Group performance
Introduction from our Chief Financial Officer

	Outlook provided in May 2018	Result	Performance against outlook	2019/20 outlook
Change in underlying[a] revenue	Down c2%	Down 0.9%	✓	
Change in adjusted[b] revenue				Down c2%
Adjusted[b] EBITDA	£7.3bn–£7.4bn	£7.4bn	✓	£7.2bn–£7.3bn
Capital expenditure[c] (excluding BDUK clawback)	c£3.7bn	£3.8bn	✕	£3.7bn–£3.9bn
Normalised free cash flow[d]	£2.3bn–£2.5bn	£2.4bn	✓	£1.9bn–£2.1bn

[a] Underlying revenue excludes specific items, foreign exchange movements, acquisitions and disposals.
[b] Items presented as adjusted are stated before specific items. See page 185 for more information.
[c] Additions to property, plant and equipment and intangible assets in the period
[d] After net interest paid, before pension deficit payments (including the cash tax benefit of pension deficit payments) and specific items.

Performance
BT delivered solid results for the year, in line with our guidance.

Reported revenue fell by 1% to £23.4bn and underlying[a] revenue was down 0.9% as growth in our Consumer business was more than offset by regulated price reductions in Openreach and declines in our enterprise businesses. Our reported profit before tax was up 2% to £2.7bn, reflecting one-off EE acquisition warranty costs in the prior year. Adjusted[b] profit before tax was down 6% at £3.2bn reflecting the lower revenue partly offset by restructuring related cost savings and lower payments to telecommunications operators driven by Global Services strategy to de-emphasise low margin business.

Alternative performance measures
We assess the performance of the group using various alternative performance measures. These measures are not defined under IFRS so are termed 'non-GAAP' or 'alternative performance' measures. We present a reconciliation from these to the nearest prepared measure in line with IFRS on pages 185 to 187. The alternative performance measures we use may not be directly comparable with similarly-titled measures used by other companies.

IFRS 15
IFRS 15 'Revenue from Contacts with Customers' replaced IAS 18 'Revenue' with effect from 1 April 2018. We present current year results on the new IFRS 15 basis but prior year comparatives on an IAS 18 basis. For this reason, certain measures may not be directly comparable. See notes 1 and 2 for further information.

Our results were in line with the guidance we set in May 2018 for adjusted[b] EBITDA and normalised free cash flow[c]. We exceeded our target for underlying[a] revenue. Our capital expenditure (excluding BDUK clawback) was slightly ahead of our guidance due to acceleration of network investment.

Outlook for 2019/20
BT remains well positioned in a challenging market. We are taking decisive actions to further strengthen our competitive position. Specifically, we are increasing investment to: introduce new customer propositions; deliver fair, predictable and competitive pricing; accelerate migration of copper ADSL to superfast; drive the next step change in customer experience investment; ramp up FTTP to 4 million by March 2021; and accelerate 5G coverage. These actions will impact our outlook.

For 2019/20, we expect adjusted revenue to be down around 2%. This is mainly as a result of the challenging market conditions, regulatory pressure in both fixed and mobile markets, and the ongoing impact from our decision to de-emphasise lower margin products, particularly in our enterprise businesses.

Along with the flow through of lower revenue, we expect our opex investments to result in Group adjusted EBITDA for 2019/20 being in the range £7.2bn – £7.3bn. While we will sustain these opex investments into 2020/21, we continue to expect Group adjusted EBITDA for 2020/21 to be above that for 2019/20.

We are raising our reported capital expenditure guidance (excluding BDUK clawback) for 2019/20 to be in a range of £3.7bn – £3.9bn. We expect normalised free cash flow for 2019/20 to out-turn in the range £1.9bn – £2.1bn.

Dividend
We have delivered solid results for 2018/19 and are making positive progress against our core pillars; to improve customer experience, to create the best converged network; and to create a simplified, lean and agile business. This is being delivered in an increasingly competitive market environment with a number of regulatory and other headwinds. We remain confident in our ability to deliver the benefits we expect from the decisive actions we are taking to strengthen our competitive position.

As a result, the Board has decided to hold the dividend unchanged for 2018/19 at 15.4p per share, leading to a final dividend of 10.78p per share. The Board also expects to hold the dividend unchanged in respect of the 2019/20 financial year given our outlook for earnings and cash flow. In line with previous guidance, our interim dividend for 2019/20 will be fixed at 30% of this year's full year dividend.

