

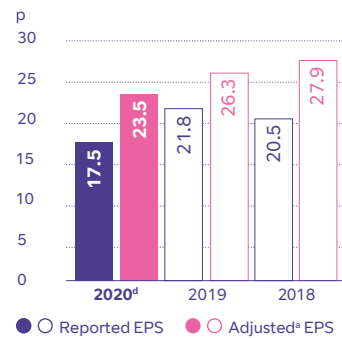
Group performance

Introduction from our Chief Financial Officer

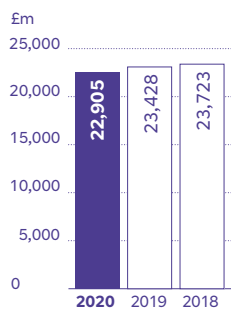


KPI

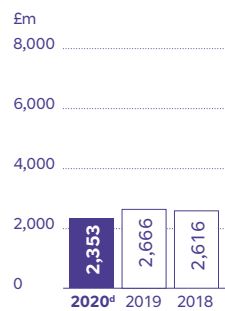
Earnings per share



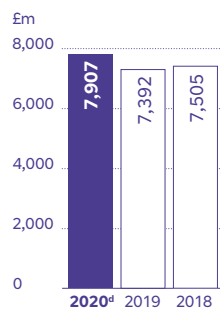
Revenue
£ 22,905m
(2)%



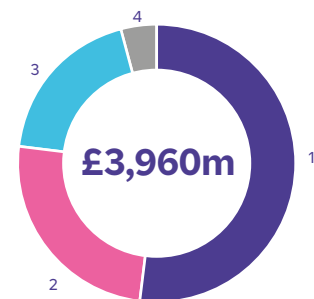
Profit before tax
£2,353m
(12)%



Adjusted^a EBITDA
£7,907m
+7%



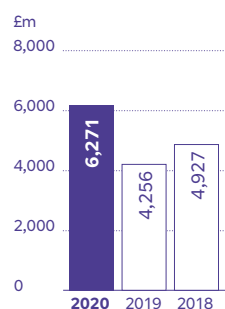
2019/20 Capital expenditure



- 1. Network investment 52%
- 2. Customer driven investment 25%
- 3. Systems and IT 19%
- 4. Non-network investment 4%

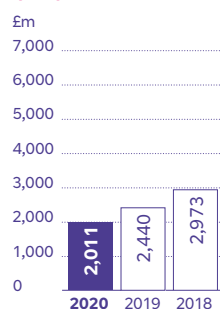
^a Items presented as adjusted are stated before specific items. See page 204 for more information.
^b After net interest paid and payment of lease liabilities, before pension deficit payments, (including the cash tax benefit of deficit payments) and specific items.
^c Loans and other borrowings and 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 to sterling at swapped rates where hedged. Fair value adjustments and accrued interest applied to reflect the effective interest method are removed. Please refer to note 26 for reconciliation from nearest IFRS measure.
^d Movement includes impact of adopting IFRS 16 from 1 April 2019.

Operating cash flow
£6,271m
+47%

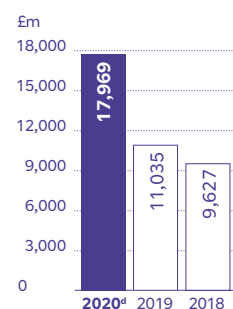


KPI

Normalised free cash flow^b
£2,011m
(18)%



Net debt^c
£17,969m



Group performance continued

	Outlook provided in July 2019 ^a	Result	Performance in line with outlook
Change in adjusted ^b revenue	Down c.2%	down 2.7%	✗
Adjusted ^c EBITDA	£7.9bn - £8.0bn	£7.9bn	✓
Capital expenditure ^d (excluding BDUK clawback)	£3.7bn - £3.9bn	£3.9bn	✓
Normalised free cash flow ^e	£1.9bn - £2.1bn	£2.0bn	✓

^a Outlook originally provided in May 2019 was updated in July 2019 for the effect of IFRS 16. The range of group adjusted^b EBITDA was updated from £7.2bn - £7.3bn to £7.9bn - £8.0bn.

^b Items presented as adjusted are stated before specific items. See page 204 for more information.

