

Financial results



Results for the full year to 31 March 2021

BT Group plc

13 May 2021

Philip Jansen, Chief Executive, commenting on the results, said

“BT comes out of this challenging year as a stronger business with an even greater sense of purpose. Our fantastic colleagues have shown the true colours of BT – delivering resilient connectivity, supporting families and businesses and helping to underpin the heroism of the NHS.

A number of uncertainties have now been removed. The Wholesale Fixed Telecoms Market Review, 5G spectrum auction and the Government's tax super-deduction give us the green light to build the UK's next generation digital infrastructure even faster; today we are increasing and accelerating our FTTP target from 20m to 25m homes and businesses by December 2026 to deliver further value to our shareholders and support the Government's full fibre ambitions. The conclusion of our triennial pension valuation today provides further clarity for shareholders.

After a number of years of tough work, and as we look to build back better from the pandemic, we're now pivoting to consistent and predictable growth. We are building a better BT for our customers, for the country, for our shareholders and for those who work for this great company – now and in the future.”

BT Group plc (BT.L) today announced its results for the full year to 31 March 2021.

Key strategic developments:

- Ofcom's WFTMR¹, outcome of recent spectrum auction and Government's tax super-deduction allows us to increase and accelerate our FTTP build from 20m to 25m premises by December 2026; BT to explore potential joint venture for additional 5m build - see separate press release
- Agreed triennial pension deficit of £7.98bn and deficit recovery plan comprising: asset-backed funding over 13 years (£180m p.a.) secured against the EE business; and further payments over 10 years (£900m p.a. reducing to £600m p.a. from 1 July 2024) - see separate press release
- Secured 80MHz of 5G spectrum for a total of £475m in Ofcom's auction allowing us to build on our position as the UK's number one 5G network
- Significant UK cash tax benefit in 2021/22 and 2022/23, as a large proportion of our capital expenditure is expected to qualify for the proposed 130% tax super-deduction

Strong operational performance during the Covid-19 pandemic:

- Strong network performance; BT's broadband networks seamlessly managed a doubling of daytime traffic due to more people being at home during the day; 42% increase in EE mobile data usage over the last 12 months
- Group NPS² increased by 7.8 points compared to the prior year baseline, a 19th successive quarter of growth
- Openreach achieved 2.0m in year FTTP build with record build levels in Q4; increased FTTP connections by 73% to 905k over the last 12 months
- 5G footprint doubled to 160 locations and 5G ready customer base now over 3.2m; EE named the Fastest Mobile Network by Uswitch in February 2021
- Tracking ahead on our modernisation plans; delivered gross annualised savings of £764m within the first year of our three-year modernisation programme with an associated cost of £438m

Financials delivered in line with guidance primarily impacted by Covid-19:

- Revenue £21,331m, down 7%, primarily due to the impact of Covid-19 on Consumer and our enterprise units, ongoing legacy product declines and divestments, partly offset by higher equipment revenue and Openreach bases in fibre and Ethernet; adjusted² revenue down 6% in line with expectation
- Adjusted² EBITDA £7,415m, down 6% as expected, primarily due to the fall in revenue, special frontline bonus, increased service costs and continued investment in copper-to-fibre migrations and our FTTP base, partly offset by sports rights rebates and cost savings including our modernisation programme, tight cost control, and Covid-19 mitigation actions
- Reported profit before tax £1,804m, down 23%, primarily due to reduced EBITDA
- Net cash inflow from operating activities £5,963m; normalised free cash flow² £1,459m, down 27%, primarily due to reduced EBITDA, higher 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 timing of tax payments
- Capital expenditure £4,216m, up 6%, primarily due to increased network and equipment investment
- As previously disclosed, no final dividend for 2020/21, but payments expected to resume at an annual rate of 7.7p per share in 2021/22
- Outlook for 2021/22: adjusted² revenue to be broadly flat year on year; adjusted² EBITDA between £7.5bn-£7.7bn; capital expenditure c.£4.9bn; normalised free cash flow between £1.1bn-£1.3bn.

¹ Wholesale Fixed Telecoms Market Review.

² See Glossary on page 3.

Full year to 31 March	2021	2020	Change
	£m	£m	%
Reported measures			
Revenue	21,331	22,905	(7)
Profit before tax	1,804	2,353	(23)
Profit after tax	1,472	1,734	(15)
Basic earnings per share	14.8p	17.5p	(15)
Net cash inflow from operating activities	5,963	6,271	(5)
Full year dividend	—	4.62p	(100)
Capital expenditure	4,216	3,960	6
Adjusted measures			
Adjusted ¹ Revenue	21,370	22,824	(6)
Adjusted ¹ EBITDA	7,415	7,907	(6)
Adjusted ¹ basic earnings per share	18.9p	23.5p	(20)
Normalised free cash flow ¹	1,459	2,011	(27)
Net debt ¹	17,802	17,969	£(167)m

Customer-facing unit results for the full year to 31 March 2021

Full year to 31 March	Adjusted ¹ revenue			Adjusted ¹ EBITDA			Normalised free cash flow ¹		
	2021 £m	2020 ² £m	Change %	2021 £m	2020 ² £m	Change %	2021 £m	2020 ² £m	Change %
Consumer	9,885	10,388	(5)	2,128	2,426	(12)	714	1,065	(33)
Enterprise	5,449	5,952	(8)	1,704	1,935	(12)	1,352	1,363	(1)
Global	3,731	4,361	(14)	596	634	(6)	187	255	(27)
Openreach	5,244	5,112	3	2,937	2,858	3	486	670	(27)
Other	23	29	(21)	50	54	(7)	(1,280)	(1,342)	5
Intra-group items	(2,962)	(3,018)	2	—	—	—	—	—	—
Total	21,370	22,824	(6)	7,415	7,907	(6)	1,459	2,011	(27)

Fourth quarter to 31 March									
Consumer	2,391	2,493	(4)	518	626	(17)			
Enterprise	1,363	1,507	(10)	436	499	(13)			
Global	908	1,081	(16)	156	175	(11)			
Openreach	1,346	1,295	4	726	719	1			
Other	5	8	(38)	(24)	(12)	(100)			
Intra-group items	(727)	(752)	3	—	—	—			
Total	5,286	5,632	(6)	1,812	2,007	(10)	629	1,011	(38)

Performance against 2020/21 outlook

	2020/21 outlook	2020/21 performance
Change in adjusted ¹ revenue	Down 5-6%	Down 6%
Adjusted ¹ EBITDA	£7.3bn-7.5bn	£7.4bn
Capital expenditure ¹	£4.0bn-4.3bn	£4.2bn
Normalised free cash flow ¹	£1.3bn-1.5bn	£1.5bn

¹ See Glossary on page 3.

² On 1 April 2020, Supply Chain and Pelipod, which serve several parts of BT, were transferred from Enterprise to the central procurement team and as a result are now reported in Group 'Other' financial results. The prior year comparative for the Enterprise and Other CFU results has been restated to reflect this. Refer to the announcement on 29 June 2020 for further information.

Glossary of alternative performance measure

Adjusted	Before specific items. Adjusted results are consistent with the way that financial performance is measured by management and assist in providing an additional analysis of the reporting trading results of the group.
EBITDA	Earnings before interest, tax, depreciation and amortisation.
Adjusted EBITDA	EBITDA before specific items, share of post tax profits/losses of associates and joint ventures and net non-interest related finance expense.
Free cash flow	Net cash inflow from operating activities after net capital expenditure.
Capital expenditure	Additions to property, plant and equipment and intangible assets in the period.
Group NPS	Group NPS measures Net Promoter Score in our retail business and Net Satisfaction in our wholesale business.
Normalised free cash flow	Free cash flow (net cash inflow from operating activities after net capital expenditure) after net interest paid and payment of lease liabilities, before pension deficit payments (including cash tax benefit), payments relating to spectrum, and specific items. For non-tax related items the adjustments are made on a pre-tax basis. It excludes cash flows that are determined at a corporate level independently of ongoing trading operations such as dividends, share buybacks, acquisitions and disposals, and repayment and raising of debt.
Net debt	Loans and other borrowings and lease liabilities (both current and non-current), less current asset investments and cash and cash equivalents, including items which have been classified as held for sale on the balance sheet. Currency denominated balances within net debt are translated into sterling at swapped rates where hedged. Fair value adjustments and accrued interest applied to reflect the effective interest method are removed.
Specific items	Items that in management's judgement need to be disclosed separately by virtue of their size, nature or incidence. In the current period these relate to retrospective regulatory charges, restructuring charges, the Dixons Carphone settlement, sale of spectrum, divestment-related items, property rationalisation costs, Covid-19-related items, net interest expense on pensions and tax credit on specific items.

We assess the performance of the group using a variety of alternative performance measures. Reconciliations from the most directly comparable IFRS measures are in Additional Information on pages 35 to 36.

Overview of the full year and fourth quarter to 31 March 2021

We are firmly on track with the delivery of our strategy and modernisation programmes that we set out in May last year, and have also played a critical role in keeping our customers and the country connected throughout the Covid-19 pandemic with a wide range of support programmes. As we come out of the pandemic we are now well positioned to deliver consistent and sustainable growth for our shareholders.

Building the strongest foundations

The best converged network

Our 'Fibre First' FTTP build programme has reached more than 560 locations. Our FTTP rollout reached record levels in the fourth quarter, building at an average run-rate of 43k premises passed per week. Over the last 12 months, we have increased FTTP connections by 73% to 905k. Openreach's FTTP network now reaches 4.6m premises.

Openreach now believes that it has the capability to reach around 4m premises a year. Given this build confidence, encouraging take-up on the current FTTP footprint, the regulatory clarity provided by Ofcom's WFTMR, coupled with the Government's recent tax super-deduction and the positive outcome from the recent 5G spectrum auction, we have decided that the conditions are right to increase and accelerate our total FTTP build from 20m to 25m premises by December 2026. Further details are set out in a separate announcement.

In Q4, we secured 40MHz of 700MHz spectrum, and 40MHz of 3.6-3.8GHz spectrum in Ofcom's 5G spectrum auction for a total of £475m. Having paid a deposit of £702m to Ofcom, we received a refund of £227m at the conclusion of the process at the end of April 2021.

We also switched on 5G in 35 new UK towns in Q4, bringing our total coverage to 160 UK towns and cities, with a wider coverage than any other operator. This is in line with our target to the end of 2020/21.

We announced that we will expand our 4G coverage in more than 500 areas in 2021 to improve rural connectivity across the UK as part of the Shared Rural Network programme.

A simpler, more dynamic BT

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 our 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. During the year, there was a total net reduction of 5,600 full-time equivalent roles across the group.

At the start of the year we had a large number of customers on our legacy broadband products¹. We have migrated 99.5% of these customers from our legacy products to our strategic products, closing over half of the legacy products with only 0.5% of customers remaining on these products. 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.

We are building simpler and more automated processes to deliver more quickly and efficiently for our customers. For example, SME customers can now order SME Halo online. Our Network Delivery Planning function in Openreach has also deployed machine learning algorithms, cloud computing and neural networks to improve the accuracy of the dates we set for our Ethernet customers.

We have moved to a modern, modular IT architecture to launch market leading products and features to our customers faster. We have now deployed a number of major software platforms such as ServiceNow, Salesforce and Vlocity. We have begun to build new, highly automated customer journeys on these platforms, for example, to support our SME Halo and FTTP products.

We are migrating our customers onto our strategic networks such as our 5G and FTTP networks, which are more capable and reliable, with lower running costs than our legacy infrastructure. This year, we increased the number of customers on our IP Voice products by 38% to a total of 1.5m customers.

