Forward-looking statements caution

Certain statements in this results release 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: revenue, capital expenditure, operating cost reductions, EBITDA, free cash flow, net debt and dividends; the BT pension scheme; BT Global Services’ continued delivery of cost savings; and roll out of fibre access and super-fast broadband.

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 and conditions 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; developments in the convergence of technologies; the anticipated benefits and advantages of new technologies, products and services not being realised; the underlying assumptions and estimates made in respect of major customer contracts proving unreliable; the aims of the BT Global Services’ revised operating model and restructuring plan not being achieved; completion of the pension fund actuarial valuation; 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.
BT Group plc

Ian Livingston
## Q3 2009/10 group results

<table>
<thead>
<tr>
<th>Category</th>
<th>Value</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>reported</td>
<td>£5,198m</td>
<td>4%</td>
</tr>
<tr>
<td>underlying</td>
<td></td>
<td>5%</td>
</tr>
<tr>
<td><strong>Adjusted EBITDA</strong></td>
<td>£1,444m</td>
<td>11%</td>
</tr>
<tr>
<td><strong>Total underlying costs</strong></td>
<td>down £645m</td>
<td>13%</td>
</tr>
<tr>
<td><strong>Adjusted EPS</strong></td>
<td>4.6p</td>
<td>53%</td>
</tr>
<tr>
<td><strong>Free cash flow</strong></td>
<td>£305m</td>
<td>up £337m</td>
</tr>
<tr>
<td><strong>Net debt</strong></td>
<td>£10,112m</td>
<td>down £948m</td>
</tr>
</tbody>
</table>

1. before specific items, leaver costs, net interest on pensions and BT Global Services contract and financial review charges of £336m in Q3 2008/9
2. underlying operating costs and capital expenditure, excluding BT Global Services contract and financial review charges of £336m in Q3 2008/9
3. before pension deficit payment of £525m but after the cash flows related to specific items
### Q3 2009/10 line of business overview

**Global Services**

<table>
<thead>
<tr>
<th></th>
<th>Q3 2009/10</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>£2,118m</td>
<td>(3)%</td>
</tr>
<tr>
<td>EBITDA¹</td>
<td>£123m</td>
<td>up £116m</td>
</tr>
</tbody>
</table>

- Underlying revenue down 5%
- Underlying operating costs down 11%
- Sequential EBITDA¹ improvement
- Order intake £1.6bn in quarter
- Appointment of Jeff Kelly as CEO

¹ before contract and financial review charges of £336m in Q3 2008/09
Q3 2009/10 line of business overview

<table>
<thead>
<tr>
<th>Retail</th>
<th>Q3 2009/10</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>£2,061m</td>
<td>(5)%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>£464m</td>
<td>7%</td>
</tr>
</tbody>
</table>

- Consumer down 4%
- Business down 8%, SME market tough
- Net operating costs down 9%
- EBITDA in line with guidance
Q3 2009/10 line of business overview

Retail

- 42% share of broadband net adds at 102,000
  - over 5 million Retail broadband customers

- Consumer ARPU up £5 to £301

- BBC Trust given provisional approval to Project Canvas

- 1m WiFi hotspots now enabled
Option 1
- 40Mbps download, 2Mbps upload
- £19.99 p.m.
- 20Gb monthly usage allowance

Option 2
- 40Mbps download, 10Mbps upload
- £24.99 p.m.
- unlimited usage allowance
Revenue decline reflects expected fall in MTR

Net operating costs down 11%

Further new long term contracts signed

ADSL2+ >50% availability

Wholesale NGA product introduced
### Q3 2009/10 line of business overview

#### Openreach

<table>
<thead>
<tr>
<th></th>
<th>Q3 2009/10</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>£1,292m</td>
<td>(3)%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>£513m</td>
<td>(4)%</td>
</tr>
</tbody>
</table>

- External revenue up 19% ➔ internal revenue down 8%
  - continued migration of CPs to LLU and WLR
  - significantly lower Ethernet pricing for industry

- Net operating costs down 2%

- High comparative EBITDA last year
  - EBITDA up sequentially over Q2
NGA update