^c Adjusted (being before specific items, share of post tax profits/losses of associates and joint ventures and net non-interest related finance expense), as explained in the Additional information on page 204.

^d Additions to property, plant and equipment and intangible assets in the period.

^e Free cash flow after net interest paid and payment of lease liabilities, before pension deficit payments (including the cash tax benefit of pension deficit payments) and specific items.

Alternative performance measures

We assess the performance of the group using various alternative performance measures. As these are not defined under IFRS they are termed 'non-GAAP' or 'alternative performance' measures. We reconcile these to the nearest prepared measure in line with IFRS on pages 204 to 206. The alternative performance measures we use may not be directly comparable with similarly-titled measures used by other companies.

IFRS 16

IFRS 16 'Leases' replaced IAS 17 'Leases' with effect from 1 April 2019. We present current year results on the new IFRS 16 basis but prior year comparatives on an IAS 17 basis. For this reason, certain measures may not be directly comparable. EBITDA has increased under IFRS 16 because operating lease expense has been replaced by interest expense and depreciation. See note 1 to the financial statements for further information.


Performance

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

Reported revenue was £22.9bn, down 2% and adjusted^b revenue was £22.8bn, down 3%. This mainly reflects the impact of regulation, declines in legacy products, strategic reductions of low margin business and divestments. This was partially offset by growth in new products and services and higher rental bases of fibre-enabled products and Ethernet.

Reported profit before tax was £2.4bn, impacted by the higher upfront interest expense associated with IFRS 16 lease liabilities recognised on 1 April 2019.

Adjusted^c EBITDA of £7.9bn was up 7%. This was mainly driven by the impact of IFRS 16. Excluding this, adjusted^c EBITDA was down 3%, mainly driven by the fall in revenue, increased business rates, investments in customer experience and increased salary costs in Openreach to support FTTP rollout and better service, partially offset by savings from our ongoing transformation programme.

 We have recognised £95m of Covid-19 impacts on various balance sheet items as a specific item. These primarily relate to an increase in our expected credit loss provisions against trade receivables and contract assets, mainly within our enterprise units.

Outlook for 2020/21

Given the uncertainty created by Covid-19 we will not be providing an outlook statement for 2020/21.

Covid-19 will have an impact on our business. The full impact on the group will depend on the duration of this unique crisis and how deeply it impacts the economy, with a range of potential outcomes too large to provide a meaningful quantification at this point.

This fiscal year and beyond we expect the primary trading impact in five areas:

- We are seeing lower revenue from our BT Sport propositions in Consumer, due to the impact of customer credits, pubs and clubs closures, and reduced advertising revenues. We will continue to offer bill credits while there isn't live sport.
- We expect an impact from sharply reduced business activity and rising insolvencies, specifically among the SME segment served by Enterprise and to a lesser extent Global.
- We are seeing an adverse impact on Openreach trading. While we anticipate lower churn, we expect significant reductions in the volume of broadband and Ethernet upgrades and provisioning, due to reduced business activity, including fewer new site builds, and restrictions on provisioning activity under current stay-at-home guidelines.
- Retail trading in Consumer and the volume end of Enterprise is being adversely impacted, with fewer sales and upgrades across fixed and mobile products, partly offset by lower churn. In addition, we are seeing lower mobile roaming volumes.
- We are seeing a reduction in spending and a more cautious approach from our multinational customers resulting in cancellations and delays to purchasing cycles, primarily impacting trading in Global.

Of these, we expect the vast majority of the financial impact will derive from lower revenue from the impacts on our BT Sport propositions, the SME segment and Openreach trading.

We will continue to evaluate the potential impacts as the situation develops further and hope to provide an outlook statement later in the year.

Dividend

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 has decided that it is appropriate to suspend the final dividend for 2019/20 and all dividends for 2020/21. The Board expects to resume dividend payments in 2021/22 at 7.7 pence per share.