During the year we created our standalone procurement company, BT Sourced, which seeks to challenge the traditional ways of buying goods and services. By simplifying processes and introducing new technology and partnership-based approaches to the way we work with suppliers and start-ups, we will be able to scale our purchasing decisions and deliver procurement savings. We also aim to reduce carbon emissions in our supply chain by 42% by 2030/31.

In April 2021 we created our new technology unit, Digital. This unit will drive our digital transformation by focusing on the development and rapid delivery of innovative products, platforms and key services in key areas such as healthcare and data. It has accountability for IT, digital innovation, BT-wide business transformation and data and product strategy.

In May 2020 we completed the sale of our Spanish operations and recorded a net gain of £80m. We incurred net losses on the disposals of our operations in Latin America and France of £11m. We recognised an additional £4m loss on disposal of a number of other businesses and £5m of costs relating to ongoing divestment projects.

In 2019/20 we recognised impairment charges of £127m on reclassification of our operations in Spain, France and Latin America as held for sale, losses on disposal of £36m relating to the completed divestments of BT Fleet Solutions and Tikit, and a further £36m of costs relating to ongoing divestment projects.

¹ Refers to BT legacy promotional broadband tiers; does not refer to the network element of the service.

A culture where people can be their best

Our Better Workplace Programme continues to make good progress. Over the course of the year we consolidated our UK office footprint with a number of building exits and disposals. In parallel we acquired the lease for our new Manchester office, completed the first phase of fit out in our new Birmingham office and undertook significant refurbishment in our offices in Bangor, and our contact centres in Doncaster and Gosforth. We are also due to move into our new London headquarters at One Braham in 2021/22. The investment in fewer, purpose built and designed workplaces will enable us to work in different ways, drive efficiency, collaboration and innovation and transform the experience of our colleagues.

In June we plan to pay a special one-off cash bonus of £1,000 to recognise the efforts of our frontline colleagues in keeping our customers and the country connected during the pandemic, in addition to a £500 yourshare award. This is equivalent to about 5% of the average frontline salary. It is being made despite BT freezing pay across the company and ongoing discussions with the trade unions over its transformation and modernisation plan.

The Communication Workers Union (CWU), one of BT's respected partner unions, recently indicated that it intended to ballot its members in BT for industrial action. Discussions have been ongoing about a range of topics over the past few months. Both BT and the CWU believe that continuing to talk is the best way to resolve our points of difference. So during May, the CWU has agreed to pause the ballot for industrial action, and BT has agreed to suspend any actions that could result in potential Team Member redundancies while these important topics are worked through.

Creating standout customer experiences

We have demonstrated our progress in creating standout customer experiences with Group NPS¹ increasing by 7.8 points when compared to the prior year baseline, a 19th successive quarter of growth.

Differentiated solutions and outcomes

Our 'best network' offerings have seen strong growth during the year. EE's 5G ready customer base has increased to over 3.2m and will benefit from recently acquired new spectrum. 75% of the top 20 towns and cities for domestic tourism now have 5G on EE, benefiting visitors, residents and businesses and supporting a better holiday this summer.

Consumer's FTTP customer base grew by 269k to 753k, despite Covid-19 related restrictions being in place at a national and local level. Supporting our 'best network' strategy, nearly 50% of BT broadband customers are now on our converged BT Halo product. In addition, we launched BT Halo 3+ in February, a UK first, redefining home broadband reliability.

In March, BT TV bolstered its flexible TV packages with the addition of Eurosport and will provide coverage of the Tokyo 2020 Olympic Games.

This year, we were the first international service provider to offer a fully managed Zoom Meetings service. We provide a managed service on top of the core solution, including service management, monitoring and user adoption - all critical for multinational companies. In addition, we integrate our world-leading voice networks to provide extended reach for customers and ensure that security is embedded into the core solution.

Global also launched a new generation of software-defined managed network solutions that will provide customers with increased choice and flexibility as they optimise their networks for cloud services. The first service - based on VMWare's industry-leading solution and delivered over our new digital platform - is available to all customers worldwide. We continue to be a leader in security and recently introduced Global's Eagle-i security proposition that aggregates individual best-of-breed products and manages them as a straightforward, orchestrated offering for the customer.

Enterprise has announced further support for UK small businesses and channel partners by working with Cisco to introduce new collaboration tools. Hybrid working will be made easier and more productive by adding Cisco Webex to BT Cloud Voice and the Wholesale Hosted Communications solution.

Outstanding experiences

In the latest published Ofcom report, the complaints rate about EE landlines and broadband services were the lowest of all providers. For BT landlines and broadband services, the rates were lower than the industry average for both products. In addition, EE mobile had the equal lowest complaints rate of any major mobile network operator.

Covid-19 had a major impact on Openreach throughout the year with consumer expectations higher than ever due to an increasing reliance on home broadband. This, combined with challenging weather conditions, drove repair intake to record high levels. We saw total customer fault volumes 8.7% higher in 2020/21 when compared to the prior year.

Our priority was to bring customers back into service safely and quickly whilst adhering to Covid-19 restrictions. Copper and fibre faults were repaired on time 84.1% of the time, slightly higher than in 2019/20; missed appointments attributable to Openreach, occurred 2.8% of the time, a slight increase on 2019/20's record low of 2.0%. For provision of new copper and fibre service, Openreach were able to offer customers a first appointment date within 10 working days 92.8% of the time, up from 82.2% in the prior year. Support on critical national infrastructure delivery and maintenance of customer service was recognised in best ever perception results for copper, fibre and Ethernet access, with Openreach achieving record NPS in the year despite challenging service conditions.

¹ See Glossary on page 3.

We have extended our partnership with Enjoy Technology Inc. ("Enjoy") through to 2025, and also made a small investment in the business. Enjoy brings EE's in-store experience and trusted support through Enjoy's full-time, trained experts directly to a customer's home. Our partnership with Enjoy began in 2018 and today covers nearly 90% of the UK population.

Lead the way to a bright, sustainable future

During the year, we launched our Stand Out Skills campaign and our Top Tips on Tech campaign with ITV, to provide people across the UK with support to improve their knowledge and confidence so they can make the most of life in the digital world. As a result of these and other initiatives, such as our webinars to support small businesses, we hit our goal of reaching 10m people with help to improve their digital skills by March 2026 this year, five years ahead of our target. We have now extended that target to a more stretching ambition, to reach 25m people by March 2026.

Enterprise has announced an extension of its partnership with Google to help small business owners bounce back stronger from the impact of Covid-19. The new collaboration will bring free digital skills learning content and business mentoring sessions.

We announced we will be launching BT Home Essentials in late June, a market leading social tariff connecting those receiving Universal Credit and other means-tested benefits with at-cost fibre broadband and calls. BT Home Essentials is a separate and improved social tariff compared to BT Basic, launched in 2008.

We also made strong progress during the year on our environmental objectives, reducing the carbon emissions intensity from our operations by a further 14%, largely as a result of completing the switch to 100% renewable electricity¹ globally and to a much lesser extent as Covid-19 led to lower in year emissions from travel and heating. A reduction of 57% since 2016/17 puts us well on track to achieve our target of reducing overall carbon emissions intensity by 87% by March 2031.

Wholesale Fixed Telecoms Market Review (WFTMR) 2021-2026

In March, Ofcom published its Statement on Wholesale Fixed Telecoms Markets, shifting its emphasis from retail competition to facilitating competitive investment in full fibre, which will provide support for our investment in FTTP. We will work constructively with Ofcom to implement the new requirements in full, including continuing on-going work with the industry to ensure the ease of use of our ducts and poles, complying with the new rules on quality of service, and delivering on our commitment to a balanced build across the UK.

Broadband universal service obligation

In October, Ofcom opened an investigation into BT's compliance with its obligations as a Universal Service provider. Ofcom expects to make a provisional decision by the end of May.

European Electronic Communications Code (EECC)

In April, we responded to Ofcom's consultation on the fixed switching/cross-platform switching process. The outcome of this consultation and the general switching requirements in the EECC will need to be implemented by December 2022. Ofcom will also publish an update in due course on the next steps on their proposals for an Emergency Relay Service.

Wholesale Voice Markets Review

In March, Ofcom published the Wholesale Voice Markets Review statement which sets out the rules for voice markets for the next five years, a critical period during which BT plans to migrate its voice services to IP. In addition, regulated mobile termination rates will reduce by 19% reflecting Ofcom's updated view of the weighted average cost of capital.

Financial outlook

We continue to expect adjusted² EBITDA of at least £7.9 billion in 2022/23, with sustainable growth from this point forward.

For 2021/22 we expect adjusted² revenue to be broadly flat year on year, dependent on the speed of Covid-19 recovery. We expect to deliver adjusted² 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 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 expenditure² to increase to around £4.9bn in 2021/22. We expect normalised free cash flow² to be between £1.1bn-£1.3bn with the increase in capital expenditure relative to 2020/21 only partially offset by the increase in EBITDA and the impact of Government's tax super-deduction.

	2021/22 outlook	2022/23 outlook
Change in adjusted² revenue	Broadly flat	-
Adjusted² EBITDA	£7.5bn-£7.7bn	> £7.9bn
Capital expenditure²	c.£4.9bn	-
Normalised free cash flow²	£1.1bn-£1.3bn	-

¹ 99.9% of the global electricity BT sources is renewable. The remaining 0.1% represents where markets don't allow due to non-availability of renewable electricity. This represents 8 countries out of the 85 in which BT Group operates.

² See Glossary on page 3.

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.

Principal risks and uncertainties

A summary of the Group's principal risks and uncertainties is provided in note 10.

Key operational metrics from our customer-facing units for the fourth quarter to 31 March 2021

Key operational metrics used by our customer-facing units are as follows:

Fourth quarter to 31 March	2021	2020
Consumer		
Average revenue per customer (ARPC) (£ per month)		
- Fixed	35.0	38.1
- Broadband	37.0	40.8
- Postpaid mobile	18.1	20.4
- Prepaid mobile	7.7	8.8
Monthly churn		
- Fixed ¹	1.1 %	1.2 %
- Broadband	1.0 %	1.3 %
- Postpaid mobile	1.0 %	1.1 %
Best network ('000)		
- FTTP connections	753	484
- 5G ready	3,261	53
Convergence		
- Revenue generating units per address ²	2.41	2.41
- Fixed & mobile convergence	21.5 %	21.0 %
Enterprise		
Number of products/customers ('000)		
- Voice lines	1,554	1,759
- VoIP seats	950	842
- Retail broadband lines	729	738
- Wholesale broadband lines	671	727
- WAN circuits	86	86
- Ethernet circuits	51	53
- Private circuits	19	25
- Mobile customers	3,886	3,733
- MVNO customers	4,114	3,882
Call minutes (millions)		
- Retail	714	799
- Wholesale	623	756
Fibre enabled share of broadband base		
- Superfast	52.1 %	49.6 %
- Ultrafast	1.5 %	0.8 %
Rolling 12-month retail order intake (£m)	2,585	3,554
Rolling 12-month wholesale order intake (£m)	859	1,174
Global		
Rolling 12-month order intake (£m)	3,666	4,337
Openreach		
Network deployment ('000 premises passed)		
Superfast inc. ultrafast	28,731	28,422
- Ultrafast Gfast	2,831	2,814
- Ultrafast FTTP	4,610	2,575

¹ Restated during Q2 2020/21 to remove inter-brand churn from Q1 2019/20 onwards.

² Revenue generating units per address now includes BT Sport only customers from Q1 2019/20.

