A better business
A better future

BT Group plc

Q4/full year 2012/13 results and business update – Part 1
10 May 2013
Forward-looking statements caution

Certain statements in these presentations 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, free cash flow growth and capital expenditure; our restructuring programme, cost base reduction and restructuring costs; shareholder returns including increasing dividends and share buyback; our investment in BT Sport; the pension scheme operating charge, interest expense and regular cash contributions; the effective tax rate; our fibre roll out programme reach, and take-up; and the impact of regulatory decisions and outcomes of appeals.

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, decision, 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 or 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 underlying assumptions and estimates made in respect of major customer contracts proving unreliable; the aims of the group-wide and BT Global Services 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

Sir Michael Rake, Chairman
# Business update agenda

<table>
<thead>
<tr>
<th>Time</th>
<th>Session</th>
<th>Presenter(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>09.00 – 10.30</td>
<td>Q4/FY 2012/13 results, group strategy + Q&amp;A</td>
<td>Sir Michael Rake, Ian Livingston &amp; Tony Chanmugam</td>
</tr>
<tr>
<td>10.30 – 10.50</td>
<td>Break</td>
<td></td>
</tr>
<tr>
<td>10.50 – 11.45</td>
<td>Cost Transformation Technology, Service &amp; Operations Q&amp;A</td>
<td>Tony Chanmugam, Clive Selley</td>
</tr>
<tr>
<td>11.45 – 12.40</td>
<td>BT Retail + Q&amp;A</td>
<td>Gavin Patterson</td>
</tr>
<tr>
<td>12.40 – 13.25</td>
<td>Lunch and product demonstrations</td>
<td></td>
</tr>
<tr>
<td>13.25 – 14.20</td>
<td>BT Wholesale Openreach Q&amp;A</td>
<td>Nigel Stagg, Liv Garfield</td>
</tr>
<tr>
<td>14.20 – 15.10</td>
<td>BT Global Services + Q&amp;A</td>
<td>Luis Alvarez</td>
</tr>
<tr>
<td>15.10 – 15.15</td>
<td>Closing remarks</td>
<td>Ian Livingston</td>
</tr>
</tbody>
</table>
Review of the year

- Good operational and financial performance
- Further progress on transforming our cost base
- More to do on customer service
- Our investments are positioning us well for the future
- Progress enables us to reward shareholders
## Full year 2012/13 group results

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
<th>Change</th>
<th>Note</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>£18,253m</td>
<td>(5%)</td>
<td></td>
</tr>
<tr>
<td>- underlying ex transit</td>
<td></td>
<td>(3%)</td>
<td></td>
</tr>
<tr>
<td>EBITDA</td>
<td>£6,181m</td>
<td>2%</td>
<td></td>
</tr>
<tr>
<td>EPS</td>
<td>26.6p</td>
<td>12%</td>
<td></td>
</tr>
<tr>
<td>Normalised(^2) free cash flow</td>
<td>£2,300m</td>
<td>flat</td>
<td></td>
</tr>
</tbody>
</table>

\(^1\) before specific items  
\(^2\) before cash specific items, purchases of telecommunications licences, pension deficit payments and the cash tax benefit of pension deficit payments
## 2012/13 results vs. outlook

<table>
<thead>
<tr>
<th></th>
<th>Outlook</th>
<th>2012/13 results</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Underlying revenue ex transit</strong></td>
<td><strong>May 2012</strong></td>
<td>Improving trend in FY</td>
</tr>
<tr>
<td></td>
<td><strong>Nov 2012</strong></td>
<td>Improved trend for H2 vs. H1</td>
</tr>
<tr>
<td><strong>EBITDA</strong></td>
<td>Growth vs. 2011/12</td>
<td></td>
</tr>
<tr>
<td><strong>Normalised free cash flow</strong></td>
<td>Broadly level with £2,307m in 2011/12</td>
<td>£2,300m</td>
</tr>
</tbody>
</table>

1 before specific items
Shareholder returns progressive dividends

- 6.5p proposed final dividend, up 14%
- Completed share buyback of c.£300m in 2012/13
  - buyback of c.£300m p.a. in 2013/14 & 2014/15 to counteract dilution from all-employee share plans
A better business
A better future