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

Simon Lowth
Chief Financial Officer
6 May 2020

Summarised income statement

Year ended 31 March	2020 (IFRS 16) £m	2019 (IAS 17) £m	2018 (IAS 17) £m
Revenue	22,905	23,428	23,723
Operating costs ^a	(15,348)	(16,461)	(16,828)
Depreciation and amortisation	(4,274)	(3,546)	(3,514)
Operating profit	3,283	3,421	3,381
Net finance expense	(897)	(756)	(764)
Share of post tax profit/(loss) of associates and ventures	(33)	1	(1)
Profit before tax	2,353	2,666	2,616
Tax	(619)	(507)	(584)
Profit for the period	1,734	2,159	2,032

Revenue

Reported revenue fell by 2% and adjusted^b revenue fell by 3%. This was primarily due to the impact of regulation, declines in legacy products, strategic reductions of low margin business and divestments. This was partially offset by growth in new products and services and higher rental bases of fibre-enabled products and Ethernet.

You can find details of revenue by customer-facing unit on pages 49 and 50. Note 5 to the consolidated financial statements shows a full breakdown of revenue by all our major product and service categories.

Operating costs

Both reported and adjusted^b operating costs were down 2%. This was mainly driven by savings from our ongoing transformation programmes, partially offset by increased business rates, investment in customer experience and increased salary costs in Openreach to support FTTP rollout and better service.

Our cost transformation programme announced in May 2018 is complete with an annual benefit of over £1,550m and an associated implementation cost of £670m. During the year there was a reduction of 5,000 roles, taking the total to 9,000 over the past 2 years.

The next phase of our transformation will focus 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. This will deliver annualised gross cost savings of £1bn per annum by the end of March 2023, realised in broadly equal annual increments, increasing to £2bn per annum by the end of March 2025. The savings will comprise reductions in both our total labour costs and spend with external suppliers. We expect around 80% of the savings will be realised in operating costs and the remainder in capital expenditure. We anticipate that the one-off cost to achieve these savings will be £1.3bn in total across the five years of the programme, of which £900m will be invested in the first three years, including around £400m this fiscal year.

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

Adjusted^b operating costs before depreciation, amortisation and specific items

Year ended 31 March



Profit before tax

Reported profit before tax was £2,353m and adjusted^b profit before tax was £2,860m. This was impacted by the higher upfront interest expense associated with IFRS 16 lease liabilities recognised on 1 April 2019.

Adjusted^c EBITDA

Adjusted^c EBITDA of £7,907m was up 7%. This was mainly driven by the impact of IFRS 16. Excluding this adjusted^c EBITDA was down 3%, reflecting the revenue decline partly offset by the lower costs as described above. You can find details of adjusted^c EBITDA by customer-facing unit on pages 49 and 50.

Specific items

As we explain on page 204, we separately identify and disclose those items that in management's judgement need to be disclosed by virtue of their size, nature or incidence. We call these specific items. Specific items are used to derive the adjusted results as presented in the consolidated income statement. Adjusted results are consistent with the way that financial performance is measured by management and assists in providing an additional analysis of the reported trading results of the group.

Specific items resulted in a net charge after tax of £590m (2018/19: £452m). The main components are restructuring costs of £322m (2018/19: £386m), divestment related items of £199m (2018/19: £5m), interest expense on pensions of £145m (2018/19: £139m), £95m one-offs resulting from Covid-19 (2018/19: £nil) and a tax charge on specific items of £83m (2018/19: credit of £112m).

These charges were offset by the gain on disposal of BT Centre of £115m (2018/19: £nil); release of regulatory provisions of £72m (2018/19: £27m charge); and payment of £87m including settlement interest of £5m from Ofcom relating to overpaid annual licence fees that were charged during the period 2015-2017.

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

^a Excluding depreciation and amortisation.

^b Items presented as adjusted are stated before specific items. See page 204 for more information.

^c Adjusted (being before specific items, share of post tax profits/losses of associates and joint ventures and net non-interest related finance expense), as explained in the Additional information on page 204.

Group performance continued

Taxation

Our effective tax rate was 26.3% (2018/19: 19.0%) on reported profit and 18.7% (2018/19: 19.2%) on profit before specific items. We paid income taxes globally of £210m (2018/19: £431m).

We paid UK corporation tax of £147m (2018/19: £317m). We benefited £434m from tax deductions on employees' pension and share schemes (2018/19: £391m). We no longer benefit from EE's historical tax losses (2018/19: benefit of £90m).