Group results for the full year to 31 March 2021

Income statement

Reported revenue was £21,331m, 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.

Reported operating costs were £18,744m, 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 FTTP base in Consumer. Adjusted¹ EBITDA of £7,415m was down 6%, or £492m.

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

Specific items (Note 6 to the condensed consolidated financial statements)

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).

Tax

The effective tax rate was 18.4% on reported profit and 18.6% on adjusted¹ profit, based on our current estimate of the full year effective tax rate.

Capital expenditure

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.

Free cash flow

Net cash inflow from operating activities was £5,963m, down 5%, mainly driven by reduced operating profit partly offset by reduction in pension deficit payments.

Normalised free cash flow¹ was £1,459m, down 27% primarily 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. A reconciliation to our free cash flow is shown in Additional Information on page 36.

The net cash cost of specific items adjusted from normalised free cash flow 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).

Net debt and liquidity

Net financial debt (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 debt¹ (which includes lease liabilities) was £17.8bn at 31 March 2021, £0.2bn lower than at 31 March 2020. 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 is £0.9bn; we have no term debt maturities in 2021/22. Our £2.1bn facility, which matures in March 2026, remains undrawn at 31 March 2021.

During the year, and following our recommitment to our credit rating target of BBB+ and minimum rating of BBB, all of the major agencies confirmed their ratings at BBB or equivalent.

¹ See Glossary on page 3.

Pensions (Note 7 to the condensed consolidated financial statements)

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.

BT and the Trustee of the BT Pension Scheme (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 p.a., 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.

Further details are set out in a separate announcement.

Operating review

Consumer

	Fourth quarter to 31 March				Full year to 31 March			
	2021 £m	2020 £m	Change £m	%	2021 £m	2020 £m	Change £m	%
Revenue ¹	2,391	2,493	(102)	(4)	9,885	10,388	(503)	(5)
Operating costs ¹	1,873	1,867	6	—	7,757	7,962	(205)	(3)
EBITDA ²	518	626	(108)	(17)	2,128	2,426	(298)	(12)
Depreciation & amortisation					1,281	1,278	3	—
Operating profit ¹					847	1,148	(301)	(26)
Capital expenditure					1,082	948	134	14
Normalised free cash flow					714	1,065	(351)	(33)

Revenue for the year 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, with Q4 heavily impacted as the UK was in lockdown for the majority of the quarter. Further pressures on mobile revenue were reduced roaming and lower 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 for the year declined due to lower revenue, continued customer investment in both copper to fibre migrations and the growth of our FTTP base, along with the bonus provided to our frontline staff. This has been partially offset by H1 sports rights rebates, improved mobile margin with lower indirect commissions, increased equipment margin and tight cost management throughout the year.

Capital expenditure was up due to higher network and equipment investment. Normalised free cash flow declined due to lower EBITDA and higher capex.

Our customer bases on strategic products continued to grow in Q4 with FTTP base at 753k, up 67k quarter on quarter despite lockdown restrictions in Q4 hampering connection activity. Our 5G ready customer base is now over 3.2m. 5G coverage continues to grow and is now in 160 locations. EE secured vital new spectrum in the latest Ofcom auction which will allow us to grow our position as the UK's number one 5G network.

EE was named the Fastest Mobile Network by Uswitch in February 2021 adding to the recognition received from Rootmetrics latest national results where EE took top spot for the 15th consecutive time; according to Rootmetrics EE has 5G in more places than any other network. In the latest published Ofcom report, the complaints rate about EE landlines and broadband services were the lowest of all providers. For BT landlines and broadband services, the rates were lower than the industry average for both products. In addition, EE mobile had the equal lowest complaints rate of any major mobile network operator.

Broadband Q4 churn has improved year on year by 0.3ppts to 1.0% due to significant investment in customer experience. Postpaid Q4 churn has improved year on year by 0.1ppts to 1.0%.

BT Halo 3+ was launched in February which redefines home broadband reliability by giving customers BT's best fibre broadband and Wi-Fi technology, which automatically connects to the EE mobile network if the broadband connection goes down. This is the UK's first unbreakable home Wi-Fi and a great example of Best of Both and true convergence in action. The Halo base is now at 2.8m growing by over 1m in the last year.

Our FTTP 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.

In March 2021, following the expiry of the retail agreement between Dixons Carphone and EE Limited earlier in the year, we mutually agreed to resolve all outstanding matters which primarily related to contingent revenue share costs that could have previously been recognised over future years. The associated cost of £149m has been treated as a specific item. The associated cash payment was made in April 2021 and will be reflected in the 2021/22 financial statements.

Early discussions are being held with a number of select strategic partners, to explore ways to generate investment, strengthen our BT Sport business, and help take it to the next stage in its growth. The discussions are confidential and may or may not lead to an outcome.

¹ Adjusted (being before specific items). See glossary on page 3.

² Adjusted (being before specific items, share of post tax profits/losses of associates and joint ventures and net non-interest related finance expense). See glossary on page 3.

Enterprise

	Fourth quarter to 31 March				Full year to 31 March			
	2021 £m	2020 ³ £m	Change £m	%	2021 £m	2020 ³ £m	Change £m	%
Revenue ¹	1,363	1,507	(144)	(10)	5,449	5,952	(503)	(8)
Operating costs ¹	927	1,008	(81)	(8)	3,745	4,017	(272)	(7)
EBITDA ²	436	499	(63)	(13)	1,704	1,935	(231)	(12)
Depreciation & amortisation					740	712	28	4
Operating profit ¹					964	1,223	(259)	(21)
Capital expenditure					492	496	(4)	(1)
Normalised free cash flow					1,352	1,363	(11)	(1)

Revenue declined in the year 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 the divestments of Fleet and Tikit in the prior year, revenue was down 7% and EBITDA was down 11%. The decline in EBITDA was mainly a result of the declines in legacy products and Covid-19, partly offset by cost savings from our transformation programme.

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.

Operating costs declined by 7% in the year, primarily reflecting the decline in revenue and our cost transformation programmes, partly offset by opex investments in the fourth quarter to support our growth areas.

Capital expenditure decreased 1%. Normalised free cash flow decreased 1%, with the fall in EBITDA partially offset by the benefit generated from the monetisation of a non-strategic revenue stream generated from our buildings infrastructure in Q3.

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.

In Q4, we launched Complete Mobility, a new Enterprise Managed Mobility proposition which allows our corporate customers to design, configure and deliver a mobile experience for their employees whilst ensuring their devices are secure.

We have continued to invest in innovative solutions to help build better public services for customers and our society. We collaborated with North Lanarkshire Council to set up the UK's first 5G-enabled immersive classroom in Scotland, bringing ultrafast speeds and enhanced reliability to classrooms.

Our support for the Covid-19 vaccination programme continued at pace in Q4. Bringing high-speed fibre and Wi-Fi connectivity to more than 179 vaccination centres across England and Wales is allowing clinicians to easily access and update patients' vaccination and medical records via secure mobile devices.

As mentioned in our Q3 trading update, we exercised our call option to purchase the remaining 30% non-controlling interest in BT OnePhone Limited. The purchase price was determined based on independent valuations and the transaction completed in April; post-merger integration is now well underway.

¹ Adjusted (being before specific items). See glossary on page 3.

² Adjusted (being before specific items, share of post tax profits/losses of associates and joint ventures and net non-interest related finance expense). See glossary on page 3.

³ All prior year comparatives as reported in the Q4 2019/20 results release have been restated for the changes detailed on footnote 2 on page 2.

Global

	Fourth quarter to 31 March				Full year to 31 March			
	2021 £m	2020 £m	Change £m	%	2021 £m	2020 £m	Change £m	%
Revenue ¹	908	1,081	(173)	(16)	3,731	4,361	(630)	(14)
Operating costs ¹	752	906	(154)	(17)	3,135	3,727	(592)	(16)
EBITDA ²	156	175	(19)	(11)	596	634	(38)	(6)
Depreciation & amortisation					405	479	(74)	(15)
Operating profit ¹					191	155	36	23
Capital expenditure					188	223	(35)	(16)
Normalised free cash flow					187	255	(68)	(27)

Revenue for the year 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 for the year declined by £38m reflecting the impact of divestments and a £11m negative impact from foreign exchange movements. EBITDA, 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 reflecting ongoing transformation, rigorous cost control, and Covid-19 mitigation actions.

EBITDA for the quarter declined by £19m reflecting the impact of divestments and a £7m negative impact from foreign exchange movements, partly offset by favourable current quarter one-offs. EBITDA, excluding divestments, one-offs and foreign exchange declined by 2% as the negative impact of Covid-19 on revenue was only partly offset by lower operating costs.

Depreciation and amortisation declined by 15% for the year due to the impact of divestments and reductions in capital investment over the last few years. Operating profit increased by £36m.

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 for the year declined by £68m reflecting adverse working capital and lower EBITDA, partly offset by lower capital expenditure.

Order intake in the quarter was £0.9bn, down 31% 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. Order intake for the year was £3.7bn, down 15% year on year. 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.

¹ Adjusted (being before specific items). See glossary on page 3.

² Adjusted (being before specific items, share of post tax profits/losses of associates and joint ventures and net non-interest related finance expense). See glossary on page 3.

Openreach

	Fourth quarter to 31 March				Full year to 31 March			
	2021 £m	2020 £m	Change £m	%	2021 £m	2020 £m	Change £m	%
Revenue ¹	1,346	1,295	51	4	5,244	5,112	132	3
Operating costs ¹	620	576	44	8	2,307	2,254	53	2
EBITDA ²	726	719	7	1	2,937	2,858	79	3
Depreciation & amortisation					1,707	1,712	(5)	—
Operating profit ¹					1,230	1,146	84	7
Capital expenditure					2,249	2,108	141	7
Normalised free cash flow					486	670	(184)	(27)

Revenue growth was primarily due to higher rental bases in fibre-enabled products³, up 15%, and Ethernet, up 7% at quarter end. This was partly offset by declines in legacy copper products. Line losses were lower than our expectations, however, looking forward we expect to see more losses as altnet build increases. We saw FTTP sales of 17k a week in the quarter. Revenue in the quarter benefited from a reclassification of £18m previously recognised in other operating income, which does not impact EBITDA.

EBITDA grew 3% driven by revenue growth. Operating costs increased with higher service costs as we continue to deliver against our customers' increasing service expectations, increased FTTP 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 declined by 27% due to flow through of EBITDA and capex and timing of working capital and lease payables.

Openreach's FTTP rollout has now reached 4.6m footprint. We have achieved a record 2.0m in year build with record levels in the fourth quarter, building at an average run rate of 43k premises passed per week.

The UK lockdowns have had some impact on our trading. Q1 was characterised by lower provision and upgrade activity, partly offset by lower churn. Although not material to total revenue, the Q4 impact was limited to lower FTTP 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.

Despite record levels of copper fault fixes and FTTP provisions, we achieved our best ever on time delivery at 94.6% across all copper-based services.

¹ Adjusted (being before specific items). See glossary on page 3.

² Adjusted (being before specific items, share of post tax profits/losses of associates and joint ventures and net non-interest related finance expense). See glossary on page 3.

³ FTTP, FTTC and Gfast (including Single Order migrations).

