revenue and the closures of retail stores and pubs & clubs, as well as a reduction in business activity in our enterprise units. The decline in revenue was also driven by ongoing legacy product declines and divestments in our enterprise businesses, but was partly offset by higher equipment revenue in Consumer and higher rental bases of fibre-enabled products and Ethernet in Openreach.

You can find details of revenue by customer-facing unit on pages 54 and 55. Note 5 to the consolidated financial statements shows a full breakdown of revenue by all our major product and service categories.

Operating costs

Reported operating costs were down 4%, mainly driven by sports rights rebates and savings including our modernisation programme, tight cost control and Covid-19 mitigation actions. This was partly offset by increased service costs in Openreach, a special bonus for frontline colleagues, and continued investment in copper-to-fibre migrations and our full fibre base in Consumer.

In May 2020 we announced the next phase of our transformation focused on simplifying our product portfolio, simplifying and automating our customer journeys, moving to a modern, modular IT architecture, and migrating customers from our legacy networks to our modern FTTP and 5G networks.

We delivered gross annualised savings of £764m in the first year of the modernisation programme with an associated cost of £438m, against the three-year target of £1bn savings at a £900m cost and a five-year target of £2bn savings at a £1.3bn cost. The cost savings were delivered through simplification and automation of processes, operational productivity improvement programmes, enhanced procurement supported by digital tools, rigorous functional cost control, and Covid-19 mitigating actions.

You can read more about how we're modernising our business on **pages 22 and 23**.

Note 6 to the consolidated financial statements shows a detailed breakdown of our operating costs.

Adjusted[c] EBITDA

Adjusted[c] EBITDA of £7,415m was down 6%, mainly driven by the fall in revenue and increased costs as described above. You can find details of adjusted[c] EBITDA by customer-facing unit on pages 54 and 55.

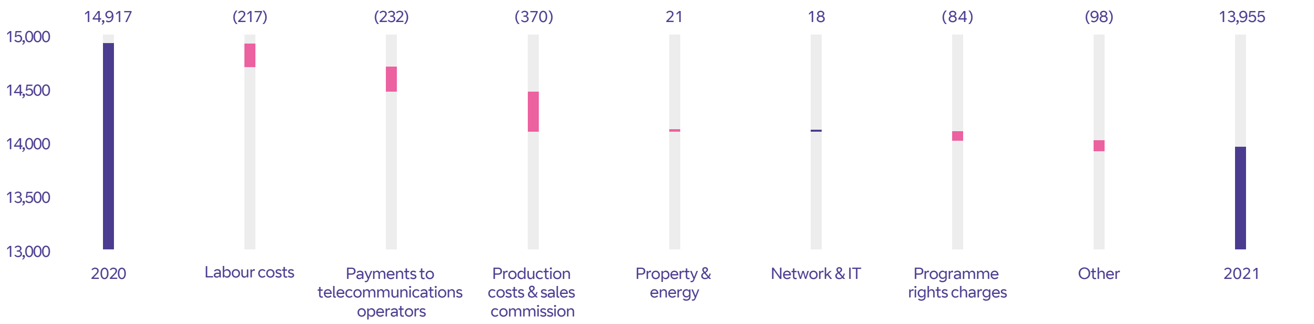
Profit before tax

Reported profit before tax of £1,804m was down 23%, primarily reflecting the decline in adjusted[c] EBITDA.

Specific items

As we explain on page 197, we separately identify and disclose those items that in management's judgement need to be disclosed by virtue of their size, nature or incidence. We call these specific items. Specific items are used to derive the adjusted results as presented in the consolidated income statement. Adjusted results are consistent with the way that financial performance is measured by management and assists in providing an additional analysis of the reported trading results of the group.

Adjusted[b] operating costs before depreciation, amortisation and specific items
Year ended 31 March
£m



Specific items resulted in a net charge after tax of £403m (2019/20: £590m). The components are regulatory charges of £35m (2019/20: release of £72m), restructuring costs of £421m (2019/20: £322m), the settlement with Dixons Carphone of £149m (2019/20: £nil), property rationalisation costs of £19m (2019/20: gains of £131m reflecting the gain on sale of BT Centre) and interest expense on pensions of £18m (2019/20: £145m); offset by sale of spectrum of £66m (2019/20: £nil), a net divestment-related items credit of £60m (2019/20: loss of £199m), Covid-19-related items credit of £17m (2019/20: charge of £95m) and a tax credit on specific items of £96m (2019/20: charge of £83m).

