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Certain statements in this presentation are forward-looking and are made in reliance on the safe harbour provisions of the US Private Securities Litigation Reform Act of 1995. These statements include, without limitation, those concerning: current and future years’ outlook, including revenue trends, EBITDA and normalised free cash flow; BT Global Services' EBITDA and cash flow, and continuing improvements in our BT Global Services business; the Premier League football broadcast rights; our fibre roll-out programme; effective tax rate; liquidity and funding; and the impact of regulation.

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BT Group plc

Ian Livingston, Chief Executive
## Q1 2013 group results

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td>£4,484m</td>
<td>(6%)</td>
</tr>
<tr>
<td>- underlying ex transit</td>
<td></td>
<td>(3.2%)</td>
</tr>
<tr>
<td><strong>EBITDA</strong></td>
<td>£1,463m</td>
<td>2%</td>
</tr>
<tr>
<td><strong>Normalised free cash flow</strong></td>
<td>£(124)m</td>
<td>£(325)m</td>
</tr>
</tbody>
</table>

1. underlying excludes acquisitions & disposals, foreign exchange movements and specific items
2. before specific items
3. before specific items, pension deficit payments and cash tax benefit of pension deficit payments
Q1 2013 line of business overview

Global Services

<table>
<thead>
<tr>
<th></th>
<th>Q1 2013</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>£1,730m</td>
<td>(9%)</td>
</tr>
<tr>
<td>- underlining revenue ex transit</td>
<td>(6%)</td>
<td></td>
</tr>
<tr>
<td>EBITDA</td>
<td>£119m</td>
<td>(14%)</td>
</tr>
</tbody>
</table>

- Underlying revenue ex transit down 6%
  - over half of decline due to tough conditions in Europe & financial services sector

- Underlying operating costs ex transit down 6%

- Underlying EBITDA down 8%
  - down 3% ex leavers

- Cash flow £255m down on last year
  - lower contract-related receipts
  - delay in debtor receipts
  - timing of supplier payments

- Order intake £1.1bn (Q1 2012: £1.6bn)
Q1 2013 line of business overview

Global Services

**EBITDA and operating cash flow**

**Progress over last 3 years**

- Risk profile of contract portfolio
- Customer service
- Enhanced product range
- Investment in faster growing economies
- Macro environment
- Cost transformation

More to do

---

![Graph showing EBITDA and operating cash flow for 2009 to 2012.](image-url)

- EBITDA
- OCF

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## Q1 2013 line of business overview

### Retail

<table>
<thead>
<tr>
<th></th>
<th>Q1 2013</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>£1,776m</td>
<td>(3%)</td>
</tr>
<tr>
<td>EBITDA</td>
<td>£476m</td>
<td>7%</td>
</tr>
</tbody>
</table>

### Financial

- Consumer revenue down 2%
  - growth in broadband, driven by fibre
- Business revenue down 6%
  - withdrawal from IT hardware trade sales
- Ireland and Enterprises underlying revenue up 4%
- Net operating costs down 6%

### Consumer revenue movement

![Consumer revenue movement chart](chart.png)

1 excludes impact of £38m one-off benefit in Q1 2010
Q1 2013 line of business overview

Retail - Consumer

- Consumer ARPU up 6% YoY to £350
- 50% share of broadband net adds\(^1\)
- BT Retail fibre
  - net adds >150,000
  - now >700,000 customers
- BT Vision
  - net adds 21,000
  - BT’s bundled YouView service to launch in autumn
- Premier League broadcast rights
  - 38 live games, 18 first picks
  - negotiating long-form contract
- 4.2m BT Wi-fi hotspots
  - 1.7bn minutes in quarter, up 80%

\(^1\) DSL, LLU and fibre, excluding cable
Q1 2013 line of business overview

Wholesale

<table>
<thead>
<tr>
<th></th>
<th>Q1 2013</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>£923m</td>
<td>(8%)</td>
</tr>
<tr>
<td>- underlying revenue ex transit</td>
<td></td>
<td>(2%)</td>
</tr>
<tr>
<td>EBITDA</td>
<td>£300m</td>
<td>(2%)</td>
</tr>
</tbody>
</table>

Financial

- Underlying revenue ex transit down 2%
  - migration to LLU & IP-based services
- Net operating costs ex transit down 1%
  - lower labour & network migration costs
- EBITDA down 2%

Operational

- Order intake c.£500m
- IP Exchange minutes up >90%

Revenue and EBITDA¹

¹ Q4 2012 excludes retrospective regulatory charge
Q1 2013 line of business overview

Openreach

<table>
<thead>
<tr>
<th></th>
<th>Q1 2013</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>£1,257m</td>
<td>flat</td>
</tr>
<tr>
<td>EBITDA</td>
<td>£553m</td>
<td>3%</td>
</tr>
</tbody>
</table>

Financial

- Revenue flat
  - growth in Ethernet & fibre
  - impact of regulatory price reductions
- Net operating costs down 2%
  - despite increased repair activity
- EBITDA up 3%

Operational

- 44,000 reduction in physical lines
  - normal seasonality
  - more repairs & deferral of provisioning due to adverse weather
- 170,000 broadband users added¹

¹ DSL, LLU and fibre, excluding cable
Q1 2013 line of business overview

Fibre roll-out

- >11m premises now passed
  - >2m passed in Q1

- c.750,000 premises now connected
  - c.170,000 connected in Q1

- Continued focus on fibre innovations around speed & reach

- **BDUK**
  - national framework accreditation received
  - projects won since 1 April:
    - Lancashire
    - Rutland
    - North Yorkshire
    - Wales