Condensed consolidated financial statements

Group income statement

For the full year to 31 March 2021

	Note	Before specific items (‘Adjusted’)	Specific items (note 6)	Total (Reported)
		£m	£m	£m
Revenue	3,4	21,370	(39)	21,331
Operating costs	5	(18,302)	(442)	(18,744)
Operating profit (loss)		3,068	(481)	2,587
Finance expense		(785)	(18)	(803)
Finance income		12	—	12
Net finance expense		(773)	(18)	(791)
Share of post tax profit (loss) of associates and joint ventures		8	—	8
Profit (loss) before tax		2,303	(499)	1,804
Taxation		(428)	96	(332)
Profit (loss) for the year		1,875	(403)	1,472
Earnings per share				
- basic		18.9p	(4.1)p	14.8p
- diluted		18.6p	(4.0)p	14.6p

For the full year to 31 March 2020

	Note	Before specific items (‘Adjusted’)	Specific items (note 6)	Total (Reported)
		£m	£m	£m
Revenue	3,4	22,824	81	22,905
Operating costs	5	(19,213)	(409)	(19,622)
Operating profit (loss)		3,611	(328)	3,283
Finance expense		(796)	(145)	(941)
Finance income		39	5	44
Net finance expense		(757)	(140)	(897)
Share of post tax profit (loss) of associates and joint ventures		6	(39)	(33)
Profit (loss) before tax		2,860	(507)	2,353
Taxation		(536)	(83)	(619)
Profit (loss) for the year		2,324	(590)	1,734
Earnings per share				
- basic		23.5p	(6.0)p	17.5p
- diluted		23.3p	(5.9)p	17.4p

Group statement of comprehensive income

	Full year to 31 March	
	2021 £m	2020 £m
Profit for the year	1,472	1,734
Other comprehensive income (loss)		
Items that will not be reclassified to the income statement		
Remeasurements of the net pension obligation	(4,856)	4,853
Tax on pension remeasurements	918	(808)
Items that have been or may be reclassified subsequently to the income statement		
Exchange differences on translation of foreign operations	(189)	40
Fair value movements on assets at fair value through other comprehensive income	—	(5)
Movements in relation to cash flow hedges:		
– net fair value gains (losses)	(1,468)	854
– recognised in income and expense	850	(382)
Tax on components of other comprehensive income that have been or may be reclassified	133	(84)
Other comprehensive income (loss) for the year, net of tax	(4,612)	4,468
Total comprehensive income (loss) for the year	(3,140)	6,202

Group balance sheet

	31 March 2021	31 March 2020
	£m	£m
Non-current assets		
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	1,165	2,229
Investments	31	20
Associates and joint ventures	17	12
Trade and other receivables	314	481
Contract assets	344	279
Deferred tax assets	989	300
	40,477	41,075
Current assets		
Programme rights	328	310
Inventories	297	300
Trade and other receivables	3,257	2,704
Contract assets	1,515	1,442
Assets classified as held for sale	—	268
Current tax receivable	281	67
Derivative financial instruments	70	260
Investments	3,652	5,092
Cash and cash equivalents	1,000	1,549
	10,400	11,992
Current liabilities		
Loans and other borrowings	911	2,842
Derivative financial instruments	88	46
Trade and other payables	5,980	5,794
Contract liabilities	925	972
Lease liabilities	730	812
Liabilities held for sale	—	211
Current tax liabilities	84	21
Provisions	288	288
	9,006	10,986
Total assets less current liabilities	41,871	42,081
Non-current liabilities		
Loans and other borrowings	15,774	16,492
Derivative financial instruments	1,195	966
Contract liabilities	167	179
Lease liabilities	5,422	5,748
Retirement benefit obligations	5,096	1,140
Other payables	682	754
Deferred tax liabilities	1,429	1,608
Provisions	427	431
	30,192	27,318
Equity		
Share capital	499	499
Share premium	1,051	1,051
Own shares	(143)	(237)
Merger reserve	998	2,572
Other reserves	436	1,119
Retained earnings	8,838	9,759
Total equity	11,679	14,763
	41,871	42,081

Group statement of changes in equity

For the full year to 31 March 2021

	Share Capital ¹	Share Premium ²	Own Shares	Merger Reserve ³	Other Reserves	Retained earnings	Total Equity
	£m	£m	£m	£m	£m	£m	£m
At 1 April 2020	499	1,051	(237)	2,572	1,119	9,759	14,763
Profit for the year	—	—	—	—	—	1,472	1,472
Other comprehensive income (loss) before tax	—	—	—	—	(1,657)	(4,856)	(6,513)
Tax on other comprehensive (loss) income	—	—	—	—	133	918	1,051
Transferred to the income statement	—	—	—	—	850	—	850
Total comprehensive income (loss) for the year	—	—	—	—	(674)	(2,466)	(3,140)
Dividends to shareholders	—	—	—	—	—	—	—
Share-based payments	—	—	—	—	—	72	72
Tax on share-based payments	—	—	—	—	—	5	5
Net buyback of own shares	—	—	94	—	—	(107)	(13)
Transfer to realised profit	—	—	—	(1,574)	(9)	1,583	—
Other movements	—	—	—	—	—	(8)	(8)
At 31 March 2021	499	1,051	(143)	998	436	8,838	11,679

For the full year to 31 March 2020

At 1 April 2019	499	1,051	(167)	4,147	718	3,848	10,096
Profit for the year	—	—	—	—	—	1,734	1,734
Other comprehensive income (loss) before tax	—	—	—	—	889	4,853	5,742
Tax on other comprehensive (loss) income	—	—	—	—	(84)	(808)	(892)
Transferred to the income statement	—	—	—	—	(382)	—	(382)
Total comprehensive income (loss) for the year	—	—	—	—	423	5,779	6,202
Dividends to shareholders	—	—	—	—	—	(1,521)	(1,521)
Unclaimed dividend over 10 years	—	—	—	—	—	2	2
Share-based payments	—	—	—	—	—	72	72
Tax on share-based payments	—	—	—	—	—	—	—
Net buyback of own shares	—	—	(70)	—	—	(14)	(84)
Transfer to realised profit	—	—	—	(1,575)	(22)	1,597	—
Other movements	—	—	—	—	—	(4)	(4)
At 31 March 2020	499	1,051	(237)	2,572	1,119	9,759	14,763

¹ The allotted, called up, and fully paid ordinary share capital of BT Group plc at 2020/21 was £499m comprising 9,968,127,681 ordinary shares of 5p each (2019/20: £499m comprising 9,968,127,681 ordinary shares of 5p each).

² The share premium account, comprising the premium on allotment of shares, is not available for distribution.

³ The merger reserve balance at 1 April 2019 includes £998m related to the group reorganisation that occurred in November 2001 and represented the difference between the nominal value of shares in the new parent company, BT Group plc, and the aggregate of the share capital, share premium account and capital redemption reserve of the prior parent company, British Telecommunications plc. In addition, on 29 January 2016, the company issued 1,594,900,429 ordinary shares of 5p at 470.7p per share. These shares were used as part consideration for the acquisition of EE. As a result of this transaction the merger reserve was credited with £7,424m net of £3m issue costs. Following settlement of intercompany loans by qualifying consideration of £1,574m (2019/20: £1,575m), equivalent balances were transferred from merger reserve to realised profit.

Group cash flow statement

For the full year to 31 March

	Full year to 31 March	
	2021	2020
	£m	£m
Cash flow from operating activities		
Profit before taxation	1,804	2,353
Share of post tax (profit) loss of associates and joint ventures	(8)	33
Net finance expense	791	897
Operating profit	2,587	3,283
Other non-cash charges ¹	267	209
(Profit) loss on disposal of businesses	(65)	36
Profit on disposal of property, plant and equipment and intangible assets	(66)	(115)
Depreciation and amortisation	4,347	4,274
Decrease (increase) in inventories	2	69
Decrease (increase) in programme rights	13	33
(Increase) decrease in trade and other receivables	327	163
(Increase) decrease in contract assets	(141)	(119)
(Decrease) increase in trade and other payables ¹	(43)	144
(Decrease) increase in contract liabilities	(48)	(236)
(Decrease) increase in other liabilities ³	(927)	(1,182)
(Decrease) increase in provisions	(2)	(78)
Cash generated from operations	6,251	6,481
Income taxes paid	(288)	(210)
Net cash inflow from operating activities	5,963	6,271
Cash flow from investing activities		
Interest received	6	30
Dividends received from associates and joint ventures	5	1
Acquisition of subsidiaries	(7)	—
Proceeds on disposal of subsidiaries, associates and joint ventures	164	60
Acquisition of associates and joint ventures	—	(8)
Proceeds on disposal of current financial assets ⁴	13,506	12,000
Purchases of current financial assets ⁴	(12,085)	(13,877)
Net (purchase) disposal of non-current asset investments ⁵	(11)	33
Proceeds on disposal of property, plant and equipment and intangible assets	85	216
Purchases of property, plant and equipment and intangible assets ⁶	(4,903)	(4,105)
Net cash outflow from investing activities	(3,240)	(5,650)
Cash flow from financing activities		
Equity dividends paid	(2)	(1,520)
Interest paid	(770)	(736)
Repayment of borrowings ⁷	(1,162)	(1,111)
Proceeds from bank loans and bonds	—	2,843
Payment of lease liabilities	(782)	(651)
Cash flows from derivatives related to net debt	(490)	452
Proceeds from issue of own shares	1	2
Repurchase of ordinary share capital	(14)	(86)
Net cash outflow from financing activities	(3,219)	(807)
Net decrease in cash and cash equivalents	(496)	(186)
Opening cash and cash equivalents ⁸	1,409	1,594
Net decrease in cash and cash equivalents	(496)	(186)
Effect of exchange rate changes	(17)	1
Closing cash and cash equivalents⁸	896	1,409

¹ Other non-cash charges in 2019/20 include £58m goodwill impairment charge on assets associated with our domestic operations in France and selected domestic operations and infrastructure in 16 countries in Latin America that were classified as held for sale.

² Excludes a prepayment of £702m (2019/20: £nil) in respect of the acquisition of Spectrum which completes in 2021/22.

³ Includes pension deficit payments of £955m (2019/20: £1,274m).

⁴ Primarily consists of investment in and redemption of amounts held in liquidity funds.

⁵ Relates to (purchase) disposal of fair value through equity investments.

⁶ Consists of additions to property, plant and equipment and software 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.

⁷ Repayment of borrowings includes the impact of hedging.

⁸ Net of bank overdrafts of £104m (2019/20: £183m).

Notes to the condensed consolidated financial statements

1. Basis of preparation and accounting policies

These condensed consolidated financial statements (the "financial statements") comprise the financial results of BT Group plc for the years to 31 March 2021 and 2020 together with the balance sheet at 31 March 2021 and 2020. Results for the year to 31 March 2021 have been extracted from the 31 March 2021 audited consolidated financial statements which have been approved by the Board of Directors. These have not yet been delivered to the Registrar of Companies but are expected to be published on 27 May 2021.

The directors are satisfied that the group has adequate resources to continue in operation for a period of at least twelve months from the date of this report. Consequently, the directors consider it appropriate to adopt the going concern basis of accounting in preparing the condensed consolidated financial statements for the full year to 31 March 2021. When reaching this conclusion, the directors took into account:

- The group's overall financial position (including trading during the year and ability to repay term debt as it matures without recourse to refinancing);
- Exposure to principal risks (including severe but plausible downsides); and
- The ongoing impact of Covid-19.

At 31 March 2021, the group had cash and cash equivalents of £1.0bn and current asset investments of £3.7bn. The group also had access to committed borrowing facilities of £2.1bn. These facilities were undrawn at period-end and are not subject to renewal until March 2026.

The financial statements have been prepared in accordance with the accounting policies as set out in the financial statements for the year to 31 March 2021 and have been prepared under the historical cost convention as modified by the revaluation of financial assets and liabilities (including derivative financial instruments) at fair value.