Our tax expense recognised in the income statement before specific items was £536m (2018/19: £619m). We also recognised a £892m tax charge (2018/19: £343m tax credit) in the statement of comprehensive income, mainly relating to our pension scheme.

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

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

Earnings per share

Reported earnings per share was 17.5p, down 20%, while adjusted^a earnings per share fell 11% to 23.5p.

Capital expenditure

In recent years we've prioritised capital expenditure to underpin our strategy of connecting customers to the UK's best network, expanding coverage and capacity, and making our fixed and mobile networks faster and more resilient.

Capital expenditure was £3,960m (2018/19: £3,963m). This includes grant funding deferral under the Building Digital UK (BDUK) programme. Excluding BDUK gainshare, capital expenditure was £3,943m (2018/19: £3,750m).

Network investment (excluding BDUK gainshare) was £2,053m^b, up 4%^b. This reflects our continued investment in our fibre cities network build and the rollout of 5G. Other capital expenditure components were up 6%^b, with £972m^b spent on customer-driven investments, £755m^b on systems and IT, and £163m^b on non-network infrastructure.

Capital expenditure contracted but not yet spent was £1,234m at 31 March 2020 (2018/19: £1,432m).

Normalised free cash flow

Year ended 31 March	2020 £m	2019 £m	2018 £m
Cash generated from operations	6,481	4,687	5,400
Tax paid	(210)	(431)	(473)
Net cash inflows from operating activities	6,271	4,256	4,927
Net purchase of property, plant and equipment and software	(3,889)	(3,637)	(3,341)
Free cash flow	2,382	619	1,586
Interest received	30	23	7
Interest paid	(736)	(531)	(555)
Add back pension deficit payments	1,274	2,024	872
Dividends from associates	1	-	-
Add back net cash flow from specific items	112	598	828
Add back net sale of non-current asset investments	33	1	19
Add back prepayments in respect of acquisition of spectrum licence	-	-	325
Remove refund on acquisition of spectrum licence	-	(21)	-
Remove cash tax benefit of pension deficit payments	(434)	(273)	(109)
Payment of lease liabilities	(651)	-	-
Normalised free cash flow^c	2,011	2,440	2,973

Cash flow

Net cash inflow from operating activities was up £2,015m from last year to £6,271m. This was mainly driven by £750m lower deficit contributions to the BT Pension Scheme in the current year and significant one-off cash flows. Normalised free cash flow^c was £2,011m, down £429m. This was driven by increased cash capital expenditure, lower EBITDA, deposit payments for UEFA club football rights and increased interest payments, partially offset by one-off cash flows.

Free cash flow, which includes specific item outflows of £112m (2018/19: £598m) and a £434m (2018/19: £273m) tax benefit from pension deficit payments, was £2,382m (2018/19: £619m). We made pension deficit payments of £1,274m (2018/19: £2,024m) and paid dividends to our shareholders of £1,521m (2018/19: £1,504m).

Net cash cost of specific items was £112m (2018/19: net cash cost of £598m). This includes restructuring payments of £350m (2018/19: £372m) and regulatory payments of £39m (2018/19: £170m), offset by proceeds on disposal of BT Centre of £210m (2018/19: £nil) and receipt of annual licence fee refund from Ofcom of £87m (2018/19: £nil).

You can see a reconciliation to normalised free cash flow from net cash inflow from operating activities (the most directly comparable IFRS measure) on page 206.

^a Adjusted measures exclude specific items, as explained in the Additional information on page 204.

^b Capital expenditure by spend type has been re-presented to reflect an improved mapping process.