BT Group plc

Tony Chanmugam, Group Finance Director
## Q4 2012/13 income statement

<table>
<thead>
<tr>
<th>£m</th>
<th>Q4 2012/13</th>
<th>Change</th>
<th>Key points</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue¹</td>
<td>4,785</td>
<td>(2%)</td>
<td>transit down £81m, £12m FX benefit</td>
</tr>
<tr>
<td>- underlying ex transit</td>
<td></td>
<td>0%</td>
<td>stronger performances in Global Services, Retail and Wholesale</td>
</tr>
<tr>
<td>EBITDA¹</td>
<td>1,673</td>
<td>4%</td>
<td>underlying costs ex transit down 2%</td>
</tr>
<tr>
<td>Operating profit¹</td>
<td>981</td>
<td>14%</td>
<td>depreciation down 7% due to lower capex in recent years</td>
</tr>
<tr>
<td>Profit before tax¹</td>
<td>833</td>
<td>21%</td>
<td>higher EBITDA, lower depreciation and lower interest</td>
</tr>
<tr>
<td>EPS¹</td>
<td>8.3p</td>
<td>22%</td>
<td></td>
</tr>
<tr>
<td>Specific items</td>
<td>(58)</td>
<td>n/m</td>
<td>restructuring charges of £151m offset by specific tax credit of £88m</td>
</tr>
</tbody>
</table>

¹ before specific items
## Q4 2012/13 free cash flow

<table>
<thead>
<tr>
<th>£m</th>
<th>Q4 2012/13</th>
<th>Change</th>
<th>Key points</th>
</tr>
</thead>
<tbody>
<tr>
<td>EBITDA(^1)</td>
<td>1,673</td>
<td>64</td>
<td></td>
</tr>
<tr>
<td>Capex</td>
<td>(572)</td>
<td>113</td>
<td></td>
</tr>
</tbody>
</table>
| Interest | (140) | - | efficiencies in capital programmes  
| Tax\(^2\) | (104) | 68 | timing of tax payments  
| Working capital & other | 444 | 147 | working capital phasing  
| **Normalised FCF** | **1,301** | **392** |  
| Cash tax benefit of pension deficit payments | 79 | 79 |  
| Telecoms licences | (202) | (202) | purchase of 4G mobile spectrum  
| Specific items | (147) | (94) | restructuring, historic Ethernet pricing  
| **Reported FCF** | **1,031** | **175** |  

\(^1\) before specific items  
\(^2\) before cash tax benefit of pension deficit payments
FY 2012/13 normalised free cash flow

- 2011/12 FCF: £2,307m
- Prior year capex timing benefit: £40m
- 2011/12 FCF ex timing benefit: £2,267m
- Tax & interest: £16m
- Working capital & other: £230m
- Capex\(^1\): £162m
- EBITDA: £117m
- 2012/13 FCF: £2,300m

\(^1\) excluding prior year capex timing benefit
FY 2012/13 net debt

£1,285m reduction in year

1 other includes £109m proceeds from issue of treasury shares related to all-employee share option plans
Debt and liquidity

- £1.5bn debt repayable in 2013/14
  - includes term debt of £0.3bn

- Strong funding position
  - cash and investments of £1.5bn at March 2013, plus
  - available facilities of £1.5bn

- Continue to target BBB+/Baa1 credit rating

---

1 carrying value at 31 March 2013, assuming no renewal or new facilities. Carrying value reflects final principal repayments at hedged rates.
2 weighted average coupon of debt maturing in year (including swap rates), based on carrying value of debt at hedged rates at 31 March 2013.
FY 2012/13 cost transformation

- £16,224m
- £183m
- £445m
- £145m
- £393m
- £156m

>£1.3bn opex & capex reduction¹ in FY

¹ Opex is before specific items, depreciation & amortisation and net of other operating income. Capex is before purchases of telecommunications licences.
Restructuring

- To improve efficiency and effectiveness of business

- £204m of specific restructuring costs incurred in 2012/13
  - includes amounts relating to next phase of programme
  - £151m incurred in Q4

- Further c.£400m specific restructuring costs, mostly in 2013/14

- Reduction in cost base of c.£200m per year by end of programme
  - lower opex, capex efficiencies
  - benefits increasing, approaching full run-rate in 2014/15
## Regulation group EBITDA impact

<table>
<thead>
<tr>
<th></th>
<th>2012/13</th>
<th>2013/14 expected</th>
</tr>
</thead>
<tbody>
<tr>
<td>WLR, LLU &amp; ISDN30</td>
<td>c.£120m</td>
<td>Further c.£120m</td>
</tr>
<tr>
<td>Wholesale ladder termination decision</td>
<td>c.£30m</td>
<td></td>
</tr>
<tr>
<td>Business Connectivity Market Review</td>
<td></td>
<td>c.£50m-£100m</td>
</tr>
<tr>
<td>Wholesale Narrowband Market Review</td>
<td></td>
<td>Reduced fixed call termination</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- partly offset by higher call origination prices</td>
</tr>
</tbody>
</table>

- Fixed Access Market Review consultation to be published in next few months
### 2013/14 other items