Note 9 to the consolidated financial statements shows the details of all revenues and costs that we have treated as specific items.

Taxation

Our effective tax rate was 18.4% (2019/20: 26.3%) on reported profit and 18.6% (2019/20: 18.7%) on profit before specific items. We paid income taxes globally of £288m (2019/20: £210m).

We paid UK corporation tax of £229m (2019/20: £147m). We benefited £181m from tax deductions on employees' pension schemes (2019/20: £434m).

Our tax expense recognised in the income statement before specific items was £428m (2019/20: £536m). We also recognised a £1,051m tax credit (2019/20: £892m tax charge) in the statement of comprehensive income, mainly relating to our pension scheme.

We expect our sustainable income statement effective tax rate before specific items to be around the UK rate of corporation tax, as we do most of our business in the UK.

Note 10 to the consolidated financial statements shows further details of our tax expense, along with our key tax risks.

Earnings per share

Reported earnings per share was 14.8p, down 2.7p, while adjusted[a] earnings per share fell 4.6p to 18.9p.

Capital expenditure

We continue to invest in existing and new technologies to underpin our strategy of building the strongest foundations with the best converged network.

Capital expenditure was £4,216m (2019/20: £3,960m). Network investment was £2,318m, up 12%. This was driven by higher fixed network, mobile network and equipment spend, reflecting continued investment in FTTP deployment and the mobile network. Other capital expenditure components were largely flat with £984m spent on customer-driven investments, £765m on systems and IT, and £149m spent on non-network infrastructure.

Capital expenditure contracted but not yet spent was £1,365m at 31 March 2021 (2019/20: £1,234m).

Cash flow

Net cash inflow from operating activities was down 5% to £5,963m, mainly driven by reduced operating profit partly offset by a reduction in pension deficit payments. Normalised free cash flow[d] was down 27% to £1,459m due to reduced EBITDA, higher lease payments, cash capital expenditure and adverse working capital; offset by a cash receipt from the monetisation of a non-strategic revenue stream generated from our building infrastructure and the timing of tax payments.

The net cash cost of specific items adjusted from normalised free cash flow[d] was £390m (2019/20: £112m), primarily relating to restructuring payments of £428m (2019/20: £350m) and regulatory payments of £11m (2019/20: £39m). The prior year benefited from one-off cash inflows relating to £210m income on disposal of BT Centre and £87m annual licence fee refund from Ofcom. In addition, net cash proceeds from divestments were £164m (2019/20: £60m).

Normalised free cash flow[d]

Year ended 31 March	2021 £m	2020 £m
Cash generated from operations	6,251	6,481
Tax paid	(288)	(210)
Net cash inflows from operating activities	**5,963**	**6,271**
Net purchase of property, plant and equipment and intangible assets[e]	(4,818)	(3,889)
Free cash flow	**1,145**	**2,382**
Interest received	6	30
Interest paid	(770)	(736)
Add back pension deficit payments	955	1,274
Remove cash tax benefit of pension deficit payments	(181)	(434)
Dividends from associates	5	1
Add back net cash flow from specific items	390	112
Add back net sale of non-current asset investments	(11)	33
Add back prepayment in respect of spectrum licence auction	702	–
Remove payment of lease liabilities	(782)	(651)
Normalised free cash flow[d]	**1,459**	**2,011**

You can see a reconciliation to normalised free cash flow[d] from net cash inflow from operating activities (the most directly comparable IFRS measure) on page 199.

a Excluding depreciation and amortisation.
b Adjusted measures exclude specific items, as explained on page 197.
c Adjusted EBITDA is stated before specific items, share of post tax profits/losses of associates and joint ventures and net non-interest related finance expense, as explained on page 198.
d Normalised free cash flow as defined on page 199.
e Consists of additions of £4,197m, movements in capital accruals of £4m and prepayments of £702m in respect of spectrum which will be recognised as an asset in 2021/22, net of disposals of £85m.

