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BT Group plc

Q1 2012 results
28 July 2011
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# Q1 2012 group results

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td>£4,764m</td>
<td>5%</td>
</tr>
<tr>
<td>- underlying ex transit</td>
<td></td>
<td>3%</td>
</tr>
<tr>
<td><strong>EBITDA</strong>¹</td>
<td>£1,436m</td>
<td>3%</td>
</tr>
<tr>
<td><strong>Profit before tax</strong>¹</td>
<td>£533m</td>
<td>20%</td>
</tr>
<tr>
<td><strong>EPS</strong>¹</td>
<td>5.2p</td>
<td>18%</td>
</tr>
<tr>
<td><strong>Free cash flow</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- before specific items</td>
<td>£308m</td>
<td>down £151m</td>
</tr>
<tr>
<td>- after specific items</td>
<td>£247m</td>
<td>down £168m</td>
</tr>
<tr>
<td><strong>Net debt</strong></td>
<td>£8,585m</td>
<td>down £294m</td>
</tr>
</tbody>
</table>

¹ before specific items
Key financials

Underlying revenue ex transit
- Down 3%
  - transit down £109m
- Fewer working days
- FY outlook - down 2% to flat

EBITDA
- Up 3%
- Retail & Openreach to offset weakness in Wholesale
- FY outlook for growth unchanged
## Free cash flow

<table>
<thead>
<tr>
<th></th>
<th>£m</th>
<th>Q1 2012</th>
<th>Change</th>
<th>Key points</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>EBITDA(^1)</strong></td>
<td></td>
<td>1,436</td>
<td>37</td>
<td></td>
</tr>
<tr>
<td>Capex</td>
<td>(618)</td>
<td></td>
<td>(8)</td>
<td></td>
</tr>
<tr>
<td>Interest &amp; tax</td>
<td>(243)</td>
<td></td>
<td>57</td>
<td>lower debt, tax slightly higher</td>
</tr>
<tr>
<td>Working capital &amp;</td>
<td>(267)</td>
<td></td>
<td>(237)</td>
<td>£200m receipt in prior year</td>
</tr>
<tr>
<td>other</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Free cash flow</strong></td>
<td></td>
<td>308</td>
<td>(151)</td>
<td>outlook - to be above 2011 level in 2012 &amp; 2013</td>
</tr>
<tr>
<td>before specifics</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Specific items</td>
<td>(61)</td>
<td></td>
<td>(17)</td>
<td>GS restructuring &amp; property rationalisation</td>
</tr>
<tr>
<td><strong>Free cash flow</strong></td>
<td></td>
<td>247</td>
<td>(168)</td>
<td></td>
</tr>
<tr>
<td>after specifics</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

\(^1\)before specific items
**Q1 2012 cost transformation**

£269m opex\(^1\) reduction in Q1

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

\(^2\) adjusted for £22m of labour related costs which were treated as Other costs in 2011
Other financial points

- Depreciation & amortisation
  - Q1 increase reflects shorter lived assets
  - FY expected to be broadly level YoY

- Interest
  - average rate of 7.9%\(^1\) on lower debt
  - coupon step down

- Tax
  - effective tax rate of 24.1%
  - Q2 specific deferred tax credit of c.£80m

- Pension
  - £1.8bn IAS 19 deficit post tax
  - down £3.9bn YoY

\(^1\) weighted average net debt interest rate
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Ian Livingston, Chief Executive
## Q1 2012 line of business results summary

<table>
<thead>
<tr>
<th></th>
<th>Global Services</th>
<th>Retail</th>
<th>Wholesale</th>
<th>Openreach</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Underlying revenue ex transit</strong></td>
<td>▼</td>
<td>▼</td>
<td>▼</td>
<td>▲</td>
</tr>
<tr>
<td></td>
<td>2%</td>
<td>4%</td>
<td>1%</td>
<td>5%</td>
</tr>
<tr>
<td><strong>EBITDA</strong></td>
<td>▲</td>
<td>▲</td>
<td>▼</td>
<td>▲</td>
</tr>
<tr>
<td></td>
<td>6%</td>
<td>1%</td>
<td>9%</td>
<td>5%</td>
</tr>
<tr>
<td><strong>Operating cash flow movement</strong></td>
<td>▼</td>
<td>▲</td>
<td>▼</td>
<td>▼</td>
</tr>
<tr>
<td></td>
<td>£22m</td>
<td>£1m</td>
<td>£98m</td>
<td>£48m</td>
</tr>
</tbody>
</table>