The financial information set out above does not constitute the company's statutory accounts for the years to 31 March 2021 or 2020 but is derived from those accounts. The auditor has reported on those accounts; their report (i) was unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006 in respect of the accounts for the year to 31 March 2021 or 31 March 2020. Statutory accounts for the year to 31 March 2020 were approved by the Board of Directors on 6 May 2020, published on 21 May 2020 and have been delivered to the Registrar of Companies.

New and amended accounting standards effective during the year

No new or amended accounting standards that became effective during the year have had a significant impact on the group.

New and amended accounting standards that have been issued but are not yet effective

We do not expect any other standards or interpretations that have been issued but are not yet effective to have a significant impact on the group.

2. Restatement of prior period financial statements

On 1 April 2020, Supply Chain and Pelipod, which serve several parts of BT, were transferred from Enterprise to the central procurement team and as a result are now reported in Group 'Other' financial results. The comparative results in the operating results notes have been revised to be presented on a consistent basis. See notes 3 and 4.

3. Operating results – by customer facing unit

	External Revenue	Internal revenue	Group revenue	Adjusted EBITDA ¹	Operating profit
Full year to 31 March 2021	£m	£m	£m	£m	£m
Consumer	9,788	97	9,885	2,128	847
Enterprise	5,340	109	5,449	1,704	964
Global	3,731	—	3,731	596	191
Openreach	2,488	2,756	5,244	2,937	1,230
Other	23	—	23	50	(164)
Intra-group items	—	(2,962)	(2,962)	—	—
Total adjusted²	21,370	—	21,370	7,415	3,068
Specific items (note 6)			(39)		(481)
Total			21,331		2,587

Full year to 31 March 2020³

Consumer	10,286	102	10,388	2,426	1,148
Enterprise	5,789	163	5,952	1,935	1,223
Global	4,361	—	4,361	634	155
Openreach	2,359	2,753	5,112	2,858	1,146
Other	29	—	29	54	(61)
Intra-group items	—	(3,018)	(3,018)	—	—
Total adjusted²	22,824	—	22,824	7,907	3,611
Specific items (note 6)			81		(328)
Total			22,905		3,283

¹ For the reconciliation of adjusted EBITDA, see additional information on page 35.

² See Glossary on page 3.

³ 2020 results have been restated to reflect the transfer of Supply Chain and Pelipod from Enterprise to Other.

4. Operating results - by type of revenue

Full year to 31 March 2021	Consumer	Enterprise	Global	Openreach	Other	Total
	£m	£m	£m	£m	£m	£m
ICT and managed networks	—	1,993	1,977	—	—	3,970
Fixed access subscription revenue	4,089	1,762	321	2,426	—	8,598
Mobile subscription revenue	3,492	1,262	87	—	—	4,841
Equipment and other services	2,207	323	1,346	62	23	3,961
Total adjusted¹ revenue	9,788	5,340	3,731	2,488	23	21,370
Specific items (note 6)						(39)
Total revenue						21,331

Full year to 31 March 2020 ²	Consumer	Enterprise	Global	Openreach	Other	Total
ICT and managed networks	—	2,109	2,199	—	—	4,308
Fixed access subscription revenue	4,443	2,007	352	2,293	—	9,095
Mobile subscription revenue	3,807	1,297	84	—	—	5,188
Equipment and other services	2,036	376	1,726	66	29	4,233
Total adjusted¹ revenue	10,286	5,789	4,361	2,359	29	22,824
Specific items (note 6)						81
Total revenue						22,905

¹ See Glossary on page 3.

² 2020 results have been restated to reflect the transfer of Supply Chain and Pelipod from Enterprise to Other.

5. Operating costs

	Full year to 31 March	
	2021 £m	2020 £m
Direct labour costs	5,151	5,312
Indirect labour costs	1,042	1,028
Leaver costs	11	15
Total labour costs	6,204	6,355
Capitalised labour	(1,643)	(1,577)
Net labour costs	4,561	4,778
Product costs and sales commissions	4,070	4,440
Payments to telecommunications operators	1,517	1,749
Property and energy costs	1,025	1,004
Network operating and IT costs	916	898
Programme rights charges	786	870
Other operating costs	1,080	1,178
Operating costs before depreciation, amortisation and specific items	13,955	14,917
Depreciation and amortisation	4,347	4,296
Total operating costs before specific items	18,302	19,213
Specific items (Note 6)	442	409
Total operating costs	18,744	19,622

6. Specific items

Our income statement and segmental analysis separately identify trading results on an adjusted basis, being before specific items. The directors believe that presentation of the group's results in this way is relevant to an understanding of the group's financial performance as specific items are those that in management's judgement need to be disclosed by virtue of their size, nature or incidence.

This presentation is consistent with the way that financial performance is measured by management and reported to the Board and the Executive Committee and assists in providing an additional analysis of our reporting trading results. Specific items may not be comparable to similarly titled measures used by other companies.

In determining whether an event or transaction is specific, management considers quantitative as well as qualitative factors. Examples of charges or credits meeting the above definition and which have been presented as specific items in the current and/or prior years include acquisitions/disposals of businesses and investments, retrospective regulatory matters, historical insurance or litigation claims, business restructuring programmes, asset impairment charges, property rationalisation programmes, net interest on pensions and the settlement of multiple tax years. In the event that items meet the criteria, which are applied consistently from year to year, they are treated as specific items.

	Full year to 31 March	
	2021	2020
	£m	£m
Specific revenue		
Retrospective regulatory matters	39	(81)
Specific revenue	39	(81)
Specific operating costs		
Restructuring charges	421	322
Settlement with Dixons Carphone	149	—
Sale of spectrum	(66)	—
Divestment-related items	(60)	199
Property rationalisation costs	19	(131)
Covid-19	(17)	95
Spectrum annual licence fee refund	—	(82)
Provisions for claims	—	(5)
Retrospective regulatory matters	(4)	9
Italian business investigation	—	2
Specific operating costs	442	409
Specific operating loss	481	328
Interest expense on retirement benefit obligation	18	145
Interest on spectrum annual licence fee refund	—	(5)
Associates and joint ventures	—	39
Net specific items charge before tax	499	507
Tax charge (credit) on specific items	(96)	83
Net specific items charge after tax	403	590

Retrospective regulatory matters

We recognised a net charge of £35m (2019/20: net credit of £72m) in relation to regulatory matters. This reflects the settlement of various matters. Of this, £39m charge is recognised in revenue and £4m credit in operating costs.

Restructuring charges

We incurred charges of £421m (2019/20: £322m), primarily relating to leaver costs. These costs reflect projects within the next stage of our group-wide modernisation programme, as announced in May 2020, which will deliver annualised gross benefits of £1bn by March 2023 and £2bn by March 2025, with a £1.3bn one-off cost to achieve across the five years.

Settlement with Dixons Carphone

In March 2021, following the expiry of the retail agreement between Dixons Carphone and EE Limited earlier in the year, we mutually agreed to resolve all outstanding matters which primarily related to contingent revenue share costs that could have previously been recognised over future years. The associated cost of £149m which includes the agreed cash payment and the write off of balance sheet prepayments and accruals has been treated as a specific item in the full year 2021 results. The associated cash payment was made in April 2021 and will be reflected in the 2021/22 financial statements.

Sale of spectrum

In the year, we sold 25 MHz of unpaired 2.6 GHz spectrum and recognised a gain on disposal of £66m (2019/20: £nil) as a specific item.

Divestment-related items

In May 2020 we completed the sale of our Spanish operations and recorded a net gain of £80m. We incurred net losses on the disposals of our operations in Latin America and France of £11m. We recognised an additional £4m loss on disposal of a number of other businesses and £5m of costs relating to ongoing divestment projects.

In 2019/20 we recognised impairment charges of £127m on reclassification of our operations in Spain, France and Latin America as held for sale, losses on disposal of £36m relating to the completed divestments of BT Fleet Solutions and Tikit, and a further £36m of costs relating to ongoing divestment projects.

Property rationalisation costs

We recognised a charge of £19m (2019/20: net credit of £(131)m) relating to the rationalisation of the group's property portfolio under our Better Workplace Programme. The 2019/20 credit included the gain on sale of BT Centre of £115m.

Covid-19

In 2019/20 we recognised one-off charges of £95m relating to the impact of Covid-19 on various balance sheet items. In 2020/21 £17m has been released through the income statement as a specific item. At 31 March 2021 we retain £55m of provisions relating to Covid-19.

Spectrum annual licence fee refund

In 2019/20 we received a payment of £87m including interest of £5m from Ofcom, relating to overpaid fees that were charged during the period 2015-2017 under the previous 2015 fees regulation that was quashed by the Court of Appeal in 2017.

Provision for claims

In 2019/20 we recognised a credit of £5m in relation to release of provisions for claims created through specific items in 2012/13 which were fully settled.

Italian business investigation

In 2019/20 we recognised £2m costs relating to the historical investigation in our Italian business.

Interest expense on retirement benefit obligation

During the year we incurred £18m (2019/20: £145m) of interest costs in relation to our defined benefit pension obligations.

Associates and joint ventures

In 2019/20, following renegotiation of a contract, £39m owed by an associate was determined irrecoverable and the resulting impairment recognised as a specific item.

Tax on specific items

A net tax credit of £96m (2019/20: net tax credit of £73m) was recognised in relation to specific items. In 2019/20, legislation was enacted to maintain the UK corporation tax rate at 19%. Accordingly, the group re-measured its deferred tax balances which resulted in a charge of £156m.

7. Pensions

	31 March 2021	31 March 2020
	£bn	£bn
IAS 19 liabilities – BTPS	(57.7)	(53.0)
Assets – BTPS	53.2	52.2
Other schemes	(0.6)	(0.3)
Total IAS 19 deficit, gross of tax	(5.1)	(1.1)
Total IAS 19 deficit, net of tax	(4.2)	(1.0)
Discount rate (nominal)	2.05 %	2.45 %
Discount rate (real)	(1.11)%	(0.15)%
Average RPI inflation	3.20 %	2.60 %
Average CPI inflation	2.75 %	1.90 %

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.

BT and the Trustee of the BT Pension Scheme (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 p.a., 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.

Further details are set out in a separate announcement.

8. Share capital

In the year to 31 March 2021, 9.8m shares (2019/20: 8.6m) at a total cost of £18m (2019/20: £22m), calculated at a weighted average cost per share, were transferred from own shares (comprising Treasury shares and shares held under the BT Group Employee Share Ownership Trust) to satisfy obligations under all-employee and executive share plans. We received cash proceeds of £nil (2019/20: £1m).

In addition, 34.8m shares (2019/20: £nil) at a total cost of £90m (2019/20: £nil), calculated at a weighted average cost per share, were transferred from own shares under the yourshare grant for employees in the UK.

Own shares of £14m (2019/20: £86m) were purchased during the year.

9. Contingent liabilities

Legal proceedings

The group is involved in various proceedings, including actual or threatened litigation, and government or regulatory investigations. However, save as disclosed below, the group does not currently believe that there are any legal proceedings, or government or regulatory investigations that may have a material adverse impact on the operations or financial condition of the group. In respect of each of the claims below, the nature and progression of such proceedings and investigations make it difficult to make a reliable estimate of the potential outflow of funds that might be required to settle the claims where there is a more than remote possibility of there being an outflow. There are many reasons why we cannot make these assessments with certainty, including, among others, that they are in early stages, no damages or remedies have been specified, and/or the often slow pace of litigation.