Group performance continued

Summarised balance sheet

Year ended 31 March	2021 £m	2020 £m
Intangible assets	13,357	13,889
Property, plant and equipment	19,397	18,474
Right-of-use assets	4,863	5,391
Derivative financial instruments	1,235	2,489
Cash and cash equivalents	1,000	1,549
Investments	3,683	5,112
Trade and other receivables	3,571	3,185
Contract assets	1,859	1,721
Deferred tax assets	989	300
Other current and non-current assets	923	957
Total assets	**50,877**	**53,067**
Loans and other borrowings	16,685	19,334
Derivative financial instruments	1,283	1,012
Trade and other payables	6,662	6,548
Contract liabilities	1,092	1,151
Lease liabilities	6,152	6,560
Provisions	715	719
Retirement benefit obligations	5,096	1,140
Deferred tax liabilities	1,429	1,608
Other current and non-current liabilities	84	232
Total liabilities	**39,198**	**38,304**
Total equity	**11,679**	**14,763**

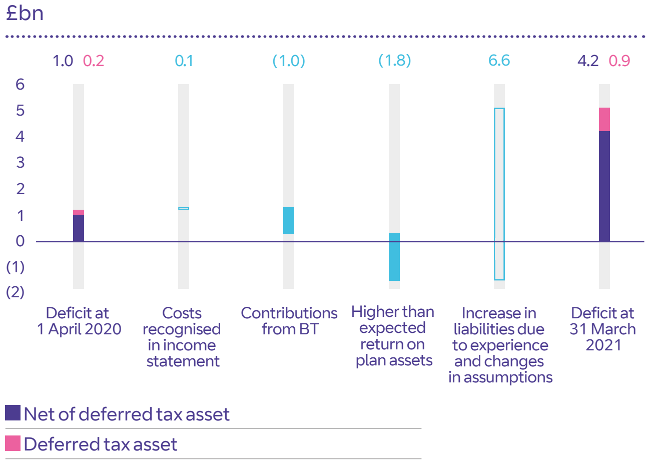
Pensions

Accounting position under IAS 19

The IAS 19 deficit has increased from £1.1bn at 31 March 2020 to £5.1bn at 31 March 2021. Net of deferred tax, the deficit has increased from £1.0bn to £4.2bn.

The increase in the gross deficit of £4.0bn since 31 March 2020 mainly reflects a fall in the real discount rate, partly offset by £1bn of deficit contributions paid over the period, lower assumed future life expectancies and positive asset returns.

The movements in the deficit for the group's defined benefit plans are as follows:



BT Pension Scheme (BTPS) funding valuation and future funding obligations

BT and the Trustee of the BTPS have reached agreement on the 2020 triennial funding valuation and recovery plan. The funding deficit at 30 June 2020 is £7.98bn, compared to a deficit of £11.30bn at 30 June 2017. The key drivers for the reduction are £4.5bn of deficit contributions and lower assumed future life expectancies, partly offset by an initial allowance for the impact of the reform of RPI. Due to hedging implemented by the Scheme in recent years, the fall in real interest rates over the period had limited impact on the deficit.

The deficit will be met as follows:

- £2bn of deficit met through an asset backed funding arrangement over 13 years with annual cash payments of £180m pa, secured against the EE business
- The balance being met over the existing 10 year period with annual cash contributions reducing from £900m initially to £600m from 1 July 2024.

A new "stabiliser" mechanism has been agreed that reduces the risk of future trapped surplus and provides more certainty that the BTPS will achieve its path to full funding by clarifying how future increased deficits would be funded.

Note 20 to the consolidated financial statements gives more information on our pension arrangements.

Net debt and net financial debt[a]

Net financial debt[a] (which excludes lease liabilities) at 31 March 2021 was £11.7bn, £0.3bn higher than at 31 March 2020, with net capital expenditure, net interest payments and payment of lease liabilities offsetting net cash inflow from operating activities and net proceeds from disposal of subsidiaries.

Net debt[a] (which includes lease liabilities) was £17.8bn at 31 March 2021, £0.2bn lower than at 31 March 2020 (£18.0bn). The difference to the movement in net financial debt primarily reflects the lease payments.