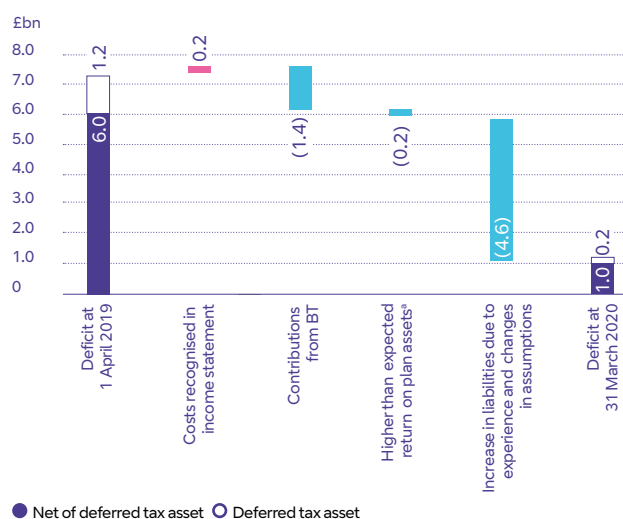
^c Free cash flow after net interest paid and payment of lease liabilities, before pension deficit payments (including the cash tax benefit of pension deficit payments) and specific items.

Summarised balance sheet

As at 31 March	2020 £m	2019 £m	2018 £m
Intangible assets	13,889	14,385	14,447
Property, plant and equipment	18,474	17,835	17,000
Right-of-use assets	5,391	-	-
Derivative financial instruments	2,489	1,592	1,509
Cash and cash equivalents	1,549	1,666	528
Investments	5,112	3,268	3,075
Trade and other receivables	3,185	3,667	4,331
Contract assets	1,721	1,602	-
Deferred tax assets	300	1,347	1,326
Other current and non-current assets	957	925	626
Total assets	53,067	46,287	42,842
Loans and other borrowings	19,334	16,876	14,275
Derivative financial instruments	1,012	940	837
Trade and other payables	6,548	7,269	8,494
Contract liabilities	1,151	1,425	-
Lease liabilities	6,560	-	-
Provisions	719	1,006	1,055
Retirement benefit obligations	1,140	7,182	6,847
Deferred tax liabilities	1,608	1,407	1,340
Other current and non-current liabilities	232	15	83
Total liabilities	38,304	36,120	32,931
Total equity	14,763	10,167	9,911

Pensions

The accounting deficit, net of tax, decreased during the year from £6.0bn to £1.0bn. This mainly reflects an increase in the real discount rate, deficit contributions paid over the period and positive asset returns. However, interest rates are extremely volatile in the current markets and we estimate our IAS 19 deficit will have materially worsened since 31 March principally reflecting the subsequent fall in capital spreads. The movements in the deficit for the group's defined benefit plans are shown below:



Key movements in IAS 19 deficit

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

Net debt^b

Net debt^b was £18.0bn at 31 March 2020, £6.9bn higher than at 31 March 2019 (£11.0bn), primarily reflecting lease liabilities recognised on transition to IFRS 16 on 1 April 2019. Excluding lease liabilities, net financial debt was £0.5bn higher than at 31 March 2019.

The increase in net financial debt was driven by £1.3bn of BT Pension Scheme contributions, £1.5bn dividend payments, £3.9bn net capital expenditure, £0.7bn payment of lease liabilities and £0.7bn net interest payments. These were partly offset by net cash inflow from operating activities (excluding pension contributions) of £7.5bn and net proceeds from disposals of subsidiaries, associates and joint ventures of £0.1bn.

At 31 March 2020 the group held cash and current investment balances of £6.6bn. The current portion of loans and other borrowings of £2.8bn include term debt of £1.3bn repayable during 2020/21. We issued bonds in September 2019, November 2019 and February 2020 totalling £2.8bn, including a £0.4bn hybrid bond; and in June 2019 and March 2020 repaid bonds totalling £1.1bn.