The Board remains committed to our dividend policy, which is to maintain or grow the dividend each year whilst taking into consideration a number of factors including underlying medium term earnings expectations and levels of business reinvestment (which would include the consideration of accelerated FTTP investment).

Subject to shareholder approval, the dividend will be paid on 9 September 2019 to shareholders on the register at 9 August 2019. The final dividend, amounting to approximately £1,069m (2018/19: £1,044m), will be recognised as an appropriation of the retained earnings in the quarter to 30 September 2019.

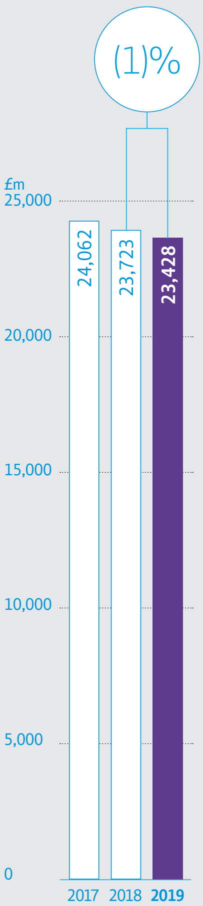
Simon Lowth
Chief Financial Officer
8 May 2019

Group performance

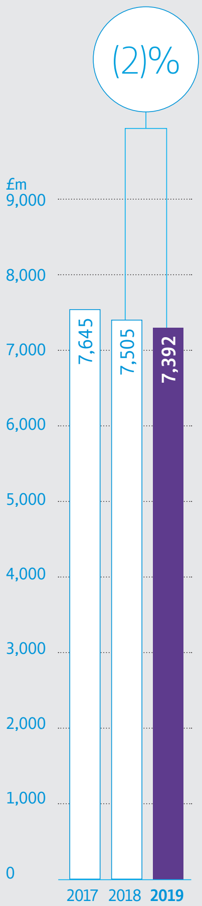
Summary financial performance for the year

Year ended 31 March

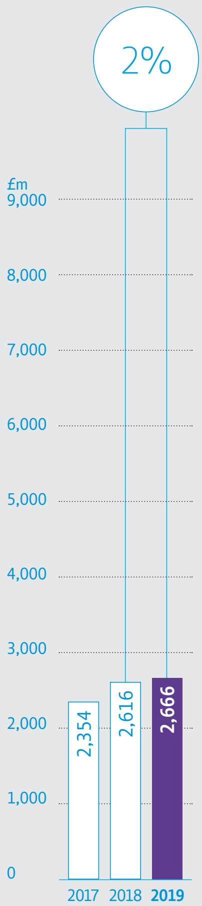
Revenue (£m)



Adjusted[a] EBITDA (£m)

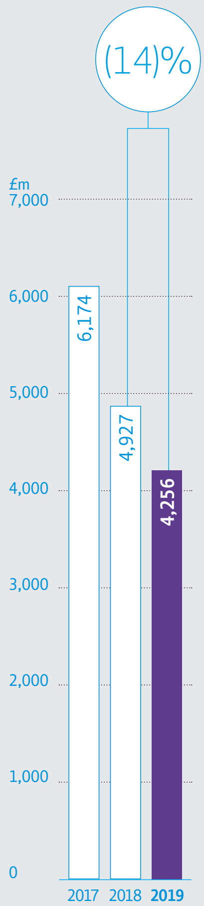


Profit before tax (£m)

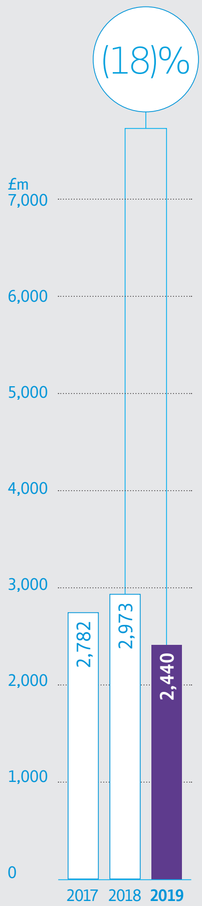


KPI BONUS

Operating cash flow (£m)



Normalised free cash flow[b] (£m)