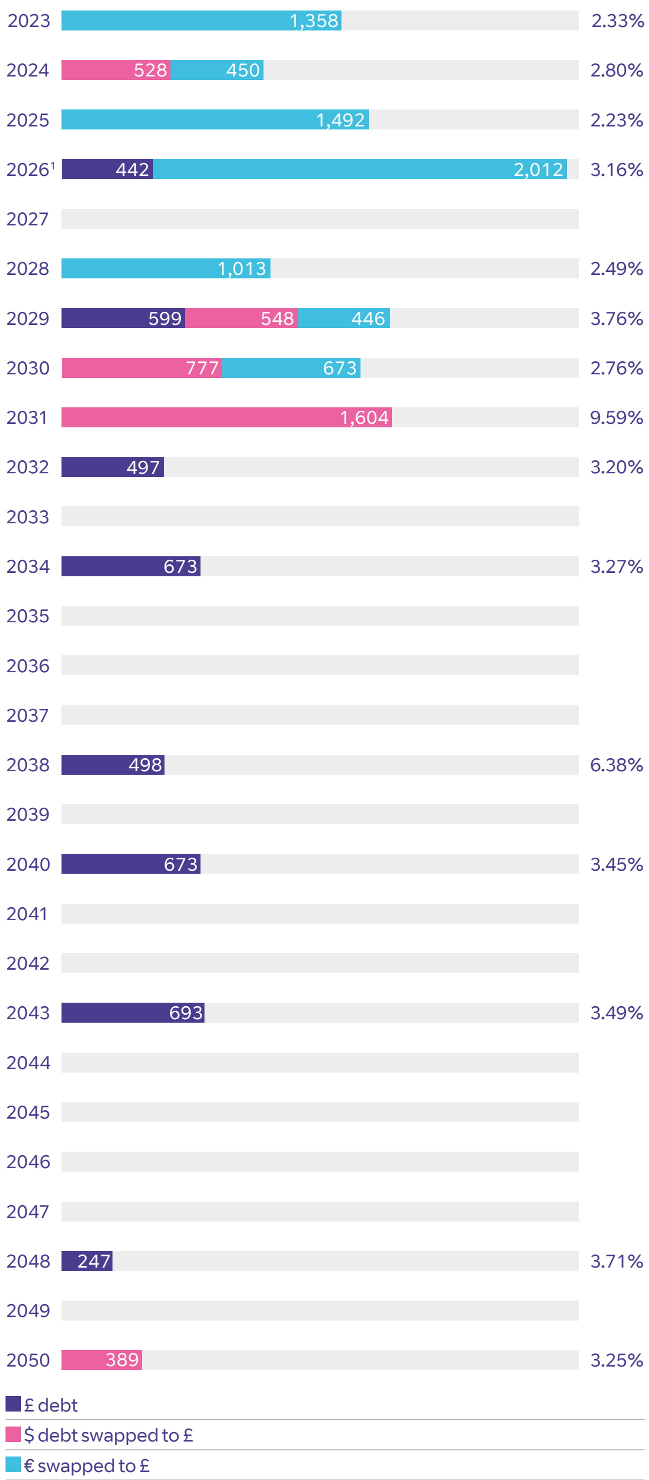
At 31 March 2021 the group held cash and current investment balances of £4.7bn. The current portion of loans and other borrowings of £0.9bn includes no term debt repayable during 2021/22. Our £2.1bn facility, which matures in March 2026, remains undrawn at 31 March 2021.

Gross debt translated at swap rates and excluding accrued interest and fair value adjustments was £22.5bn at 31 March 2021. This comprises term debt of £15.4bn, lease liabilities of £6.2bn and other loans of £0.9bn.

Debt maturity

The graph below shows the maturity profile for our term debt. Currency denominated balances are translated to sterling at swapped rates where hedged.

£m



Note 26 to the consolidated financial statements gives more information on our debt arrangements.

1 Reflects exercise of call option attached to 1.874% €500m bond due in 2080.

Contractual obligations and commitments

The table below shows our principal undiscounted contractual financial obligations and commitments at 31 March 2021.

As at 31 March 2021	**Total £m**	Less than 1 year £m	Between 1 and 3 years £m	Between 3 and 5 years £m	More than 5 years £m
Loans and other borrowings[b]	**16,301**	692	2,336	3,944	9,329
Pension deficit obligations	**8,800**	1,121	1,776	1,562	4,341
Lease liabilities	**6,970**	724	1,553	1,302	3,391
Programme rights commitments	**1,691**	727	935	29	–
Capital commitments	**1,370**	1,154	145	71	–
Other commitments	**263**	263	–	–	–
Total	**35,395**	**4,681**	**6,745**	**6,908**	**17,061**

We have unused committed borrowing facilities totalling £2.1bn. We expect that these resources, combined with the future cash we generate, will allow us to settle our obligations as they fall due.

Notes 15, 20, 26 and 31 to the consolidated financial statements give further information on these items.

Share buyback

We spent £14m (2019/20: £86m) on our share buyback programme. We received proceeds of £1m (2019/20: £2m) from people exercising their share options.

a Net debt and net financial debt as defined on page 197. Please refer to note 26 for reconciliations from the nearest IFRS measure.
b Principal repayments at hedged rates.