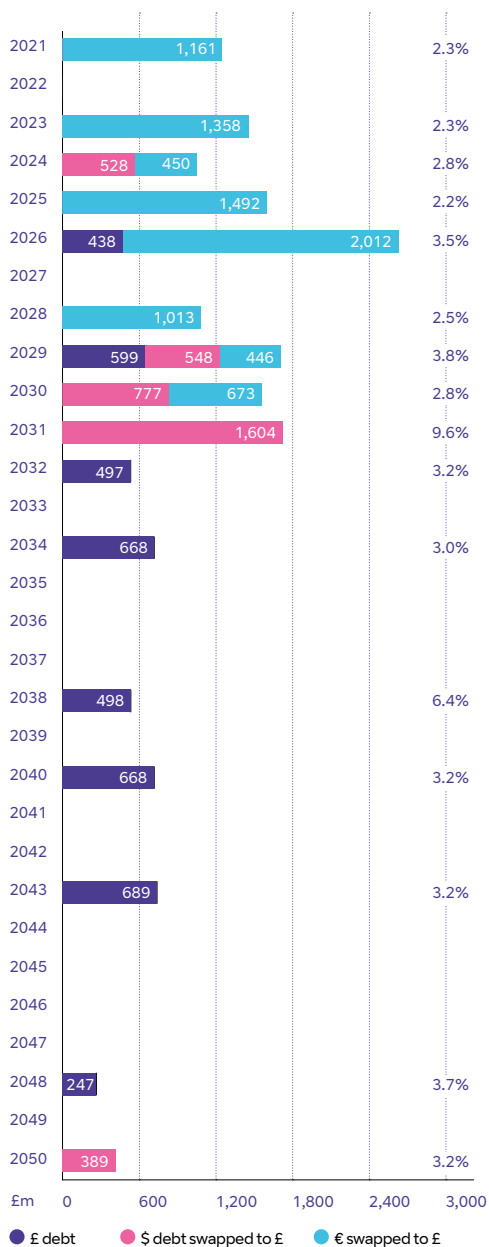
Gross debt translated at swap rates and excluding fair value adjustments at 31 March 2020 was £24.6bn. This comprises term debt of £16.8bn lease liabilities of £6.6bn and other loans of £1.3bn.

^a The actual investment return in the year to 31 March 2020 of around 2.9% was greater than our discount rate assumption at 31 March 2019 of 2.35%.

^b 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 to sterling at swapped rates where hedged. Fair value adjustments and accrued interest applied to reflect the effective interest method are removed. Please refer to note 26 for reconciliation from nearest IFRS measure.

Group performance continued

The graph below shows our debt maturity profile:



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

Contractual obligations and commitments

The table below shows our principal undiscounted contractual financial obligations and commitments at 31 March 2020.

As at 31 March	Total £m	Less than 1 year £m	Between 1 and 3 years £m	Between 3 and 5 years £m	More than 5 years £m
Loans and other borrowings ^a	18,028	2,436	1,357	2,469	11,766
Lease commitments	7,484	799	1,545	1,388	3,752
Capital commitments	1,234	993	170	71	-
Other commitments	228	228	-	-	-
Programme rights commitments	2,434	880	1,148	406	-
Pension deficit obligations	9,162	946	1,863	1,816	4,537
Total	38,570	6,282	6,083	6,150	20,055

^a Principal repayments at hedged rates.

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

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

Share buyback

We spent £86m (2018/19: £9m) on our share buyback programme. We received proceeds of £2m (2018/19: £5m) from people exercising their share options.

Our customer-facing units

Consumer

Adjusted^b revenue
£10,388m
(2)%

Adjusted^b operating profit
£1,148m
(12)%

Year ended 31 March	2020	2019 ^a	Change	
	(IFRS 16) £m	(IAS 17) £m	£m	%
Adjusted ^b revenue	10,388	10,591	(203)	(2)
Adjusted ^b operating costs	7,962	8,260	(298)	(4)
Adjusted^c EBITDA	2,426	2,331	95	4
Depreciation & amortisation	1,278	1,030	248	24
Adjusted^b operating profit	1,148	1,301	(153)	(12)
Capital expenditure	948	944	4	-
Normalised free cash flow ^d	1,065	1,166	(101)	(9)

Revenue^b declined due to known regulatory headwinds from international calling and mobile spend caps and a declining base of voice only customers. Revenue from TV and sport continued to grow.

EBITDA^c was up 4% primarily driven by the impact of IFRS 16. Excluding this, EBITDA^c was down 5% due to the impact of regulation, a declining base of voice only customers and investments in the fairness agenda. EBITDA^c from TV and sport continued to grow during the year. EBITDA^c in both years included certain one-off credits.

⚙️ Going into the next financial year, we are seeing lower revenue from our BT Sport propositions, due to the impact of customer credits, pubs and clubs closures, and reduced advertising revenues. We will continue to offer bill credits while there isn't live sport. Retail trading is being adversely impacted with fewer sales and upgrades across fixed and mobile products, partly offset by lower churn. In addition, we are seeing lower mobile roaming volumes.