Proposed full year dividend

15.4p

2018: 15.4p
2017: 15.4p

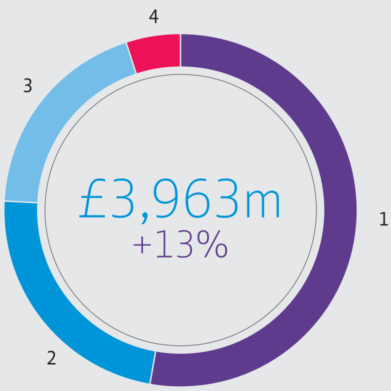
KPI

Earnings per share (p)

2019	21.8
2019	26.3
2018	20.5
2018	27.9
2017	19.2
2017	28.9

○ ● Reported EPS
○ ● Adjusted[a] EPS

2018/19 Capital expenditure



1. Capacity and network investment 53%
2. Customer driven investment 23%
3. Systems and IT 19%
4. Non-network infrastructure 5%

Net debt (£m)

	£m
2019	11,035
2018	9,627
2017	8,932

[a] Items presented as adjusted are stated before specific items. See page 185 for more information.

[b] After net interest paid, before pension deficit payments, (including the cash tax benefit of deficit payments) and specific items.

Group performance continued
Summary financial performance for the year continued

Summarised income statement

Year ended 31 March	2019 £m	2018 £m	2017 £m
Revenue	**23,428**	**23,723**	**24,062**
Operating costs[a]	**(16,461)**	(16,828)	(17,323)
Depreciation and amortisation	**(3,546)**	(3,514)	(3,572)
Operating profit	**3,421**	**3,381**	**3,167**
Net finance expense	**(756)**	(764)	(804)
Associates and joint ventures	**1**	(1)	(9)
Profit before tax	**2,666**	**2,616**	**2,354**
Tax	**(507)**	**(584)**	**(446)**
Profit for the period	**2,159**	**2,032**	**1,908**

Revenue
Both reported and adjusted[b] revenue fell by 1% as growth in our Consumer business, was more than offset by regulated price reductions in Openreach and declines in our enterprise businesses in particular in fixed voice and also reflecting our strategy to reduce low margin activity such as equipment sales. Excluding the negative impact of £35m from foreign exchange movements, underlying[c] revenue fell 0.9% (2017/18: fell 1%), which exceeds our expectation of down around 2%.

You can find details of revenue by customer-facing unit on pages 40 to 41. Note 6 to the consolidated financial statements shows a full breakdown of reported revenue by all our major product and service categories.

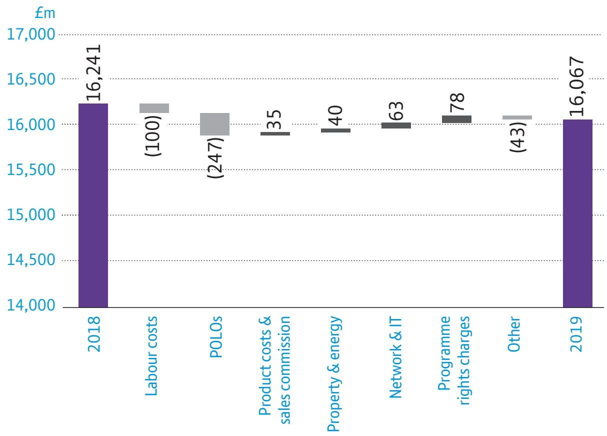
Operating costs
Reported operating costs were down 2% and adjusted[b] operating costs before depreciation and amortisation were down 1%. This was mainly driven by restructuring related cost savings and lower payments to telecommunications operators driven by Global Services strategy to de-emphasise low margin business, partly offset by higher costs of recruiting and training engineers to support Openreach's 'Fibre First' programme and help deliver improved customer service.

Our cost transformation programme remains on track. c4,000 roles were removed in the year, with the largest elements being in Global Services and our Corporate Units. Overall savings from the programme are currently an annualised benefit of £875m with an associated cost of £386m.

Note 7 to the consolidated financial statements shows a detailed breakdown of our operating costs.

[a] Excluding depreciation and amortisation.
[b] Items presented as adjusted are stated before specific items. See page 185 for more information.
[c] Underlying revenue excludes specific items, foreign exchange movements, acquisitions and disposals.

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



Profit before tax
Our reported profit before tax was up 2% at £2,666m, reflecting one-off EE acquisition warranty costs in the prior year. Adjusted[b] profit before tax was down 6% at £3,230m reflecting the lower revenue partly offset by the lower costs and higher net finance expense from increased net debt.

