Forward-looking statements caution

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 year outlook, including revenue trends, EBITDA and normalised free cash flow; BT Global Services’ results and continued progress in its business; BT Retail EBITDA; BT Wholesale performance; our investment in BT Sport; our fibre roll-out programme; liquidity and funding; and the impact of regulation.

Although BT believes that the expectations reflected in these forward-looking statements are reasonable, it can give no assurance that these expectations will prove to have been correct. Because these statements involve risks and uncertainties, actual results may differ materially from those expressed or implied by these forward-looking statements.

Factors that could cause differences between actual results and those implied by the forward-looking statements include, but are not limited to: material adverse changes in economic conditions in the markets served by BT; future regulatory actions, decisions and conditions or requirements in BT's operating areas, including competition from others; selection by BT and its lines of business of the appropriate trading and marketing models for its products and services; fluctuations in foreign currency exchange rates and interest rates; technological innovations, including the cost of developing new products, networks and solutions and the need to increase expenditures for improving the quality of service; prolonged adverse weather conditions resulting in a material increase in overtime, staff or other costs, or impact on customer service; developments in the convergence of technologies; the anticipated benefits and advantages of new technologies, products and services not being realised; the timing of entry and profitability of BT in certain communications markets; significant changes in market shares for BT and its principal products and services; the underlying assumptions and estimates made in respect of major customer contracts proving unreliable; the aims of the group-wide restructuring programme not being achieved; and general financial market conditions affecting BT’s performance and ability to raise finance. BT undertakes no obligation to update any forward-looking statements whether as a result of new information, future events or otherwise.
A better business

A better future

BT Group plc

Tony Chanmugam, Group Finance Director
<table>
<thead>
<tr>
<th></th>
<th>Q1 13/14</th>
<th>Change</th>
<th>Key points</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>4,449</td>
<td>(1%)</td>
<td>transit down £51m</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>£32m positive FX impact</td>
</tr>
<tr>
<td>- underlying ex transit</td>
<td></td>
<td>(1%)</td>
<td>impact of regulation</td>
</tr>
<tr>
<td>EBITDA</td>
<td>1,440</td>
<td>(1%)</td>
<td>includes BT Sport pre-launch costs</td>
</tr>
<tr>
<td>Operating profit</td>
<td>743</td>
<td>2%</td>
<td>depreciation down 4%</td>
</tr>
<tr>
<td>Profit before tax</td>
<td>595</td>
<td>5%</td>
<td>lower depreciation and lower interest</td>
</tr>
<tr>
<td>EPS</td>
<td>5.9p</td>
<td>5%</td>
<td></td>
</tr>
<tr>
<td>Specific items</td>
<td>(114)</td>
<td>n/m</td>
<td>includes restructuring charges of £84m and net interest expense on pensions of £59m</td>
</tr>
</tbody>
</table>
## Q1 2013/14 free cash flow

<table>
<thead>
<tr>
<th>£m</th>
<th>Q1 13/14</th>
<th>Change¹</th>
<th>Key points</th>
</tr>
</thead>
<tbody>
<tr>
<td>EBITDA²</td>
<td>1,440</td>
<td>(12)</td>
<td>timing of payments</td>
</tr>
<tr>
<td>Capex</td>
<td>(600)</td>
<td>61</td>
<td></td>
</tr>
<tr>
<td>Interest</td>
<td>(222)</td>
<td>(9)</td>
<td></td>
</tr>
<tr>
<td>Tax³</td>
<td>(31)</td>
<td>140</td>
<td>timing/overpayments in prior years</td>
</tr>
<tr>
<td>Working capital &amp; other</td>
<td>(647)</td>
<td>(116)</td>
<td>working capital phasing</td>
</tr>
</tbody>
</table>

### Normalised FCF⁴

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash tax benefit of pension deficit payments</td>
<td>20</td>
<td>(142)</td>
</tr>
<tr>
<td>Specific items</td>
<td>(134)</td>
<td>(101)</td>
</tr>
</tbody>
</table>

### Reported FCF

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(174)</td>
<td>(179)</td>
</tr>
</tbody>
</table>

### Net debt

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>8,058</td>
<td>(1,084)</td>
</tr>
</tbody>
</table>

¹ prior year restated
² before specific items
³ before cash tax benefit of pension deficit payments
⁴ before specific items, purchases of telecommunications licences, pension deficit payments & cash tax benefit of pension deficit payments
Q1 2013/14 cost transformation

- Underlying operating costs ex transit down 1%

- Cost transformation activities partly offset by
  - c.£40m BT Sport pre-launch costs
  - £13m increase in pension operating charge

£43m opex reduction in Q1
£84m underlying reduction ex pension charge

1 restated
Opex = operating expenditure before specific items and depreciation & amortisation
Regulation

- LLU & WLR charge control consultation
  - additional costs still to be included

- Ofcom confirmed no regulation of fibre rental price

- Wholesale Broadband Access charge control consultation
  - larger de-regulated area
Q1 2013/14 other financial information