Group performance continued
Our customer-facing units

Consumer

Year ended 31 March	**2021 £m**	2020 £m	Change £m	Change %
Adjusted[a] revenue	**9,885**	10,388	(503)	(5)
Adjusted[a] operating costs	**7,757**	7,962	(205)	(3)
Adjusted[b] EBITDA	**2,128**	**2,426**	**(298)**	**(12)**
Depreciation & amortisation	**1,281**	1,278	3	–
Adjusted[a] operating profit	**847**	**1,148**	**(301)**	**(26)**
Capital expenditure	**1,082**	948	134	14
Normalised free cash flow[c]	**714**	1,065	(351)	(33)

Adjusted[a] revenue

£9,885m
(5)%

Adjusted[a] operating profit

£847m
(26)%

Revenue[a] declined due to the continued impact of Covid-19 which resulted in the closure of retail stores and pubs & clubs (impacting BT Sport revenue) for large parts of the financial year. There has been pressure on mobile revenue through reduced roaming and out of bundle usage, reduced prepaid activity and increased SIM-only mix diluting postpaid ARPC; which were partially offset by higher equipment revenue driven by increased direct volumes and a higher mix of premium handsets. Fixed revenue declined due to lower out of contract price rises and copper price reductions to address back book pricing, combined with a continued decline of our voice only customer base and call volumes.

EBITDA[b] declined due to lower revenue, continued customer investment in both copper-to-fibre migrations and the growth of our full fibre base, along with the bonus provided to our frontline staff. This has been partially offset by sports rights rebates, improved mobile margin with lower indirect commissions, increased equipment margin and tight cost management throughout the year.

Depreciation and amortisation was flat year on year. Capital expenditure was up due to higher network and equipment investment.

Normalised free cash flow[c] declined due to lower EBITDA[b] and higher capital expenditure.

Broadband churn has improved year on year by 0.1ppts to 1.1% due to significant investment in customer experience. Postpaid churn has improved year on year by 0.2ppts to 1.0%.

Our full fibre and 5G bases, award-winning mobile network, low churn, growing customer base on index-linked contracts, strong NPS and continued converged growth with Halo 3+, provide us with strong foundations for the future. This is further strengthened by the Government's roadmap to lift Covid-19 restrictions, the re-opening of our retail stores, the planned full re-opening of pubs & clubs and the possibility of a return to foreign travel.

Enterprise

Year ended 31 March	**2021 £m**	2020[d] £m	Change £m	Change %
Adjusted[a] revenue	**5,449**	5,952	(503)	(8)
Adjusted[a] operating costs	**3,745**	4,017	(272)	(7)
Adjusted[b] EBITDA	**1,704**	**1,935**	**(231)**	**(12)**
Depreciation & amortisation	**740**	712	28	4
Adjusted[a] operating profit	**964**	**1,223**	**(259)**	**(21)**
Capital expenditure	**492**	496	(4)	(1)
Normalised free cash flow[c]	**1,352**	1,363	(11)	(1)

Adjusted[a] revenue

£5,449m
(8)%

Adjusted[a] operating profit

£964m
(21)%

Revenue[a] declined due to continued declines in legacy products, in particular traditional fixed voice volumes and usage, the ongoing impact of Covid-19 and divestments. Fixed voice revenue declined by 13% with a decline in traditional voice lines partly offset by continued growth in VoIP seats.

Mobile revenue declined primarily due to lower roaming and out of bundle usage in retail mobile, offsetting a 4% increase in our retail customer base. The fall in retail revenue was partly offset by an increase in wholesale mobile revenue reflecting a higher average MVNO base. Excluding divestments in the prior year, revenue was down 7%.

Operating costs[a] declined by 7%, primarily reflecting the decline in revenue and our cost transformation programmes, partially offset by investment to support our growth areas. The decline in EBITDA[b] was mainly a result of the declines in legacy products and Covid-19, partly offset by cost savings from our transformation programme. Excluding divestments in the prior year, EBITDA[b] was down 11%.

Capital expenditure decreased by 1%. Normalised free cash flow[c] decreased 1%, with the fall in EBITDA[b] partially offset by the benefit generated from the monetisation of a non-strategic revenue stream generated from our buildings infrastructure.

Retail order intake fell 27% to £2.6bn and wholesale order intake fell 27% to £0.9bn for the year. The declines in both retail and wholesale orders are largely due to major contract extensions in the prior year.