Adjusted[b] EBITDA
Adjusted[b] EBITDA was down 2% at £7,392m, in line with our expectations. This is primarily driven by revenue decline partly offset by the lower costs as described above. You can find details of adjusted[b] EBITDA by customer-facing unit on pages 40 to 41.

Specific items
As we explain on page 185, we separately identify and disclose those items that in management's judgement need to be disclosed by virtue of their size, nature or incidence (termed '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 £452m (2017/18: £741m).

During the year we incurred restructuring costs of £386m (2017/18: £287m), mainly relating to leavers. The costs reflect projects which are part of our group-wide cost transformation programme, including remaining activities related to the EE integration.

We have recognised a net charge of £27m (2017/18: £49m) relating to the completion of the majority of deemed consent compensation payments, new regulatory matters arising across a range of issues, including price and service issues, the re-assessment of other regulatory risks and in light of historical regulatory decisions by Ofcom.

We have recognised a charge of £36m (2017/18: £28m) relating to the rationalisation of the Group's property portfolio, a charge of £26m (2017/18: £nil) in relation to the high court requirement to equalise pension benefits between men and women due to guaranteed minimum pension (GMP) and net interest expense on pensions of £139m (2017/18: £218m). This decreased from 2017/18 due to the decrease in the BT Pension Scheme deficit over the year to 31 March 2018. We also released £55m (2017/18: £nil) of provisions following the settlement of various matters in our Italian business.

The tax credit on specific items was £112m (2017/18: £87m).

Note 10 to the consolidated financial statements shows the details of all revenues and costs that we have treated as a specific item.

Taxation

Our effective tax rate was 19.0% (2017/18: 22.3%) on reported profit and 19.2% (2017/18: 19.5%) on profit before specific items. We paid income taxes globally of £431m (2017/18: £473m).

We paid UK corporation tax of £317m (2017/18: £374m). We benefited from £90m of EE's historical tax losses (2017/18: £111m) and £391m from tax deductions on employees' pension and share schemes (2017/18: £217m).

Our tax expense recognised in the income statement before specific items was £619m (2017/18: £671m). We also recognised a £343m tax credit (2017/18: £262m expense) 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 11 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 21.8p, up 6%, while adjusted[a] earnings per share decreased 6% to 26.3p.

Dividends

The Board is proposing a final dividend to shareholders of 10.78p bringing the full year dividend to 15.40p, unchanged from last year. It will be paid, subject to shareholder approval, on 9 September 2019 to shareholders on the register on 9 August 2019. The Board also expects to hold the dividend unchanged in respect of the 2019/20 financial year given our outlook for earnings and cash flow.

Note 13 to the consolidated financial statements shows details of the dividends we paid during the year.

Capital expenditure

In recent years we've prioritised capital expenditure to underpin our strategy, and to expand coverage and capacity whilst making our fixed and mobile networks faster and more resilient.

Capital expenditure was £3,963m (2017/18: £3,522m) including network investment of £2,083m, up 21%. This includes £213m grant funding deferral under the Broadband Delivery UK (BDUK) programme, of which £168m relates to a change in base-case assumption for customer take-up. Excluding the effect of the grant funding deferral, capital expenditure was £3,750m. The remaining increase in network investment reflects increased spend on our Fibre Cities programme, partially offset by lower mobile investment as the Emergency Services Network (ESN) passed the peak deployment phase. Our BDUK Gainshare provision at the end of the year was £639m.

Other capital expenditure components were up 5% with £929m spent on customer driven investments, £747m on systems and IT, and £204m on non-network infrastructure.

Capital expenditure contracted but not yet spent was £1,432m at 31 March 2019 (2017/18: £993m).

Summarised cash flow statement

Year ended 31 March	2019 £m	2018 £m	2017 £m
Cash generated from operations	4,687	5,400	6,725
Tax paid	(431)	(473)	(551)
Net cash inflows from operating activities	**4,256**	**4,927**	**6,174**
Net purchase of property, plant and equipment and software	(3,637)	(3,341)	(3,119)
Free cash flow	**619**	**1,586**	**3,055**
Interest received	23	7	7
Interest paid	(531)	(555)	(629)
Add back pension deficit payments	2,024	872	274
Add back net cash flow from specific items	598	828	205
Add back net sale of non-current asset investments	1	19	(20)
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	(273)	(109)	(110)
Normalised free cash flow[b]	**2,440**	**2,973**	**2,782**

Cash flow

We generated a net cash inflow from operating activities of £4,256m, down £671m, mainly driven by £2bn contributions to the BT Pension Scheme, offset by favourable working capital movements. In line with our outlook, normalised free cash flow[b] was £2,440m, down £533m or 18%, driven by increased cash capital expenditure, decrease in EBITDA and higher tax payments.