- **Pension**
  - IAS 19 deficit £4.0bn net of tax (Q4 2012/13: £4.5bn)
  - lower deficit reflects higher discount rate
    - real discount rate 1.26% (Q4 2012/13: 0.87%)

- **Share buyback**
  - 25m shares acquired for £75m
Outlook 2013/14

- Group outlook re-iterated

- In Q2
  - investment in BT Sport to impact BT Retail EBITDA by c.£100m
    - includes programme content costs
  - smaller benefit in BT Global Services from contract milestones compared with prior year
    - larger benefit in Q3
  - year on year benefit from prior year ladder pricing charge in BT Wholesale
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BT Group plc

Ian Livingston, Chief Executive
Q1 2013/14 overview

- Solid numbers, slightly ahead of expectations
- Q1 positions us well for the full year
- Early days, but very pleased with strong start in BT Sport
- Making progress but more to do
Q1 2013/14 line of business overview

Global Services

<table>
<thead>
<tr>
<th></th>
<th>Q1 2013/14</th>
<th>Change(^1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>£1,696m</td>
<td>(2%)</td>
</tr>
<tr>
<td>- underlying revenue ex transit</td>
<td></td>
<td>(3%)</td>
</tr>
<tr>
<td>EBITDA</td>
<td>£182m</td>
<td>6%</td>
</tr>
</tbody>
</table>

- Underlying revenue ex transit down 3%
- Order intake £1.7bn, up 49%
  - large renewal with Credit Suisse
- Underlying operating costs ex transit down 4%
- Underlying EBITDA up 1%
- Operating profit more than doubled
- Usual seasonal cash outflow
  - EBITDA less capex up £28m
Q1 2013/14 line of business overview

Retail

<table>
<thead>
<tr>
<th></th>
<th>Q1 2013/14</th>
<th>Change¹</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>£1,797m</td>
<td>flat</td>
</tr>
<tr>
<td>EBITDA</td>
<td>£496m</td>
<td>1%</td>
</tr>
</tbody>
</table>

Financial

- Consumer revenue down 1%
  - calls & lines down 5%
  - broadband & TV up 9%

- Business revenue up 1%
  - IT services up 9%
  - Plusnet Business launched

- Growth in Enterprises & Ireland

- Operating costs flat
  - impact of BT Sport pre-launch costs

- Underlying EBITDA flat

Operational

- Consumer line loss lowest for 5 years

- 50% market share² of broadband net adds
  - net adds up 12%

- Retail fibre
  - 197,000 net adds, up c.30%
  - now c.1.5m customers

- 23,000 BT TV net adds
  - impacted by ceasing Sky Sports on DTT

¹ prior year restated
² DSL and fibre, excluding cable
Some of our matches in 1st third of FAPL season

Now >500,000 homes

First picks left

BT: 13
Sky: 12

New four year FA Cup contract

And much more football
Q1 2013/14 line of business overview

Wholesale

<table>
<thead>
<tr>
<th></th>
<th>Q1 2013/14</th>
<th>Change¹</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>£638m</td>
<td>(6%)</td>
</tr>
<tr>
<td>- underlying revenue ex transit</td>
<td>flat</td>
<td></td>
</tr>
<tr>
<td>EBITDA</td>
<td>£157m</td>
<td>(4%)</td>
</tr>
</tbody>
</table>

- Excluding ladder pricing
  - underlying revenue ex transit up 2%
  - EBITDA up 3%

- Operating costs ex transit up 1%
  - higher cost of sales

- Order intake £509m
Q1 2013/14 line of business overview

Openreach

<table>
<thead>
<tr>
<th></th>
<th>Q1 2013/14</th>
<th>Change¹</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>£1,245m</td>
<td>(2%)</td>
</tr>
<tr>
<td>EBITDA</td>
<td>£605m</td>
<td>(4%)</td>
</tr>
</tbody>
</table>

- Revenue down 2%
  - c.£60m regulatory impact
- Fibre revenue more than doubled
- Ethernet revenue up 5% driven by higher volumes
- Operating costs flat
  - impact of additional engineering resource
- EBITDA down 4%
- 12,000 increase in physical lines
  - up 110,000 over 12 months
Q1 2013/14 line of business overview

Fibre

- Now >16m premises passed
- >1.7m premises now connected
- 265,000 net connections in Q1, up 56%
  - external net adds >3x prior year
- BDUK progress
  - 29 bids won to date
  - 9 contracts signed in Q1
Summary

BT continues to make good progress

Fibre

TV & Sport

IT services

Mobility

High-growth regions

Foundations in place for an exciting future
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A better future

BT Group plc

Gavin Patterson, CEO, BT Retail
Building a better future

- Driving broadband-based consumer services
- Being the ‘Brand for Business’ for UK SMEs
- BT Global Services – a global leader
- The wholesaler of choice
- The best network provider
- A responsible and sustainable business leader

Customer service delivery  Cost transformation  Investing for the future

A better business
More to do
A better business

A better future

BT Group plc

Q&A