1 prior year restated for the impact of customer account moves
Q1 2012 line of business overview

Global Services

<table>
<thead>
<tr>
<th></th>
<th>Q1 2012</th>
<th>Change¹</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>£1,905m</td>
<td>(5)%</td>
</tr>
<tr>
<td>Underlying revenue ex transit</td>
<td></td>
<td>(2)%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>£138m</td>
<td>6%</td>
</tr>
</tbody>
</table>

Financials

- Underlying revenue ex transit down 2%
- Net operating costs down 6%
  - down 3% ex transit

Growth indicators

- 12 month rolling order intake up 8%
- AsiaPac – good pipeline
- LatAm – largest ever BT contract in region
- UK – better performance

¹ prior year restated for the impact of customer account moves
Q1 2012 line of business overview

Retail

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<thead>
<tr>
<th></th>
<th>Q1 2012</th>
<th>Change¹</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>£1,830m</td>
<td>(4)%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>£446m</td>
<td>1%</td>
</tr>
</tbody>
</table>

Financials

- Revenue
  - Consumer down 6% - lower calls & lines revenue
  - Business flat despite fewer working days
  - weak start, stronger finish to quarter

- Net operating costs down 6%
  - total labour costs down 9%

- EBITDA up 1%

¹ prior year restated for the impact of customer account moves
Q1 2012 line of business overview

Retail

Growth indicators

Consumer

- Consumer ARPU up 5% YoY to £330
- 56% share of broadband net adds\(^1\)
  - 59% including cable, highest ever
  - attraction of bundles
- Currently >200,000 BT Infinity customers
  - Q1 net adds c.50% above Q4
  - around a third of BT Infinity base new to BT Retail
- BT Vision – currently >600,000 customers

Consumer ARPU

Business

- IT services & mobility revenue up 7%

\(^1\) DSL and LLU

\(^2\) DSL, LLU and cable
Q1 2012 line of business overview

Wholesale

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<thead>
<tr>
<th></th>
<th>Q1 2012</th>
<th>Change¹</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>£1,004m</td>
<td>(5)%</td>
</tr>
<tr>
<td>Underlying revenue ex transit</td>
<td></td>
<td>(1)%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>£307m</td>
<td>(9)%</td>
</tr>
</tbody>
</table>

Financials

- Underlying revenue ex transit down 1%
  - broadband lines migrating to LLU & impact of regulatory decisions

- Net operating costs down 3%
  - up 4% ex transit

- EBITDA down 9%
  - changing product mix
  - network migration costs

Growth indicators

- IP Exchange now >150 CP customers

- Ethernet circuits almost trebled YoY

- c.50 CPs selling or trialling fibre services

¹ prior year restated for the impact of customer account moves
Q1 2012 line of business overview

Openreach

<table>
<thead>
<tr>
<th></th>
<th>Q1 2012</th>
<th>Change¹</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>£1,255m</td>
<td>5%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>£538m</td>
<td>5%</td>
</tr>
</tbody>
</table>

Financials

- Revenue up 5%
  - strongest growth since formation
  - investment starting to deliver
- Net operating costs up 4%
  - more engineering activity

Growth indicators

- Copper lines increased by 18,000
- Over 5m premises passed with fibre
- Over 500 cabinets with >10% fibre take-up

¹ prior year restated for the impact of customer account moves
In summary

- Revenue trend to improve
- Line of business trends to continue
- Q1 results add to our confidence in delivering our outlook
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Q&A