EBITDA^c after specific items includes a £9m charge in relation to the expected impact of the Covid-19 outbreak on the recoverability of receivable balances held at 31 March 2020.

The movement in depreciation and amortisation was primarily due to the adoption of IFRS 16.

Capital expenditure was largely flat primarily due to lower core network investment. Normalised free cash flow^d was down 9% mainly due to lower EBITDA.

Fixed churn has improved to 1.3% due to improvements to customer experience and our new annual CPI pricing strategy. Consumer broadband complaints have been reduced to below industry average for the first time. Mobile churn was 1.2%.

We continue to experience challenging market trends, with declines in traditional calls and lines where we have a relatively high market share, limited growth and pricing pressures in the broadband market and tough mobile competition.

Enterprise

Adjusted^b revenue
£6,093m
(5)%

Adjusted^b operating profit
£1,246m
+2%

Year ended 31 March	2020	2019 ^a	Change	
	(IFRS 16) £m	(IAS 17) £m	£m	%
Adjusted ^b revenue	6,093	6,396	(303)	(5)
Adjusted ^b operating costs	4,128	4,486	(358)	(8)
Adjusted^c EBITDA	1,965	1,910	55	3
Depreciation & amortisation	719	690	29	4
Adjusted^b operating profit	1,246	1,220	26	2
Capital expenditure	501	551	(50)	(9)
Normalised free cash flow ^d	1,397	1,356	41	3

Revenue^b decreased 5% in the year due to continued declines in traditional fixed voice usage, with total fixed voice revenue down £149m, and the impact of divestments. Excluding the impact of divestments, revenue^b decreased 2%. These declines were partly offset by growth in wholesale mobile and WAN & Ethernet.

Operating costs^b were down 8% in the year, due to the impact of IFRS 16 and lower labour costs from our restructuring programmes. EBITDA^c increased 3%, however excluding the impact of IFRS 16 EBITDA^c decreased 3%, with our lower cost base more than offset by the reduction in revenue. Excluding the impact of IFRS 16 and divestments, EBITDA^c was down 1%.

⚙️ In the next financial year we expect an impact from sharply reduced business activity and rising insolvencies, specifically among the SME segment. We are also seeing an adverse impact on mobile roaming volumes and fewer sales and upgrades across fixed and mobile products, partly offset by lower churn.

Depreciation and amortisation and operating profit movements primarily reflect the impact of IFRS 16.

Capital expenditure decreased 9% and normalised free cash flow^d increased 3%, with the upfront cash payment of c.£100m received as part of our deal with Cellnex.

Despite the competitive market, we saw a strong order intake. The Wholesale order intake increased 15% to £1.2bn and the Retail order intake increased 23% to £3.6bn, helped by a major contract extension within the public sector.

^a All prior year comparatives have been restated for the change in the allocation of group overhead costs and the transfer of the Emergency Services Network contract from Consumer to Enterprise. For more information please see note 1 to the financial statements on page 129.

^b Adjusted measures exclude specific items, as explained in the Additional information on page 204.

^c Adjusted (being before specific items, share of post tax profits/losses of associates and joint ventures and net non-interest related finance expense), as explained in the Additional information on page 204.

^d Free cash flow after net interest paid and payment of lease liabilities, before pension deficit payments (including the cash tax benefit of pension deficit payments) and specific items as explained in the Additional information on page 206.

Group performance continued

Our customer-facing units continued

Global

Year ended 31 March	Adjusted ^b revenue		Adjusted ^b operating profit	
	2020 (IFRS 16) £m	2019 ^a (IAS 17) £m	Change £m	%
	£4,361m		£155m	+135%
	(8)%			
Adjusted ^b revenue	4,361	4,735	(374)	(8)
Adjusted ^b operating costs	3,727	4,291	(564)	(13)
Adjusted^c EBITDA	634	444	190	43
Depreciation & amortisation	479	378	101	27
Adjusted^b operating profit	155	66	89	135
Capital expenditure	223	245	(22)	(9)
Normalised free cash flow ^d	255	235	20	9


Revenue^b for the year was down 8% reflecting our strategic decisions to reduce low margin business, divestments and legacy portfolio declines, partially offset by growth in Security and a £13m positive impact from foreign exchange movements.