Despite extension of financial support for businesses in the latest Government budget, we expect Covid-19 to continue to have an impact going into 2021/22, particularly on our direct and indirect SME customers.

Global

Year ended 31 March	2021 £m	2020 £m	Change £m	Change %
Adjusted[a] revenue	3,731	4,361	(630)	(14)
Adjusted[a] operating costs	3,135	3,727	(592)	(16)
Adjusted[b] EBITDA	**596**	**634**	**(38)**	**(6)**
Depreciation & amortisation	405	479	(74)	(15)
Adjusted[a] operating profit	**191**	**155**	**36**	**23**
Capital expenditure	188	223	(35)	(16)
Normalised free cash flow[c]	187	255	(68)	(27)

Adjusted[a] revenue

£3,731m
(14)%

Adjusted[a] operating profit

£191m
23%

Revenue[a] declined by 14% due to the negative impact of Covid-19, divestments of domestic businesses in Spain, Latin America and France, mature and legacy portfolio declines and a £28m negative impact from foreign exchange movements. Revenue excluding divestments and foreign exchange declined by 9%.

EBITDA[b] declined by £38m reflecting the impact of divestments and a £11m negative impact from foreign exchange movements. EBITDA[b], excluding divestments, foreign exchange and one-offs increased by 3%. The negative impact of Covid-19 on revenue was more than offset by lower operating costs[a] reflecting ongoing transformation, rigorous cost control and Covid-19 mitigation actions.

Depreciation and amortisation declined by 15% due to the impact of divestments and reductions in capital investment over the last few years.

Capital expenditure declined by 16% due to lower project spend, Covid-19 related deferrals of customer spend and the impact of divestments. Normalised free cash flow[c] declined by £68m reflecting adverse working capital and lower EBITDA[b], partly offset by lower capital expenditure.

Order intake for the year was £3.7bn, down 15% year on year as customers continued with a more cautious approach, with ongoing delays to purchasing processes and lower than expected levels of demand and non-contracted spend. In addition, order intake in the prior year benefited from a number of large renewals and the current year was reduced by the divestments.

The current challenging market conditions resulting from Covid-19 are expected to continue into the next financial year impacting both order intake and trading performance.

Openreach

Year ended 31 March	2021 £m	2020 £m	Change £m	Change %
Adjusted[a] revenue	5,244	5,112	132	3
Adjusted[a] operating costs	2,307	2,254	53	2
Adjusted[b] EBITDA	**2,937**	**2,858**	**79**	**3**
Depreciation & amortisation	1,707	1,712	(5)	–
Adjusted[a] operating profit	**1,230**	**1,146**	**84**	**7**
Capital expenditure	2,249	2,108	141	7
Normalised free cash flow[c]	486	670	(184)	(27)

Adjusted[a] revenue

£5,244m
3%

Adjusted[a] operating profit

£1,230m
7%

Revenue[a] growth was primarily due to higher rental bases in fibre-enabled[e] products, up 15%, and Ethernet, up 7% at year end. This was partially offset by declines in legacy copper products.

EBITDA[b] grew 3% driven by revenue growth. Operating costs[a] increased with higher service costs as we continue to deliver against our customers' increasing service expectations, increased full fibre provisions and pay inflation and a special frontline bonus partially offset by ongoing efficiency programmes.

Capital expenditure was up 7% due to investments in the network and connecting our customers, predominantly fibre-enabled infrastructure, partly offset by efficiency savings and lower non-fibre spend.

Normalised free cash flow[c] declined by 27% due to flow through of EBITDA[b] and capital expenditure and timing of working capital and lease payables.

The UK lockdowns have had some impact on our trading. The first few months of the year were characterised by lower provision and upgrade activity, partly offset by lower churn. The impact in the last few months was limited to lower full fibre and Gfast sales as we temporarily paused non-essential work inside customer premises. We have now recommenced entering customer premises for most services and are expecting to clear backlogs by summer 2021.

a Adjusted measures exclude specific items, as explained on page 197.
b Adjusted EBITDA is stated before specific items, share of post tax profits/losses of associates and joint ventures and net non-interest related finance expense, as explained on page 198.
c Normalised free cash flow as defined on page 199.
d The prior year comparatives for Enterprise have been restated for the transfer of Supply Chain and Pelipod to the central procurement team on 1 April 2020. For more information please see note 1 to the financial statements on page 123.
e FTTP, FTTC and Gfast, including Single Order Migration.