- January 2010: initial market deployment
- End 2010: 4m premises passed
- Summer 2012: 10m premises passed
  - c.25% FTTP
- FTTP: trials commenced
- Public-private sector investment in Northern Ireland
  - extends super-fast broadband footprint
NGA exchanges – late Summer 2010 (2.5m homes)

**Phase 1**
- Muswell Hill
- Whitchurch
- Glasgow Halfway
- Taffs Well
- Thamesmead
- Tottenham
- Waford
- Woolwich

**Phase 2**
- Belfast Balmoral
- Basingstoke Bury
- Caerphilly
- Calder Valley
- Canonbury
- Cardiff
- Chelmsford
- Chingford
- Dean
- Didsbury
- Edmonton
- Enfield
- Failsworth
- Glasgow Western
- Halifax
- Heaton Moor
- Hemel Hempstead
- Leagrave
- Luton
- Oldham
- Pudsey
- Rusholme

**Phase 3**
- Altrincham
- Armley
- Ashton-Under-Lyne
- Barnet
- Barry
- Berkhamsted
- Billericay
- Birmingham, Northern
- Brentwood
- Bristol North
- Bristol West
- Castleford
- Cheetham
- Chester-Le-Street
- Chorlton
- Dartford
- Denton
- Downend
- Durham
- East Herrington
- Edinburgh - Craiglockhart
- Elstree
- Eltham
- Fallings Park
- Glasgow Bridgeton
- Glasgow Giffnock
- Glossop
- Great Barr
- Greenwich
- Hainault
- Headingley
- Hetton-Le-Hole
- Hinckley
- Hoddesdon
- Hornchurch
- Hyde
- Inglesbeourne
- Lea Valley
- Leamore
- Lisburn
- Loughton
- Low Moor
- Manchester East
- Moss Side
- New Southgate
- Nuneaton
- Penarth
- Ponders End
- Pontefract

**Phase 4a**
- Albert Dock
- Andover
- Aylesbury
- Beauchief
- Bicester
- Blunsdon
- Bothwell
- Braintree
- Bramhall
- Brighton Hove
- Caversham
- Chandlers Ford
- Chippenham
- Coalville
- Congleton
- Crowthorne
- Dalgety Bay
- Didcot
- Dunfermline
- Earley
- Earlsdon
- Eastleigh
- Fair Oak
- Greenford
- Guiseley
- Harpenden
- Hednesford
- Henley On Thames
- Kenilworth
- Langley
- Livingston Station
- Llanedeyrn
- Llanishen
- Locksheath
- Llanishen
- Locksheath
- Lofthouse Gate
- Maidenhead
- Merton Park
- Mile End
- Mitcham
- Newport Pagnell
- Newton Mearns
- Ortons
- Parsons Green
- Penicuik
- Portishead
- Portsmouth Central
- Putney
- Rannmoor
- Reading South
- Sittingbourne
- Skypor
- Solihull
- Stoneygate
- Sutton Cheam
- Tamworth
- Toothill
- Wanstead
- Warwick
- Willaston
- Wimbledon
- Wokingham
- Worle
Funding valuation agreed with the Trustee

Now being submitted to Regulator for formal review
   - initial view – substantial concerns with certain features

Prudent actuarial funding deficit of £9.0bn

Valuation performed for Trustee by independent actuary

BT “median estimate” approach values the deficit at c.£3bn

17 year deficit recovery plan
   - Years 1 to 3 – payments of £525m p.a.
   - Year 4 – payment of £583m, increasing by 3% p.a.
   - Years 4 to 17 – payments equivalent to £533m p.a. in real terms
BT pension scheme – triennial funding valuation

<table>
<thead>
<tr>
<th></th>
<th>£bn</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market value of assets</td>
<td>31.2</td>
</tr>
<tr>
<td>Present value of liabilities</td>
<td>(40.2)</td>
</tr>
<tr>
<td>Funding deficit</td>
<td>(9.0)</td>
</tr>
</tbody>
</table>

Key assumptions

- Real discount rate – equivalent to an overall rate of 2.5%
- Inflation – increasing to 3.0% over the long term
- Mortality – increased by 2 years
- Does not reflect full expected benefits from pension review changes implemented from 1 April 2009
- Asset values have increased by c.10% in year to 31 December 2009
BT pension scheme – other features

- Net distributions trigger – if net distributions to shareholders exceed total pension contributions (i.e. c.£2.4bn) in three years to 31 December 2011 an additional equal matching contribution to the scheme is triggered.