Class action claim

In January, law firm Mishcon de Reya applied to the Competition Appeal Tribunal to bring a proposed class action claim for damages estimated at £608m (inclusive of compound interest) or £589m (inclusive of simple interest) on behalf of our landline-only customers alleging anti-competitive behaviour through excessive pricing by BT to customers with certain residential landline services. We regret being drawn into litigation on a topic which Ofcom considered more than three years ago. At that time, Ofcom's final statement made no finding of excessive pricing or breach of competition law more generally. The claim seeks to hold against us the fact that we implemented a voluntary commitment to reduce prices for customers that have a BT landline only and not to increase those prices beyond inflation (CPI). At the reporting date we are not aware of any evidence to indicate that a present obligation exists such that any amount should be provided for. Class actions must be certified by the Competition Appeal Tribunal at a Collective Proceedings Order (CPO) hearing before proceeding to a substantive trial. The CPO hearing is listed on 24 and 25 June 2021. If the class action is certified the substantive trial will not conclude during 2021/22. BT intends to defend itself vigorously.

Italian business

Milan Public Prosecutor prosecutions: In February 2019 the Milan Public Prosecutor served BT Italia S.P.A. (BT Italia) with a notice (which named BT Italia, as well as various individuals) to record the Prosecutor's view that there is a basis for proceeding with its case against BT Italia for certain potential offences, namely the charge of having adopted, from 2011 to 2016, an inadequate management and control organisation model for the purposes of Articles 5 and 25 of Legislative Decree 231/2001. BT Italia disputes this and maintains in a defence brief filed in April 2019 that: (a) BT Italia did not gain any interest or benefit from the conduct in question; and (b) in any event, it had a sufficient organisational, management and audit model that was circumvented/overridden by individuals acting in their own self-interest. However, following a series of committal hearings in Autumn 2020, on 10 November 2020, the Italian court agreed (as is the normal process unless there are limitation or other fundamental issues with the claim) that BT Italia, and all but one of the individuals, should be committed to a full trial. The trial commenced on 26 January 2021 and is expected to last at least two years. On 23 April 2021, the Italian court allowed some parties to be joined to the criminal proceedings as civil parties ('parte civile') – a procedural feature of the Italian criminal law system. These claims are directed at certain individual defendants (which include former BT/ BT Italia employees). Those parties have now applied to join BT Italia as a respondent to their civil claims ('responsabile civile') on the basis that it is vicariously responsible for the individuals' wrongdoing. If successful, the quantum of those claims is not anticipated to be material.

Phones 4U

Since 2015 the administrators of Phones 4U Limited have made allegations that EE and other mobile network operators colluded to procure Phones 4U's insolvency. Legal proceedings for an unquantified amount were issued in December 2018 by the administrators and in April 2019 we submitted our defence to this claim. The parties are now working through the procedural steps in the litigation. We continue to dispute these allegations vigorously.

Regulatory matters

In the ordinary course of business, we are periodically notified of regulatory and compliance matters and investigations. We provide for anticipated costs where an outflow of resources is considered probable and a reasonable estimate can be made of the likely outcome. Provisions reflect management's estimates of regulatory and compliance risks across a range of issues, including price and service issues.

The precise outcome of each matter depends on whether it becomes an active issue, and the extent to which negotiation or regulatory and compliance decisions will result in financial settlement. The ultimate liability may vary from the amounts provided and will be dependent upon the eventual outcome of any settlement.

10. Principal risks and uncertainties

Our risk management framework helps us tackle risks and uncertainties consistently to stop them derailing our strategy. It also lets us think smarter about risk while running our business with operational discipline.

How we identify and assess risks

Group risk categories

We define our risk landscape through areas of enduring risk called group risk categories. They are not intended to contain the whole risk universe, just the parts we think are most relevant to BT.

We classify our group risk categories in four ways according to the type of risk they represent: strategic, financial, compliance and operational.

For each category, we define the level of risk we're willing to take (our risk appetite) through a number of metrics; and we describe the rules we've set to manage it (policies, standards and controls).

We apply our framework to constantly reassess, monitor, manage and report on the main risks to our strategy.

We also identify and manage point and emerging risks within each of these categories and across categories.

Point risks

Some risks aren't always adequately covered by the set of rules in place; or by the ways we normally set our risk appetite.

They might need extra focus at the moment because they're unusual, changing rapidly, or currently have a potentially significant impact.

We call these point risks and we put extra management focus on them.

Emerging risks

Other risks might be more like uncertainties – not yet fully formed into specific risks. That makes them particularly difficult to quantify or make specific plans for.

These are emerging risks. We use ongoing monitoring to spot the triggers that could crystallise these uncertainties and turn them into specific risks.

Collectively, this risk landscape describes the principal risks and uncertainties affecting BT.

How we manage risks

Each group risk category is assigned an Executive Committee owner.

They're ultimately accountable for setting our risk appetite for each particular risk category. They set out how we measure our exposure to that risk, how we manage it (including setting the right policies and controls) and ensure that we take the actions necessary to achieve and maintain our target risk appetite and level of control. Point and emerging risks relating to each category are continuously reviewed and managed.

Each of our business units also reviews, on a periodic basis, its exposure in all these categories and the point and emerging risks that might affect its performance.

Our governance structures ensure that different oversight bodies and leadership teams get the right level of information on our risk exposures and how we're managing them. This promotes robust discussion and prioritisation, the right monitoring, and better decision-making.

We cover our full risk landscape in detail over the next pages.

Strategic

Strategy, technology and competition	Risk Owner: Chief financial officer
What this category covers	
We could fail to properly respond to an uncertain economic outlook, intensifying competition, rapid technology developments, or fail to develop products and services that match changing market dynamics or customer expectations.	
How it could affect our strategy and/or business model	
<ul style="list-style-type: none"> Increased competition might challenge our market share, revenue or profit, or could make it harder for us to grow the value of our business. New technology developments could make it harder for us to monetise our network investment and could potentially force us to invest more to meet the needs of customers. Major economic uncertainty could have a big effect on our customers – weakening demand, making them less willing to pay for premium services and increasing the risk of bad debts. 	<ul style="list-style-type: none"> Investing in becoming a network leader with the best converged network. Transforming ourselves to be fitter for the future through upgrading older services and technologies. Investing in differentiated solutions that give us opportunities to grow and deliver standout customer experiences. Monitoring technology developments and competitor activity. Working with regulators and key stakeholders.
Point risks that could affect this category	Emerging risks that could affect this category
<ul style="list-style-type: none"> Stronger competition in the converged market. Increasing competitive intensity. A shrinking global economy. 	<ul style="list-style-type: none"> New disruptive technologies which substitute our products. Over-the-top players joining the connectivity market.

Stakeholder management	Risk Owner: Corporate affairs director
What this category covers	
We might fail to properly manage our stakeholders, which may affect our significant risks, for instance those around buying, using, selling or developing new or emerging technologies responsibly.	
How it could affect our strategy and/or business model	
<ul style="list-style-type: none"> Not effectively managing our stakeholders' expectations, or failing to anticipate the potential effects of certain risks on the communities we serve, might damage their trust in us. That could affect our performance, shareholder value, licence to operate and might also limit new growth opportunities. Our future strategy and growth plans could be undermined. There might be legal liabilities for the company or individual colleagues. 	<ul style="list-style-type: none"> Tracking trust and reputation across our main stakeholder groups to inform our plans. Proactively engaging with key stakeholders to build stronger relationships and support a better understanding of risks. Exploring more positive outcomes for BT in a fair and transparent way. Operating a responsible and sustainable business, maintaining our top quartile position on environmental, social and governance criteria.
Point risks that could affect this category	Emerging risks that could affect this category
<ul style="list-style-type: none"> Full fibre build commitments and rural connectivity. Misinformation on 5G health concerns. Developments from the UK withdrawing from the EU. 	<ul style="list-style-type: none"> Evolving trade tensions between the US and China. Climate change policy agenda and perceptions of our sector's role in carbon emissions. Growing focus on the digital divide and its implications. Potential for misuse of our technology, in the context of our commitments to human rights.

Financial

Financing	Risk Owner: Chief financial officer
What this category covers	
We could find ourselves not able to fund our business or pension schemes, or to refinance debt.	
How it could affect our strategy and/or business model	
<ul style="list-style-type: none"> Not generating enough cash, being unable to access capital markets, or a big increase in our pension scheme obligations could stop us from being able to fund our business cash flows or meet our payment commitments. 	<ul style="list-style-type: none"> Regularly reviewing actual and forecast cash flow performance. Performing annual viability assessments and conducting scenario analysis. Issuing hybrid debt. Having a pension investment approach that lowers our risk over time, making contributions less volatile. Analysing our pension schemes' funding position and investment performance regularly, and negotiating funding valuations. Responding to any relevant pensions consultations.
Point risks that could affect this category	Emerging risks that could affect this category
<ul style="list-style-type: none"> Lack of access to capital and liquidity because of the economic downturn. Our credit rating being downgraded. An increase in our pension deficit. 	<ul style="list-style-type: none"> Pension regulator review of funding regulations, risking bigger pension liabilities or giving us less time to make deficit payments. Future debt capital markets might not suit all our debt needs.

Financial control	Risk Owner: Chief financial officer
What this category covers	
One or more of our financial controls could fail to prevent fraud (including misappropriation of assets) or inaccurate reporting, resulting in financial losses or causing us to misrepresent our financial position.	
How it could affect our strategy and/or business model	
<ul style="list-style-type: none"> Failings in how we design or operate our financial controls might lead to financial loss, misstatement and/or wrong business decisions. On top of that, it could give rise to fraud, dissatisfied stakeholders, breaches and associated penalties, legal action and damage to our reputation. Not modernising our business and financial processes by simplifying and automating our controls could make it harder for us to be agile, proactive and customer-centric. 	How we manage it <ul style="list-style-type: none"> Maintaining an internal controls framework with clear accountability across the three lines of defence. Performing quarterly control attestations. Conducting annual testing covering all key controls, including relevant IT general controls. Continuing to enhance processes, systems and controls, for instance by investing in enterprise-wide SAP to deliver improved and automated accounting and controls.
Point risks that could affect this category	Emerging risks that could affect this category
<ul style="list-style-type: none"> Failing to simplify and modernise our finance processes. Impact of complex legacy systems on our internal controls. Ability to maintain sound internal controls following our deregistration from the US Securities and Exchange Commission. 	<ul style="list-style-type: none"> Changes to controls framework requirements as a result of changes to regulation and legislation.

Compliance

Legal compliance	Risk Owner: General counsel ^a
What this category covers	
We could fail to comply with legal requirements that apply to our business, including law relating to anti-bribery and corruption, competition, trade sanctions and corporate governance obligations.	
How it could affect our strategy and/or business model	
<ul style="list-style-type: none"> Not following laws that apply to us might lead to fines and penalties. That could affect our operations and shareholder value, as well as damaging the public's trust in us. Serious breaches could lead to prosecution, litigation or to the regulator stepping in. And that might lead to fines or affect our ability to operate, especially if the breaches were deemed criminal. 	How we manage it <ul style="list-style-type: none"> Assessing risks regularly when providing legal advice on strategic projects and commercial operations. Scanning the horizon to prepare for legislative changes and developing policies to address them Ensuring compliance with laws and regulations when signing off new business. Training and communication so our colleagues are aware of legal risks, controls needed and expected standards of conduct as set out in our Ethics Code. Running discipline and reward incentives to encourage the right behaviour in managing risks. Carrying out monitoring and assurance, both internally and externally, on some of our external high-risk suppliers. Fostering a culture where our colleagues can speak up, so we can identify problems and stop them happening again.
Point risks that could affect this category	Emerging risks that could affect this category
<ul style="list-style-type: none"> Post-Brexit changes to UK laws and regulations. 	<ul style="list-style-type: none"> Increased reliance on third parties following the divestment of assets. The geopolitical risks of further sanctions in high-risk territories.