Free cash flow, which includes specific item outflows of £598m (2017/18: £828m) and a £273m (2017/18: £109m) tax benefit from pension deficit payments, was £619m (2017/18: £1,586m). Last year also included payments of £325m for the acquisition of mobile spectrum. The spectrum auction bidding took place across the 2017/18 and 2018/19 financial years. Whilst £325m was on deposit with Ofcom at 31 March 2018, we went on to acquire spectrum for a total price of £304m and the excess deposit balance has since been refunded. We made pension deficit payments of £2,024m (2017/18: £872m) and paid dividends to our shareholders of £1,504m (2017/18: £1,523m).

The net cash cost of specific items of £598m (2017/18: £828m) includes restructuring payments of £372m (2017/18: £189m) and regulatory payments of £170m (2017/18: £267m). Last year also included payments of £225m relating to the settlement of warranty claims under the 2015 EE acquisition agreement.

[a] Adjusted measures exclude specific items, as explained in the Additional Information on page 185.
[b] After net interest paid, before pension deficit payments (including the cash tax benefit of pension deficit payments) and specific items.

Group performance continued
Summary financial performance for the year continued

You can see a reconciliation to normalised free cash flow from the net cash inflow from operating activities, the most directly comparable IFRS measure, on page 186.

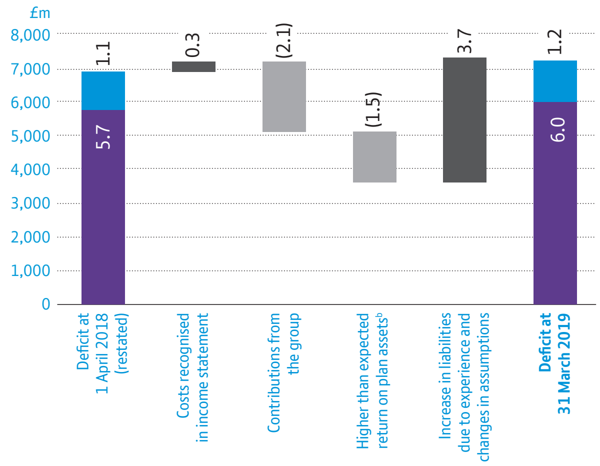
Summarised balance sheet

As at 31 March	2019 £m	2018 (Restated[a]) £m	Movement £m
Intangible assets	**14,385**	14,447	(62)
Property, plant and equipment	**17,835**	17,000	835
Derivative financial instruments	**1,592**	1,509	83
Cash and cash equivalents	**1,666**	528	1,138
Investments	**3,268**	3,075	193
Trade and other receivables	**3,667**	4,331	(664)
Contract assets	**1,602**	–	1,602
Deferred tax assets	**1,347**	1,326	21
Other current and non-current assets	**925**	626	299
Total assets	**46,287**	**42,842**	**3,445**
Loans and other borrowings	**16,876**	14,275	2,601
Derivative financial instruments	**940**	837	103
Trade and other payables	**7,269**	8,494	(1,225)
Contract liabilities	**1,425**	–	1,425
Provisions	**1,006**	1,055	(49)
Retirement benefit obligations	**7,182**	6,847	335
Deferred tax liabilities	**1,407**	1,340	67
Other current and non-current liabilities	**15**	83	(68)
Total liabilities	**36,120**	**32,931**	**3,189**
Total equity	**10,167**	**9,911**	**256**

Pensions

The accounting deficit, net of tax, increased during the year from £5.7bn[a] to £6.0bn, primarily driven by an increase in the liabilities due to a fall in the real discount rate reflecting market movements; partly offset by deficit contributions from the group and positive asset returns. 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[c]

Net debt[c] increased by £1,408m to £11,035m, mainly reflecting the £2bn of contributions to the BT Pension Scheme in June 2018. We issued £2bn of bonds to the BT Pension Scheme in June 2018.