- Net cash proceeds from disposals less acquisitions trigger – if greater than £1bn in any 12 month period to 31 December 2011, additional contribution to the scheme of 1/3rd of net proceeds is triggered.

- Negative pledge – comfort that future creditors will not be granted superior security to the scheme, subject to £1.5bn threshold.
BT Group plc

Tony Chanmugam
## Income statement

<table>
<thead>
<tr>
<th>£m</th>
<th>Q3 2009/10</th>
<th>Q3 2008/9¹</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>5,198</td>
<td>5,437</td>
<td>(4)%</td>
</tr>
<tr>
<td>POLOs</td>
<td>1,066</td>
<td>1,094</td>
<td></td>
</tr>
<tr>
<td>Revenue (net)</td>
<td>4,132</td>
<td>4,343</td>
<td></td>
</tr>
<tr>
<td>EBITDA¹</td>
<td>1,444</td>
<td>1,301</td>
<td>11%</td>
</tr>
<tr>
<td>Depreciation &amp; amortisation</td>
<td>(754)</td>
<td>(723)</td>
<td></td>
</tr>
<tr>
<td>Operating profit²</td>
<td>690</td>
<td>578</td>
<td>19%</td>
</tr>
</tbody>
</table>

¹ post Q1 restatements
² before specific items, leaver costs, net interest on pensions and contract and financial review charges of £336m in Q3 2008/09
## Income statement

<table>
<thead>
<tr>
<th></th>
<th>Q3 2009/10</th>
<th>Q3 2008/9¹</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating profit²</strong></td>
<td>690</td>
<td>578</td>
<td>19%</td>
</tr>
<tr>
<td><strong>Net finance expense (ex. pension interest)</strong></td>
<td>(223)</td>
<td>(259)</td>
<td></td>
</tr>
<tr>
<td><strong>Associates &amp; JVs</strong></td>
<td>(1)</td>
<td>16</td>
<td></td>
</tr>
<tr>
<td><strong>Profit before tax²</strong></td>
<td>466</td>
<td>335</td>
<td>39%</td>
</tr>
<tr>
<td><strong>Contract &amp; financial review charges</strong></td>
<td>-</td>
<td>(336)</td>
<td></td>
</tr>
<tr>
<td><strong>Leaver costs</strong></td>
<td>(58)</td>
<td>(33)</td>
<td></td>
</tr>
<tr>
<td><strong>Pension interest</strong></td>
<td>(69)</td>
<td>79</td>
<td></td>
</tr>
<tr>
<td><strong>Specific items (before tax)</strong></td>
<td>(130)</td>
<td>36</td>
<td></td>
</tr>
<tr>
<td><strong>Reported profit before tax</strong></td>
<td>209</td>
<td>81</td>
<td></td>
</tr>
<tr>
<td><strong>Tax</strong></td>
<td>(31)</td>
<td>(19)</td>
<td></td>
</tr>
<tr>
<td><strong>Profit for the period</strong></td>
<td>178</td>
<td>62</td>
<td></td>
</tr>
<tr>
<td><strong>Reported EPS</strong></td>
<td>2.3p</td>
<td>0.8p</td>
<td>188%</td>
</tr>
<tr>
<td><strong>Adjusted² EPS</strong></td>
<td>4.6p</td>
<td>3.0p</td>
<td>53%</td>
</tr>
</tbody>
</table>

¹ post Q1 restatements  
² before specific items, leaver costs, net interest on pensions and contract and financial review charges of £336m in Q3 2008/09
## Free cash flow