- Projects in delivery
  - Northern Ireland >90% coverage
  - Cornwall >40% coverage
Summary

- Another quarter of profit and EPS growth
- Quarterly cash impacted by working capital
- Good performances in BT Retail, BT Wholesale and Openreach
- BT Global Services impacted by tough conditions in Europe and financial services sector
- On track for full year
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Tony Chanmugam, Group Finance Director
## Q1 2013 income statement

<table>
<thead>
<tr>
<th>£m</th>
<th>Q1 2013</th>
<th>Change</th>
<th>Key points</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td>4,484</td>
<td>(6%)</td>
<td>transit down £67m, FX &amp; disposals</td>
</tr>
<tr>
<td><strong>- underlying ex transit</strong></td>
<td>4,484</td>
<td>(3.2%)</td>
<td>macro challenges, regulatory price changes, lower calls &amp; lines revenue</td>
</tr>
<tr>
<td><strong>EBITDA</strong></td>
<td>1,463</td>
<td>2%</td>
<td>up 3% ex FX &amp; disposals, underlying costs down 8%</td>
</tr>
<tr>
<td><strong>Operating profit</strong></td>
<td>740</td>
<td>6%</td>
<td>lower depreciation</td>
</tr>
<tr>
<td><strong>Profit before tax</strong></td>
<td>578</td>
<td>8%</td>
<td>interest expense flat</td>
</tr>
<tr>
<td><strong>Tax</strong></td>
<td>(131)</td>
<td>(2%)</td>
<td>22.7% effective tax rate</td>
</tr>
<tr>
<td><strong>EPS</strong></td>
<td>5.7p</td>
<td>10%</td>
<td>11th quarter of double-digit growth</td>
</tr>
<tr>
<td><strong>Specific items</strong></td>
<td>4</td>
<td>n/m</td>
<td></td>
</tr>
</tbody>
</table>

1 before specific items
<table>
<thead>
<tr>
<th></th>
<th>Q1 2013</th>
<th>Change</th>
<th>Key points</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>EBITDA(^1)</strong></td>
<td>1,463</td>
<td>27</td>
<td>Q4 capex reversal</td>
</tr>
<tr>
<td>Capex</td>
<td>(661)</td>
<td>(43)</td>
<td></td>
</tr>
<tr>
<td>Interest</td>
<td>(213)</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Tax</td>
<td>(171)</td>
<td>(35)</td>
<td>higher taxable profits</td>
</tr>
<tr>
<td>Working capital &amp; other</td>
<td>(542)</td>
<td>(275)</td>
<td>timing of debtor receipts, Premier League deposit</td>
</tr>
<tr>
<td><strong>Normalised FCF(^2)</strong></td>
<td>(124)</td>
<td>(325)</td>
<td></td>
</tr>
<tr>
<td>Cash tax benefit of pension deficit payments</td>
<td>162</td>
<td>55</td>
<td>£2bn pension payment in March</td>
</tr>
<tr>
<td><strong>Adjusted FCF(^1)</strong></td>
<td>38</td>
<td>(270)</td>
<td>GS restructuring &amp; property rationalisation</td>
</tr>
<tr>
<td>Specific items</td>
<td>(33)</td>
<td>28</td>
<td></td>
</tr>
<tr>
<td><strong>Reported FCF</strong></td>
<td>5</td>
<td>(242)</td>
<td></td>
</tr>
<tr>
<td><strong>Net debt</strong></td>
<td>9,142</td>
<td>557</td>
<td></td>
</tr>
</tbody>
</table>

\(^1\) before specific items
\(^2\) before specific items, pension deficit payments and cash tax benefit of pension deficit payments
Q1 2013 cost transformation

- Q1 2012 opex: £3,426m
- FX & disposals: £59m
- Net labour costs
- Transit/POLOs: £123m (8% reduction)
- Other cost savings: £124m
- Q1 2013 opex: £3,109m

£317m opex\(^1\) reduction

\(^1\)before specific items, depreciation & amortisation and other operating income
Q1 2013 other financial information

- Share buyback
  - 40m shares acquired for £82m

- Bond issuance
  - £795m issued at average annualised interest rate of 2.15%

- Pension
  - IAS 19 deficit of £1.9bn net of tax, unchanged from March
Outlook 2013

Revenue\(^1\)
- Improving trend
- Decline larger in Q2 than Q1 due to milestones
- Improvement in trend in H2

EBITDA\(^2\)
- Growth

Normalised FCF\(^3\)
- Broadly level vs. 2012
- Q2 lower than last year
- Growth in H2

---

\(^1\) underlying revenue excluding transit
\(^2\) before specific items
\(^3\) before specific items, pension deficit payments and cash tax benefit of pension deficit payments
<table>
<thead>
<tr>
<th>Outlook 2014 &amp; 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong>&lt;sup&gt;1&lt;/sup&gt;</td>
</tr>
<tr>
<td>Improving trend</td>
</tr>
</tbody>
</table>

| **EBITDA**<sup>2</sup> |  |  |
| Growth (May 2012) | £100m reduction from Premier League | Broadly level | (June 2012) |

| **Normalised FCF**<sup>3</sup> | >£2.4bn (May 2012) | >£2.2bn | c.£2.5bn |
| c.£200m reduction from Premier League (June 2012) |  |  | |

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<sup>1</sup> underlying revenue excluding transit

<sup>2</sup> before specific items

<sup>3</sup> before specific items, pension deficit payments and cash tax benefit of pension deficit payments
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Q&A