EBITDA^c was up 43%, primarily reflecting the impact of IFRS 16. Excluding IFRS 16 EBITDA^c was up 5% as lower revenue was more than offset by a reduction in operating costs^b reflecting ongoing transformation and certain one-offs.

Depreciation and amortisation and operating profit movements primarily reflect the impact of IFRS 16.

Capital expenditure was down 9% reflecting ongoing rationalisation and our strategy to become an asset light business. Normalised free cash flow^d improved by £20m to an inflow of £255m, reflecting higher EBITDA^c and lower capital expenditure offset by adverse working capital.

Order intake was £4.3bn, up 32% benefiting from a number of large renewals but also reflecting increased new business wins. We expect a slow down in order intake during 2020/21 due to a reduction in expected renewals, combined with the impact of Covid-19 on growth opportunities.

 Covid-19 has not materially impacted our 2019/20 trading results, although additional loss provisions of around £35m were taken against trade receivables and contracts at 31 March 2020 primarily in relation to SME and regional enterprise customers where the insolvency risk is expected to be more pronounced. These provisions were recognised through specific items and are therefore not reflected in the above results which are on an adjusted basis.

Looking forward, we are seeing a reduction in spending and a more cautious approach from our multinational customers resulting in cancellations and delays to purchasing cycles impacting trading.

Openreach


Year ended 31 March	Adjusted ^b revenue		Adjusted ^b operating profit	
	2020 (IFRS 16) £m	2019 ^a (IAS 17) £m	Change £m	%
	£5,112m		£1,146m	(15)%
	+1%			
Adjusted ^b revenue	5,112	5,075	37	1
Adjusted ^b operating costs	2,254	2,331	(77)	(3)
Adjusted^c EBITDA	2,858	2,744	114	4
Depreciation & amortisation	1,712	1,398	314	22
Adjusted^b operating profit	1,146	1,346	(200)	(15)
Capital expenditure	2,108	2,081	27	1
Normalised free cash flow ^d	670	1,006	(336)	(33)

Revenue^b growth was driven by higher rental bases in fibre-enabled products (driven by commercial offers), up 20%, and Ethernet, up 11%. This was partially offset by price reductions (both the impact of Openreach's commercial offer of fibre volume discounts, and regulated price reductions), and higher service level guarantee payments due to implementation of auto-compensation.

Operating costs^b were down 3% driven by the impact of IFRS 16. Excluding this, operating costs^b were up 5% primarily driven by higher business rates and higher salary costs as Openreach invested in more colleagues to support FTTP rollout and better service, and pay inflation. These drivers were partly offset by efficiency savings and certain one-off items. Excluding the impact of IFRS 16, EBITDA^c was down 3% reflecting the above.

Depreciation and amortisation and operating profit movements primarily reflect the impact of IFRS 16.

Capital expenditure was up 1%, however excluding BDUK gainshare, it was up £223m, or 12%, driven by investments in the network (predominantly fibre enabled infrastructure) partially offset by efficiency savings. Normalised free cash flow^d was down 33% due to higher cash capital expenditure and costs, and timing of working capital.

 Looking forward, Openreach is seeing an adverse impact on trading as a result of Covid-19. While Openreach anticipate lower churn, significant reductions in the volume of broadband and ethernet upgrades and provisioning are expected, due to reduced business activity, including fewer new site builds, and restrictions on provisioning activity under current stay-at-home guidelines. Openreach is prioritising service and maintenance to support vulnerable customers.

^a All prior year comparatives have been restated for the change in the allocation of group overhead costs and the transfer of the Emergency Services Network contract from Consumer to Enterprise. For more information please see note 1 to the financial statements on page 129.

^b Adjusted measures exclude specific items, as explained in the Additional information on page 204.

^c Adjusted (being before specific items, share of post tax profits/losses of associates and joint ventures and net non-interest related finance expense), as explained in the Additional information on page 204.

^d Free cash flow after net interest paid and payment of lease liabilities, before pension deficit payments (including the cash tax benefit of pension deficit payments) and specific items as explained in the Additional information on page 206.