<table>
<thead>
<tr>
<th>£m</th>
<th>Q3 2009/10</th>
<th>Q3 2008/9¹</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>EBITDA²</strong></td>
<td>1,444</td>
<td>1,301</td>
<td>143</td>
</tr>
<tr>
<td>Leavers</td>
<td>(58)</td>
<td>(33)</td>
<td>(25)</td>
</tr>
<tr>
<td>Specific items</td>
<td>(130)</td>
<td>36</td>
<td>(166)</td>
</tr>
<tr>
<td><strong>EBITDA</strong></td>
<td>1,256</td>
<td>1,304</td>
<td>(48)</td>
</tr>
<tr>
<td>Interest</td>
<td>(314)</td>
<td>(305)</td>
<td>(9)</td>
</tr>
<tr>
<td>Tax</td>
<td>(44)</td>
<td>(111)</td>
<td>67</td>
</tr>
<tr>
<td>Capex</td>
<td>(548)</td>
<td>(789)</td>
<td>241</td>
</tr>
<tr>
<td>Working capital/Other</td>
<td>(45)</td>
<td>(131)</td>
<td>86</td>
</tr>
<tr>
<td><strong>Free cash flow³</strong></td>
<td>305</td>
<td>(32)</td>
<td>337</td>
</tr>
<tr>
<td><strong>Net debt</strong></td>
<td>(10,112)</td>
<td>(11,060)</td>
<td>948</td>
</tr>
</tbody>
</table>

¹ post Q1 restatements  
² before specific items, leaver costs, net interest on pensions and contract and financial review charges of £336m in Q3 2008/09  
³ before pension deficit payment of £525m but after the cash flows related to specific items
## Operating cash flow by line of business

<table>
<thead>
<tr>
<th></th>
<th>Q3 2009/10</th>
<th>Q3 2008/9</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Global Services</strong></td>
<td>(31)</td>
<td>(267)</td>
<td>236</td>
</tr>
<tr>
<td><strong>Retail</strong></td>
<td>399</td>
<td>285</td>
<td>114</td>
</tr>
<tr>
<td><strong>Wholesale</strong></td>
<td>208</td>
<td>110</td>
<td>98</td>
</tr>
<tr>
<td><strong>Openreach</strong></td>
<td>333</td>
<td>286</td>
<td>47</td>
</tr>
<tr>
<td><strong>LoB operating free cash flow</strong></td>
<td>909</td>
<td>414</td>
<td>495</td>
</tr>
<tr>
<td><strong>Other (tax, interest etc.)</strong></td>
<td>(474)</td>
<td>(482)</td>
<td>8</td>
</tr>
<tr>
<td><strong>Specific items</strong></td>
<td>(130)</td>
<td>36</td>
<td>(166)</td>
</tr>
<tr>
<td><strong>Group free cash flow</strong></td>
<td>305</td>
<td>(32)</td>
<td>337</td>
</tr>
</tbody>
</table>
YTD opex savings of £900m + capex savings of £677m = £1,577m

Capex spend weighted to Q4
### 2009/10 outlook

<table>
<thead>
<tr>
<th></th>
<th>Updated</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong>¹ decline</td>
<td>3%-4%</td>
</tr>
<tr>
<td><strong>Capital expenditure</strong></td>
<td>c.£2.6bn c.£2.5bn</td>
</tr>
<tr>
<td><strong>Total underlying cost</strong>² reductions</td>
<td>at least £1.5bn</td>
</tr>
<tr>
<td><strong>EBITDA</strong>³</td>
<td>c.£5.7bn</td>
</tr>
<tr>
<td><strong>Free cash flow</strong>⁴</td>
<td>at least £1.6bn around £1.7bn</td>
</tr>
<tr>
<td><strong>Net debt</strong></td>
<td>below £10bn</td>
</tr>
<tr>
<td><strong>Full year dividend</strong></td>
<td>c.5% up</td>
</tr>
</tbody>
</table>

---

¹ before specific items  
² underlying operating costs and capital expenditure  
³ before specific items and leaver costs  
⁴ before pension deficit payment of £525m but after the cash flows related to specific items
A year on...

- Absolute cost savings
- Cash generation
- Transparency
- Predictability

...a lot more to do!
BT Group plc

Q&A