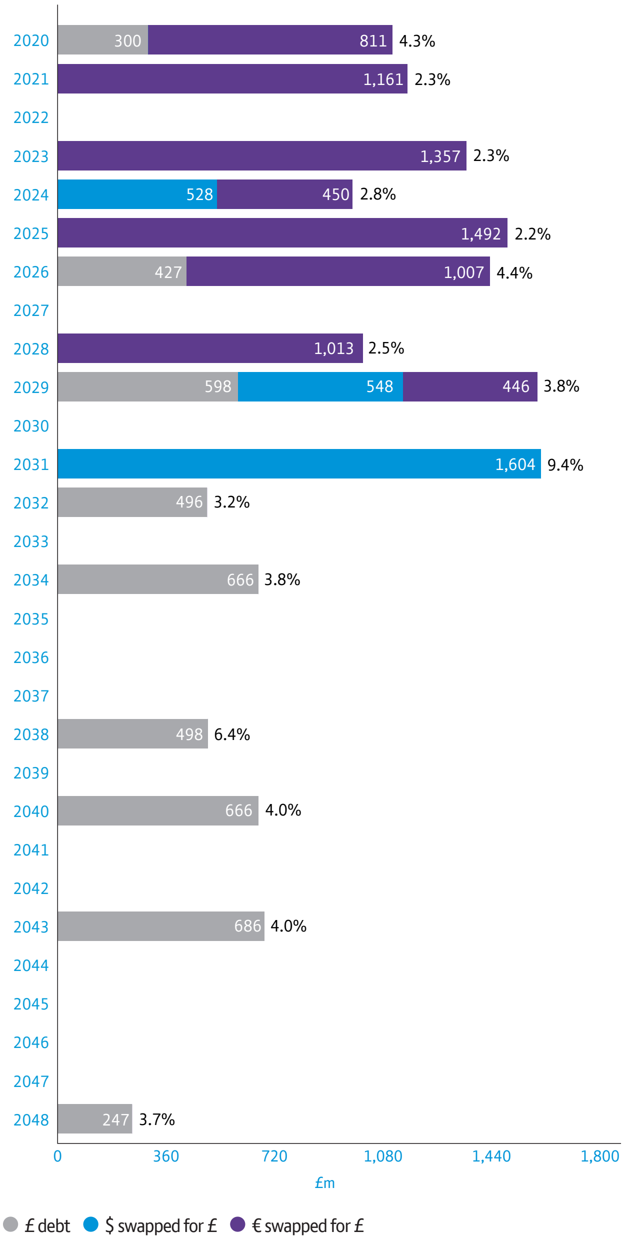
We also issued bonds of £2.0bn in September and December 2018 and repaid bonds of £1.4bn maturing in August 2018 and February and March 2019.

Gross debt translated at swap rates and excluding fair value adjustments at 31 March 2019 was £15,912m. This comprises term debt of £15,001m, finance leases of £200m and other loans of £711m.

[a] Certain results have been restated to reflect the update to the calculation of our IAS 19 accounting valuation of retirement benefit obligations. See note 2 to the consolidated financial statements.
[b] The actual investment return in the year to 31 March 2019 of around 6% was greater than our discount rate assumption at 31 March 2018 of 2.65%.
[c] Loans and other borrowings (both current and non-current), less current asset investments and cash and cash equivalents. 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 25 for reconciliation from nearest IFRS measure.

The graph below shows our debt maturity profile:

Debt maturity profile



Note 25 to the consolidated financial statements gives more information on our debt arrangements.

Contractual obligations and commitments

We've shown in the table below our principal undiscounted contractual financial obligations and commitments at 31 March 2019.

As at 31 March 2019	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]	**16,624**	2,084	1,289	2,396	10,855
Finance lease obligations	**202**	16	35	31	120
Operating lease obligations	**6,619**	755	1,240	1,067	3,557
Capital commitments	**1,432**	1,129	162	141	–
Other commitments	**253**	253	–	–	–
Programme rights commitments	**2,113**	843	1,262	8	–
Pension deficit obligations	**10,351**	1,276	1,817	1,816	5,442
Total	**37,594**	**6,356**	**5,805**	**5,459**	**19,974**

[a] Excludes fair value adjustments.

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

Notes 20, 25 and 30 to the consolidated financial statements gives further information on these items.

Share buyback

We spent £9m (2017/18: £221m) on our share buyback programme. We received proceeds of £5m (2017/18: £53m) from people exercising their share options.