^a Owner will change to general counsel and director of regulatory affairs from 1 June 2021

Data regulation	Risk Owner: Chief digital and innovation officer
What this category covers	
We could fail to follow data regulations, or not anticipate and adequately prepare for future ones.	
How it could affect our strategy and/or business model	
<ul style="list-style-type: none"> Failing to comply with global data protection laws or regulations that apply to us could damage our reputation, affect our stakeholders' trust in us and harm our colleagues, customers and suppliers. It also means that we could face potential litigation and big fines and penalties. 	<ul style="list-style-type: none"> Continuously enhancing our data governance programme to tackle existing and future data regulatory risks. Reviewing the use of personal data across the business to make sure our data protection policies are followed. Running data protection and data handling training, and providing tools to help our colleagues make better, more risk-aware day-to-day decisions. Monitoring the post-Brexit regulatory landscape and making contingency plans to keep data flowing where it's needed.
How we manage it	
Point risks that could affect this category	Emerging risks that could affect this category
<ul style="list-style-type: none"> The UK losing data adequacy status from the EU. Preventing data loss in remote working environments. Complying with data protection laws and regulations, while seeking innovative uses for data. 	<ul style="list-style-type: none"> Changes to data protection laws and regulations that apply to us wherever we operate. Increased regulator focus on governance and ethics around data propositions and processes.

Regulation	Risk Owner: Regulatory affairs director ^a
What this category covers	
We could face an adverse regulatory environment to execute our strategy. Or we could fail to stick to the guidance and regulation set by our telecommunications and financial services regulators (Ofcom and the FCA, respectively).	
How it could affect our strategy and/or business model	
<ul style="list-style-type: none"> An overly strict or inflexible regulatory environment might make it harder for us to innovate and develop new products and services. Unsupportive regulation could stop us investing at pace and scale in our full fibre rollout, 5G, converged connectivity and financial services. An unclear or unpredictable regulatory environment could make it harder to deliver what customers and society expected from us while growing our value. Not following regulations applying to us could lead to regulator action. That might damage our reputation or public trust, or make it harder to have a say in regulatory and government policy development. 	<ul style="list-style-type: none"> Making sure the Commitments are always front of mind for all colleagues, including training those in high-risk roles. Proactively engaging with our regulators at different levels and on different policy topics. Creating brilliant customer experiences, for example when moving customers on to our new networks. Maintaining processes that ensure we follow regulations carefully, building trust and enabling positive future dialogue with policymakers. Supplying timely and accurate information to our regulators.
How we manage it	
Point risks that could affect this category	Emerging risks that could affect this category
<ul style="list-style-type: none"> Uncertainty around the broadband Universal Service Obligation. Shutting down our legacy networks as required. 	<ul style="list-style-type: none"> Increased regulation for new technology may not support good customer experience. New or extended customer fairness regulation.

^a Owner will change to general counsel and director of regulatory affairs from 1 June 2021.

Service interruption		Risk Owner: Chief technology officer
What this category covers		
Our customers could face disruption to the services we provide if we failed to fix vulnerabilities in our networks or IT infrastructure, or didn't make them resilient enough.		
How it could affect our strategy and/or business model		How we manage it
<ul style="list-style-type: none"> An interruption to service, like one of our networks going down, would affect our customers directly. It could also make it harder for us to deliver critical services, which could damage our reputation. 	<ul style="list-style-type: none"> Regularly testing our business continuity and disaster recovery plans and keeping them up-to-date. Planning how to deal with the effects of climate change globally, including network and IT resilience to face more severe weather events. Responding quickly to incidents and reducing their impact through quickly-deployable and geographically dispersed emergency response teams. Continually scanning the horizon and doing more proactive monitoring across our network and IT estate. 	
Point risks that could affect this category		Emerging risks that could affect this category
<ul style="list-style-type: none"> The ability to remove high-risk vendors from our network. Our suppliers' performance. 	<ul style="list-style-type: none"> Increasing frequency and severity of extreme weather events. Transforming ourselves and our technology without disrupting service. 	

Cyber security		Risk Owner: Chief technology officer
What this category covers		
We might fail to protect ourselves, or our customers, from harm caused by intended or unintended cyber security events.		
How it could affect our strategy and/or business model		How we manage it
<ul style="list-style-type: none"> If we didn't stop a cyber attack, it could lead to business disruption or compromised data. And that could lead to penalties, financial loss, cancelled contracts or regulatory sanctions. If our reputation were damaged by a cyber security issue, it would also have a negative effect on our security credentials in the marketplace. 	<ul style="list-style-type: none"> Monitoring external threats and gathering intelligence on evolving cyber techniques, tactics and capabilities. Keeping ourselves in a heightened state of preparedness to quickly detect and respond to cyber threats before they become incidents. Promoting good security 'hygiene' and behaviour in our colleagues, through communications, campaigns and training. Continuing to invest in our cyber defences and security tooling to improve our ability to protect BT and our customers. 	
Point risks that could affect this category		Emerging risks that could affect this category
<ul style="list-style-type: none"> Being exposed to suppliers with security vulnerabilities. Relying on externally hosted cloud services. Increasing levels of remote working during and after the pandemic. 	<ul style="list-style-type: none"> AI and machine learning being weaponised as security threats. Growing numbers of connected home devices need more focus on protecting customers. 	

Transformation delivery	Risk Owner: Chief digital and innovation officer
What this category covers	
We could fail to effectively implement the changes needed to radically simplify our processes and products, and modernise our technology.	
How it could affect our strategy and/or business model	How we manage it
<ul style="list-style-type: none"> • Not realising the benefits of our transformation could negatively impact customer and colleague experience. • It could also affect our operational efficiency and make it harder for us to make future investments. • Not having the right processes, tools and techniques to transform ourselves might stop us realising benefits, like improving our productivity through simplification. 	<ul style="list-style-type: none"> • Having a strong governance model, with senior leaders owning major transformation activities. • Monitoring operational performance using financial and non-financial measures to make sure we generate value. • Investing in new capabilities, and developing matching skills in our colleagues, so that we have the right resources to deliver change effectively. • Collaborating across the group in a way that properly reflects our customers' end-to-end journeys.
Point risks that could affect this category	Emerging risks that could affect this category
<ul style="list-style-type: none"> • Migrating to digital platforms. • Allocating the right resources, capabilities and organisational design to maximise value creation. 	<ul style="list-style-type: none"> • Delays to our full fibre build might make it harder to simplify our portfolio. • Switching off the PSTN in December 2025.

People	Risk Owner: HR director
What this category covers	
Our organisational structure, or the diversity, skills, engagement and culture of our workforce, could fall short of what is needed to deliver for customers in the short or longer term.	
How it could affect our strategy and/or business model	How we manage it
<ul style="list-style-type: none"> • A less diverse workforce could lead to poorer decision-making, and might make it harder for us to attract and retain talent. • If our colleagues weren't engaged, it might cut productivity, hinder innovation and slow down the pace of our transformation. It could also potentially lead to industrial action. • Failing to attract and retain talent in critical roles or with critical skills, and to foster a culture where everyone felt able to be their best, could affect our overall capabilities. 	<ul style="list-style-type: none"> • Following a diversity and inclusion strategy to raise awareness, address bias and promote people networks and support for underrepresented groups. • Listening to colleagues through things like employee engagement and pulse surveys, the Colleague Board, town halls or social platforms, and maintaining close relationships with formal employee representative groups. • Investing in group-wide workforce and talent planning, training and development, with both role-specific and future skills in mind. • Providing fair and competitive remuneration to colleagues that promotes long-term business success, supports engagement and retention and aligns colleagues' interests with those of shareholders.
Point risks that could affect this category	Emerging risks that could affect this category
<ul style="list-style-type: none"> • The post-Brexit employment environment. • Social disruption and challenges around post-pandemic return to workplaces. 	<ul style="list-style-type: none"> • Long-term social and workplace effects from the pandemic. • Growing colleague activism on social or environmental topics.

Health, safety and wellbeing	Risk Owner: HR director
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What this category covers	
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We could fail in our duty of care to make sure our people are safe, healthy and fulfilled in a culture where they feel they can be and perform their best.

How it could affect our strategy and/or business model	How we manage it
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|--|---|
| <ul style="list-style-type: none"> • Failing to promote and embed a culture of continual improvement could stop us building a safe and compliant business that protects our colleagues at work. This would affect their morale and make us a less attractive employer. • If we don't meet leading health, safety and wellbeing standards, and reduce avoidable harm incidents to zero, we could face financial penalties and damage to our reputation. | <ul style="list-style-type: none"> • Training our colleagues and ensuring they are clear on their role and accountabilities with regards to health, safety and wellbeing practices. • Monitoring our colleagues' health, safety and wellbeing through surveys and focus groups, supported by a dedicated portal and mental health awareness training for managers. • Using an incident reporting system to monitor our performance on health, safety and wellbeing. • Making sure all BT suppliers operate in line with our safety standards. |
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Point risks that could affect this category	Emerging risks that could affect this category
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|---|---|
| <ul style="list-style-type: none"> • Maintaining secure workplace measures and controls. | <ul style="list-style-type: none"> • The long-term physical and mental health effects of lengthy periods of social restriction and limited mobility. |
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Major contracts	Risk Owner: Chief executive
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What this category covers	
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We could fail to sign or retain high-value national or multinational customer contracts because we weren't able to deliver the critical services agreed. Or we might end up entering into contracts with unfavourable commercial or legal terms.

How it could affect our strategy and/or business model	How we manage it
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|--|--|
| <ul style="list-style-type: none"> • Failing to meet our contractual commitments – or respond to changing customer needs – while ensuring productivity and avoiding cost over-runs, could affect our future revenues, profitability and cash generation. • Service failures could damage our brand and reputation, particularly if they affected critical infrastructure contracts or security and data protection services. • Profits could be impacted following the pandemic as customers' businesses shrink or face consolidation or financial failure. | <ul style="list-style-type: none"> • Using a clear governance framework to manage the bid process and in life management of contract risks. • Following a cycle of regular contract reviews, led by senior management or our specialist independent review team. • Using advanced contract management tools to support frontline contract managers. |
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Point risks that could affect this category	Emerging risks that could affect this category
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|---|---|
| <ul style="list-style-type: none"> • The complexities associated with handling multiple customer obligations. • Delivering complex critical national infrastructure contracts. • Moving customers away from end-of-life products and services. | <ul style="list-style-type: none"> • Fast-changing customer needs in a post-Brexit business environment. • Changes to the geopolitical landscape affecting growth prospects in certain regions. |
|---|---|

Customer service	Risk Owner: CEO Consumer
What this category covers	
We might fail to give our customers the good-value, outstanding service they expect, making it harder for us to build personal and enduring relationships with them.	
How it could affect our strategy and/or business model	How we manage it
<ul style="list-style-type: none"> If we don't satisfy our customers with modern, competitive products and solutions, combined with outstanding service, they might leave BT for a competitor and, as a result, damage our reputation. Failing to transform our customer experience could negatively affect customer satisfaction and retention, colleague pride and advocacy, our group revenues and brand value. If we miss our regulatory commitments, we could face associated financial penalties. 	<ul style="list-style-type: none"> Delivering on our promises about the service levels customers should expect from us, and tracking a range of customer experience performance metrics. Planning with all our suppliers how we'll manage the impact of a potential future pandemic resurgence. Piloting schemes and testing customer equipment to minimise the impact of new hardware, services or platforms. Making sure we won't be short on key skills by following a colleague retention and skills development plan.
Point risks that could affect this category	Emerging risks that could affect this category
<ul style="list-style-type: none"> Drops in service level because of reduced retail presence. Migrating to new service platforms. 	<ul style="list-style-type: none"> Long-term changes in customer needs and expectations.

