BT SIMPLIFIES FINANCIAL AND OPERATIONAL DISCLOSURE

In order to simplify the disclosure of its financial and operational performance, BT Group has today announced changes to the future measurement and presentation of key performance indicators (KPIs) and line of business financial information. Below we explain those changes and provide restated information for the years ended 31 March 2013 and 31 March 2012 prepared on a consistent basis.

We are making a number of changes that simplify our internal trading and more closely align our line of business financial results and our regulatory accounts. For example, BT Wholesale’s results now reflect only revenue generated externally. We are also adjusting the disclosure of our lines of business to reflect customer account moves and to better reflect their commercial activity. In order to present historical information on a consistent basis, we have revised comparative information for the years ended 31 March 2013 and 31 March 2012 for a number of items that impact the financial results of individual lines of business, but have no impact on the total group results.

To simplify our reporting, we will also no longer separately report other operating income. We have represented items previously reported as other operating income as either revenue or a reduction in operating costs (as appropriate). Other operating income before specific items was £392m in the year ended 31 March 2013 (2011/12: £387m). This change increases group revenue by £86m for the year ended 31 March 2013 (2011/12: £90m) and reduces operating costs by £306m (2011/12: £297m). There is no impact on the group’s EBITDA or net profit.

Finally, IAS 19 Employee Benefits (Revised) came into effect from 1 April 2013 and we have restated comparative figures to reflect the position had it applied in those years. In the year ended 31 March 2013, this has increased operating costs by £38m and has reduced net finance income on pensions (treated as a specific item) by £148m (2011/12: £295m), resulting in an overall reduction of £38m in EBITDA (2011/12: £30m) and adjusted profit before tax. Reported profit before tax and reported profit after tax, which are after the impact of specific items, are reduced by £186m (2011/12: £325m) and £143m (2011/12: £247m), respectively. There is no impact on the group’s free cash flow.

The financial impact for the years ended 31 March 2013 and 31 March 2012 is outlined below, and the updated KPI document is available at www.btplc.com/results

Results for the first quarter to 30 June 2013 (which are expected to be announced on Thursday 25 July 2013) will be presented on this revised basis.

Enquiries
Press office:
Ross Cook
Tel: 020 7356 5369

Investor relations:
Damien Maltarp
Tel: 020 7356 4909

About BT
BT is one of the world’s leading providers of communications services and solutions, serving customers in more than 170 countries. Its principal activities include the provision of networked IT services globally; local, national and international telecommunications services to its customers for use at home, at work and on the move; broadband and internet products and services and converged fixed/mobile
products and services. BT consists principally of four lines of business: BT Global Services, BT Retail, BT Wholesale and Openreach.

In the year ended 31 March 2013, BT Group’s revenue was £18,017m with profit before taxation of £2,501m.

British Telecommunications plc (BT) 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 stock exchanges in London and New York.

For more information, visit www.btplc.com
### Appendix – impact of restatements on 2012/13

<table>
<thead>
<tr>
<th>£m</th>
<th>As reported - 2012/13</th>
<th>Adjustments</th>
<th>Restated - 2012/13</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Q1</td>
<td>Q2</td>
<td>Q3</td>
</tr>
<tr>
<td>BT Global Services</td>
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<tr>
<td>Revenue</td>
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<td>(36)</td>
<td>(23)</td>
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<tr>
<td>Free cash flow</td>
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<td>(171)</td>
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<tr>
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<tr>
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<td>365</td>
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<td>(347)</td>
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</tr>
<tr>
<td>Revenue</td>
<td>(1,218)</td>
<td>(1,215)</td>
<td>(1,206)</td>
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<tr>
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<tr>
<td>Free cash flow</td>
<td>(124)</td>
<td>316</td>
<td>807</td>
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</table>

1 Before specific items. Free cash flow is before purchases of telecommunications licences, pension deficit payments and the cash tax benefit of pension deficit payments.
## Appendix – impact of restatements on 2011/12

<table>
<thead>
<tr>
<th>£m</th>
<th>As reported - 2011/12</th>
<th>Adjustments</th>
<th>Restated - 2011/12</th>
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<tbody>
<tr>
<td></td>
<td>Q1</td>
<td>Q2</td>
<td>Q3</td>
</tr>
<tr>
<td>BT Global Services</td>
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<tr>
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<td>(37)</td>
<td>(31)</td>
<td>(25)</td>
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<tr>
<td>Free cash flow</td>
<td>(60)</td>
<td>(55)</td>
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<tr>
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<tr>
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<td>979</td>
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<td>156</td>
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<td>(1,245)</td>
<td>(1,261)</td>
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<tr>
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</tr>
<tr>
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<td>201</td>
<td>563</td>
<td>634</td>
</tr>
</tbody>
</table>

1 Before specific items. Free cash flow is before purchases of telecommunications licences, pension deficit payments and the cash tax benefit of pension deficit payments