Group performance continued
Our customer-facing units

Consumer

Adjusted[a] revenue
£10,695m

Adjusted[a] operating profit
£1,510m

Year to 31 March	2019 (IFRS 15) £m	2018 (IAS 18) £m	Change £m	Change %
Adjusted[a] revenue	**10,695**	10,360	335	3
Adjusted[a] operating costs	**8,161**	7,984	177	2
Adjusted[a] EBITDA	**2,534**	2,376	158	7
Depreciation & amortisation	**1,024**	992	32	3
Adjusted[a] operating profit	**1,510**	1,384	126	9
Capital expenditure	**994**	919	75	8
Normalised free cash flow[b]	**1,323**	1,389	(66)	(5)

We continue to experience challenging trends in both the high-end smartphone market and in the broadband market. However, with leading mobile and fixed networks, improving customer experience, three strong brands and further enhancements to BT Plus, with 5G coming imminently, we are well placed for the future.

Adjusted[a] revenue growth of 3% for the year was driven by the continued increase in handset costs for customers, growth in the SIM-only base across all brands and the impact of price increases, partially offset by solus voice price reductions.

Adjusted[a] EBITDA grew 7% for the year as the revenue growth was partially offset by increased trading costs.

Capital expenditure growth of 8% was driven by increased network spend as preparations were made for the EE 5G launch in 2019. Normalised free cash flow[b] was £1,323m, down 5% on last year as the increase in EBITDA was offset by the settlement at the start of the year of the Phones4U dispute relating to the retail trading agreement, and increased capital expenditure.

Mobile churn[c] was stable at 1.2% for the year, whilst fixed churn[c] was up from 1.3% to 1.4% reflecting the impact of price increases in the year.

Enterprise[d]

Adjusted[a] revenue
£6,292m

Adjusted[a] operating profit
£1,356m

Year to 31 March	2019 (IFRS 15) £m	2018 (IAS 18) £m	Change £m	Change %
Adjusted[a] revenue	**6,292**	6,647	(355)	(5)
Adjusted[a] operating costs	**4,302**	4,570	(268)	(6)
Adjusted[a] EBITDA	**1,990**	2,077	(87)	(4)
Depreciation & amortisation	**634**	635	(1)	–
Adjusted[a] operating profit	**1,356**	1,442	(86)	(6)
Capital expenditure	**501**	492	9	2
Normalised free cash flow[b]	**1,483**	1,587	(104)	(7)

The UK and Ireland business-to-business market remains challenging. The main headwind we face is the decline in traditional calls and lines where we have a relatively high market share. The IP Voice market is significantly more fragmented, with a large number of providers, and we are focused on expanding our share in this growing market. The mobile market remains competitive and we continue to see pressure on pricing. While overall growth in the broadband market is limited, we are seeing good demand for our premium products such as fibre and 4G Assure. Newer areas such as the Internet of Things, Cloud, SDWAN and security remain good opportunities for us over the longer term.

Adjusted[a] revenue decreased 5% for the year mainly due to the ongoing decline of fixed voice revenue. We continue to see a steeper than expected reduction in calls per fixed line as usage moves to mobile and IP. We continue to sell less low margin equipment and also experienced ongoing declines in some of our other legacy products such as private circuits. This was partially offset by growth in IP, Mobile and Networking. We're also continuing to see encouraging growth in messaging volumes in Ventures.

Adjusted[a] operating costs reduced 6%, helped by labour cost efficiencies from our cost transformation programmes. Adjusted[a] EBITDA decreased 4%, with our lower cost base more than offset by the reduction in revenue.

Capital expenditure increased 2% and normalised free cash flow[b] decreased 7%, reflecting the reduction in EBITDA and the higher capital expenditure.

The Retail order intake decreased 15% to £2.9bn for the year due to the signing of a large contract in Republic of Ireland in the prior year. The Wholesale order intake declined 22% to £1.0bn after 2017/18 benefitted from a number of large deals, including the timing of some contract renewals.

[a] Adjusted measures exclude specific items, as explained in the Additional Information on page 185.
[b] Free cash flow after net interest paid, before pension deficit payments (including the cash tax benefit of pension deficit payments) and specific items.
[c] Number of customers who disconnect from the network, voluntarily or involuntarily, during the period, divided by the average number of customers during the period, presented as a monthly figure.
[d] Enterprise comparatives have been re-presented to reflect the bringing together of our Business and Public Sector and Wholesale and Ventures units into a single Enterprise unit, as well as the transfer of Northern Ireland Networks from Enterprise to Openreach.