Third party management	Risk Owner: Chief financial officer
What this category covers	
We might fail to select the right suppliers and partners, or there might be failures in how we manage the relationships with the third parties we rely on.	
How it could affect our strategy and/or business model	How we manage it
<ul style="list-style-type: none"> Selecting suppliers who couldn't meet our needs, or depending too much on too few suppliers, could lead to poor third-party commercial terms. That could damage our strategic, market or competitive position. Picking suppliers who weren't up to the job might lead to failed deliveries, lost revenue or investment, fines or damage to our reputation. Managing suppliers poorly could disrupt our business and lead to regulatory fines and brand damage. For example if we discovered a supplier was involved in modern slavery, or was vulnerable to a cyber attack that could compromise BT sensitive data. 	<ul style="list-style-type: none"> Applying ethical and responsible business principles when picking suppliers. Conducting pre-contract checks on our suppliers covering their financial health and their ability to meet our standards on anti-bribery and corruption, security or data privacy. Monitoring suppliers' performance on energy use, environmental impact and labour standards and supporting their improvement plans. Getting assurance that the goods and services we buy are made, delivered and disposed of in a socially and environmentally responsible way. Continuing to invest in AI and machine learning tools to give us greater transparency to supplier risk across our top suppliers, and to help develop category-specific strategies.
Point risks that could affect this category	Emerging risks that could affect this category
<ul style="list-style-type: none"> Disruption due to worldwide shortages of critical supplies. Supplier-related cyber and data security threats. Being sure of ethical business practices across our whole supply chain. 	<ul style="list-style-type: none"> Political tensions in regions where we have a high concentration of suppliers. Single-source vendors' delivery performance. Driver shortages affecting our suppliers' delivery models.

11. Post balance sheet events

Spectrum auction

On 27 April 2021 it was announced that the assignment stage of Ofcom's spectrum auction for 700 MHz and 3.6-3.8 GHz spectrum bands had been completed. EE Ltd, a wholly owned subsidiary of BT Group plc, has secured the following positions within the respective spectrum bands: 723-733 MHz and 778-788 MHz; 738-758 MHz; and 3680-3720 MHz. The total cost of the spectrum was £475m which will be accounted for within 2021/22 together with the related interference mitigation provision. In the Annual Report 2021, £702m is held within prepayments on deposit with Ofcom. We received a refund of £227m at the conclusion of the process at the end of April 2021.

BT OnePhone Limited acquisition

On 17 April 2021 the group completed the acquisition of the remaining 30% of the share capital of BT One Phone Limited ("BTOP"), a telecom provider offering fixed-to-mobile replacement telephony networks and enterprise telephony solutions. BTOP is currently accounted for as a joint venture. The acquisition supports the Group's strategy to invest in innovative technologies to become the most trusted connector of people, devices and machines.

The acquisition will be treated as a business combination under IFRS 3 and therefore the results of BTOP will be fully consolidated from the date of acquisition. The Group paid £97m for full and final settlement for the remaining share of the company. A purchase price allocation exercise will be completed and allocation of consideration between net assets, identifiable intangible assets and goodwill will be reported in the Group's 2021/22 results.

Additional Information

Notes

Our commentary focuses on the trading results on an adjusted basis, which is a non-GAAP measure, being before specific items. The directors believe that presentation of the group's results in this way is relevant to an understanding of the group's financial performance as specific items are those that in management's judgement need to be disclosed by virtue of their size, nature or incidence. This is consistent with the way that financial performance is measured by management and reported to the Board and the Executive Committee and assists in providing a meaningful analysis of the trading results of the group. In determining whether an event or transaction is specific, management considers quantitative as well as qualitative factors such as the frequency or predictability of occurrence. Reported revenue, reported operating profit, reported profit before tax, reported net finance expense and reported EPS are the equivalent unadjusted or statutory measures. Reconciliations of reported to adjusted revenue, operating costs, operating profit, profit before tax and EPS are set out in the Group income statement. Reconciliations of adjusted earnings before interest, tax, depreciation and amortisation, net debt and free cash flow from the nearest measures prepared in accordance with IFRS are provided in this Additional Information.

Reconciliation of earnings before interest, tax, depreciation and amortisation

Earnings before interest, tax, depreciation and amortisation (EBITDA) is not a measure defined under IFRS, but is a key indicator used by management to assess operational performance. We consider EBITDA and adjusted EBITDA to be useful measures of our operating performance because they approximate the underlying operating cash flow by eliminating depreciation and amortisation. EBITDA and adjusted EBITDA are not direct measures of our liquidity, which is shown by our cash flow statement, and need to be considered in the context of our financial commitments. A reconciliation of reported profit for the period to EBITDA and adjusted EBITDA is provided below.

	Full year to 31 March	
	2021	2020
	£m	£m
Reported profit for the period	1,472	1,734
Tax	332	619
Reported profit before tax	1,804	2,353
Net interest related finance expense	773	750
Depreciation and amortisation	4,347	4,274
EBITDA	6,924	7,377
EBITDA specific items	481	350
Net other finance expense	18	147
Share of post tax losses (profits) of associates and joint ventures	(8)	33
Adjusted¹ EBITDA	7,415	7,907

¹ See Glossary on page 3.

Normalised free cash flow

Normalised free cash flow is one of the group's key performance indicators by which our financial performance is measured. It is primarily a liquidity measure. However, we also believe it is an important indicator of our overall operational performance as it reflects the cash we generate from operations after capital expenditure and financing costs, both of which are significant ongoing cash outflows associated with investing in our infrastructure and financing our operations.

Normalised free cash flow is defined as free cash flow (net cash inflow from operating activities after net capital expenditure) after net interest paid and payment of lease liabilities, before pension deficit payments (including their cash tax benefit), payments relating to spectrum, and specific items. For non-tax related items the adjustments are made on a pre-tax basis. It excludes cash flows that are determined at a corporate level independently of ongoing trading operations such as dividends, share buybacks, acquisitions and disposals, and repayment and raising of debt.

Normalised free cash flow is not a measure of the funds that are available for distribution to shareholders.

A reconciliation from cash inflow from operating activities, the most directly comparable IFRS measure, to free cash flow and normalised free cash flow, is set out below.

	Full year to 31 March	
	2021	2020
	£m	£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	(4,818)	(3,889)
Free cash flow¹	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 flow¹	1,459	2,011

¹ See Glossary on page 3.

Net Debt

Net debt is not a measure defined under IFRS but is a key indicator used by management to assess both the group's cash position and its indebtedness. A reconciliation from loans and other borrowings, lease liabilities, cash and cash equivalents, and current asset investments, the most directly comparable IFRS measures, to net debt, is set out below.

	31 March 2021	31 March 2020
	£m	£m
Loans and other borrowings	16,685	19,334
Lease liabilities	6,152	6,560
Cash and cash equivalents	(1,000)	(1,549)
Current asset investments	(3,652)	(5,092)
Net (assets) liabilities classified as held for sale ¹		19
	18,185	19,272
Adjustments:		
To re-translate currency denominated balances at swapped rates when hedged ²	(142)	(1,049)
To remove fair value adjustments and accrued interest applied to reflect the effective interest method ³	(241)	(254)
Net debt⁴	17,802	17,969
Lease liabilities	(6,152)	(6,560)
Lease liabilities classified as held for sale	—	(62)
Net financial debt	11,650	11,347

¹ Net assets classified as held for sale is £nil (2019/20: net liabilities comprising cash and cash equivalents of £43m and lease liabilities of £62m).

² The translation difference between spot rate and hedged rate of loans and borrowings denominated in foreign currency.

³ Includes remaining fair value adjustments made on certain loans and other borrowings and accrued interest at the balance sheet date.

⁴ See Glossary on page 3.

Reconciliation of year on year trends in adjusted earnings before interest, tax, depreciation and amortisation

Adjusted earnings before interest, tax, depreciation and amortisation (EBITDA) is not a measure defined under IFRS, but is a key indicator used by management to assess operational performance. Adjusted EBITDA is defined as EBITDA before specific items, share of post tax profits/losses of associates and joint ventures and net non-interest related finance expense.

A reconciliation of the trends in EBITDA to adjusted EBITDA is provided below.

	Full year to 31 March 2021
	%
Increase (decrease) in reported EBITDA	(6.1)
EBITDA specific items	1.9
Other finance expense	(1.5)
Share of post tax losses (profits) of associates and joint ventures	(0.5)
Increase (decrease) in adjusted ¹ EBITDA	(6.2)

¹ See Glossary on page 3.

Cautionary statement regarding forward-looking statements

Certain information included in this announcement is forward looking and involves risks, assumptions and uncertainties that could cause actual results to differ materially from those expressed or implied by forward looking statements. Forward looking statements cover all matters which are not historical facts and include, without limitation, projections relating to results of operations and financial conditions and BT's plans and objectives for future operations. Forward looking statements can be identified by the use of forward looking terminology, including terms such as 'believes', 'estimates', 'anticipates', 'expects', 'forecasts', 'intends', 'plans', 'projects', 'goal', 'target', 'aim', 'may', 'will', 'would', 'could' or 'should' or, in each case, their negative or other variations or comparable terminology. Forward looking statements in this announcement are not guarantees of future performance. All forward looking statements in this announcement are based upon information known to BT on the date of this announcement. Accordingly, no assurance can be given that any particular expectation will be met and readers are cautioned not to place undue reliance on forward looking statements, which speak only at their respective dates. Additionally, forward looking statements regarding past trends or activities should not be taken as a representation that such trends or activities will continue in the future. Other than in accordance with its legal or regulatory obligations (including under the UK Listing Rules and the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority), BT undertakes no obligation to publicly update or revise any forward looking statement, whether as a result of new information, future events or otherwise. Nothing in this announcement shall exclude any liability under applicable laws that cannot be excluded in accordance with such laws.

About BT

BT Group is the UK's leading telecommunications and network provider and a leading provider of global communications services and solutions, serving customers in 180 countries. Its principal activities in the UK include the provision of fixed voice, mobile, broadband and TV (including Sport) and a range of products and services over converged fixed and mobile networks to consumer, business and public sector customers. For its global customers, BT provides managed services, security and network and IT infrastructure services to support their operations all over the world. BT consists of four customer-facing units: Consumer, Enterprise, Global and its wholly-owned subsidiary, Openreach, which provides access network services to over 650 communications provider customers who sell phone, broadband and Ethernet services to homes and businesses across the UK.

British Telecommunications plc is a wholly-owned subsidiary of BT Group plc and encompasses virtually all businesses and assets of the BT Group. BT Group plc is listed on the London Stock Exchange.

For more information, visit www.bt.com/about.

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We will hold the fourth quarter and full year 2020/21 results call for analysts and investors in London at 10am today and a simultaneous webcast will be available at www.bt.com/results.

We expect to publish the BT Group plc Annual Report 2021 on 27 May 2021. The Annual General Meeting of BT Group plc will be held on 15 July 2021.

We are scheduled to announce the first quarter results for 2021/22 on 29 July 2021.