Global Services

Adjusted[a] revenue £4,735m

Adjusted[a] operating profit £135m

Year to 31 March	2019 (IFRS 15) £m	2018 (IAS 18) £m	Change £m	Change %
Adjusted[a] revenue	4,735	5,013	(278)	(6)
Adjusted[a] operating costs	4,230	4,579	(349)	(8)
Adjusted[a] EBITDA	505	434	71	16
Depreciation & amortisation	370	424	(54)	(13)
Adjusted[a] operating profit	135	10	125	1,250
Capital expenditure	245	278	(33)	(12)
Normalised free cash flow[b]	296	118	178	151

Global Services operates in a global market that continues to experience high levels of change driven by both rapid technology innovation and a dynamic competitive landscape. Customers' demands continue to evolve towards more flexible, on-demand models and new cloud-based and software-defined networking solutions. We continue to execute our Digital Global Services transformation programme to focus our business, standardise our operations, transform our underlying infrastructure, and provide innovative solutions to address the changing demands of our customers. We are focused on around 800 multinational companies and financial institutions served by three global industry verticals.

Adjusted[a] revenue for the year was down 6%, in line with our strategy to de-emphasise low margin business and including the impact of divestments. This includes a £35m negative impact from foreign exchange movements, primarily reflecting lower IP Exchange volumes and equipment sales.

Adjusted[a] operating costs for the year were down 8% mainly reflecting the decline in IP Exchange volumes and equipment sales and lower labour costs from our ongoing restructuring programme. Adjusted[a] EBITDA for the year was up £71m reflecting the reduction in operating costs and certain one-offs, more than offsetting the impact of lower revenue.

Depreciation and amortisation was down 13% for the year due to closure of certain projects in the prior year.

Capital expenditure was down 12% for the year reflecting ongoing rationalisation and our strategy to become a more asset light business. Normalised free cash flow[b] for the year improved by 151% to £296m, reflecting higher EBITDA, lower capital expenditure and improved working capital.

Total order intake was £3.3bn, down 15% year on year continuing to reflect a shift in customer behaviour, including shorter contract lengths and greater prevalence of usage-based terms.

Openreach[c]

Adjusted[a] revenue £5,075m

Adjusted[a] operating profit £955m

Year to 31 March	2019 (IFRS 15) £m	2018 (IAS 18) £m	Change £m	Change %
Adjusted[a] revenue	5,075	5,278	(203)	(4)
Adjusted[a] operating costs	2,652	2,663	(11)	–
Adjusted[a] EBITDA	2,423	2,615	(192)	(7)
Depreciation & amortisation	1,468	1,401	67	5
Adjusted[a] operating profit	955	1,214	(259)	(21)
Capital expenditure	2,081	1,699	382	22
Normalised free cash flow[b]	685	1,100	(415)	(38)

Openreach has a UK-wide presence which is overlapped by our competitors in around half the country. This overlap is expected to grow as alternative network providers build-out new fibre footprint. Our volume discount deal, signed with the majority of our major communications provider customers, has led to another record quarter for fibre sales. We are also rapidly expanding our fibre-to-the-premises network to provide the next generation of services for our customers. We have experienced strong demand from businesses for Ethernet circuits for the second consecutive quarter.

Adjusted[a] revenue decline of 4% for the year was driven by regulated price reductions predominantly on FTTC and Ethernet products, non-regulated price reductions (mainly driven by communications providers signing up for fibre volume discounts), a small decline in our physical line base and a reclassification of costs to revenue. This was partly offset by 25% growth in our fibre rental base, a 9% increase in our Ethernet rental base and the impact of adopting IFRS 15.

Adjusted[a] operating costs were broadly flat, with higher costs from recruiting and training engineers to support our 'Fibre First' programme and help improve customer experience, as well as pay inflation and business rates, offset by efficiency savings and a reclassification of costs to revenue. Adjusted[a] EBITDA was down 7% for the year.

Capital expenditure was £2.1bn, up 22%, driven by investment in our FTTP and Gfast network build and higher year-on-year BDUK net grant funding deferrals, partly offset by efficiency savings.

Normalised free cash flow[b] was down 38% due to the EBITDA decline, higher underlying capital expenditure (excluding BDUK grant funding deferrals) and timing of customer receipts.

[a] Adjusted measures exclude specific items, as explained in the Additional Information on page 185.
[b] Free cash flow after net interest paid, before pension deficit payments (including the cash tax benefit of pension deficit payments) and specific items.
[c] Openreach comparatives have been re-presented to reflect the transfer of Northern Ireland Networks from Enterprise to Openreach.