**Pension**

<table>
<thead>
<tr>
<th></th>
<th>2012/13</th>
<th>2012/13 restated&lt;sup&gt;1&lt;/sup&gt;</th>
<th>2013/14 expected</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating charge</td>
<td>£361m</td>
<td>c.£400m</td>
<td>c.£450m</td>
</tr>
<tr>
<td>Pension interest specific item</td>
<td>£(31)m credit</td>
<td>c.£120m charge</td>
<td>c.£240m charge</td>
</tr>
</tbody>
</table>

- regular BTPS cash contributions of c.£210m, similar to 2012/13
- pension deficit payment of £325m, payable in March 2014

**Working capital/other impacted by BT Sport**

<sup>1</sup> restated for adoption of IAS 19 Revised
FY 2012/13 – 2015/16 EBITDA

1 before specific items

© British Telecommunications plc
Financial strategy to 2015/16

 Grow EBITDA

 Grow free cash flow

Invest in business
Reduce net debt
Support pension fund
Progressive dividends
A better business
A better future

BT Group plc

Ian Livingston, Chief Executive
Q4/FY 2012/13 line of business overview

Global Services

<table>
<thead>
<tr>
<th></th>
<th>Q4 2012/13</th>
<th>Change</th>
<th>FY 2012/13</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>£1,933m</td>
<td>(3)%</td>
<td>£7,166m</td>
<td>(8)%</td>
</tr>
<tr>
<td>- underlying ex transit</td>
<td></td>
<td>(3)%</td>
<td></td>
<td>(6)%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>£214m</td>
<td>15%</td>
<td>£626m</td>
<td>flat</td>
</tr>
</tbody>
</table>

- Improved revenue performance in Q4
- Q4 order intake £2.0bn (Q4 2011/12: £2.0bn)
- Q4 underlying operating costs ex transit down 4%
- Operating profit in FY
- FY EBITDA less capex £101m
- FY operating cash flow £6m
  - more to do

EBITDA less capex

© British Telecommunications plc
Q4/FY 2012/13 line of business overview

Retail

<table>
<thead>
<tr>
<th></th>
<th>Q4 2012/13</th>
<th>Change</th>
<th>FY 2012/13</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>£1,868m</td>
<td>flat</td>
<td>£7,228m</td>
<td>(2)%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>£511m</td>
<td>5%</td>
<td>£1,935m</td>
<td>6%</td>
</tr>
</tbody>
</table>

- Q4 revenue flat
  - best performance for 18 quarters
  - improved voice trends, stronger IT services
- Q4 net operating costs down 1%
  - cost transformation offset by impact of improved revenue trend and BT Sport investment
- 136,000 broadband net adds in Q4
  - 48% market share
- 211,000 retail fibre net adds in Q4
- 40,000 BT TV net adds in Q4

Broadband market net adds

1 DSL and fibre, excluding cable
## Wholesale

<table>
<thead>
<tr>
<th></th>
<th>Q4 2012/13</th>
<th>Change</th>
<th>FY 2012/13</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>£914m</td>
<td>(5)%</td>
<td>£3,588m</td>
<td>(9)%</td>
</tr>
<tr>
<td>- underlying ex transit</td>
<td></td>
<td>2%</td>
<td></td>
<td>(2)%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>£299m</td>
<td>2%</td>
<td>£1,168m</td>
<td>(3)%</td>
</tr>
</tbody>
</table>

### Financial performance

- Improved revenue performance
  - growth in MNS
- Q4 underlying revenue and net operating costs ex transit up 2%
- Q4 EBITDA up 2%

### Operational performance

- Q4 order intake >£0.8bn
  - FY order intake >£2bn
- Contract re-signs and extensions with all UK MNOs in year
  - new 10 year contract with O2
Q4/FY 2012/13 line of business overview

Openreach

<table>
<thead>
<tr>
<th></th>
<th>Q4 2012/13</th>
<th>Change</th>
<th>FY 2012/13</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>£1,267m</td>
<td>(3)%</td>
<td>£5,067m</td>
<td>(1)%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>£600m</td>
<td>flat</td>
<td>£2,314m</td>
<td>1%</td>
</tr>
</tbody>
</table>

- Q4 revenue down 3%
  - c.£50m impact of regulatory price changes
  - growth in fibre & Ethernet
- Q4 net operating costs down 4%
- 88,000 increase in physical lines in Q4
- c.270,000 premises connected with fibre in Q4
  - >1.5m now connected

Rolling 12 month change in physical lines
Pension IAS 19

Change in IAS 19 deficit

- IAS 19 deficit £4.5bn net of tax
- Lowest ever real discount rate of 0.87%
- Highest ever asset value
  - up £3bn to £41.3bn
  - 12% return in year, 2x expected return

1 consists of service cost, regular contributions, interest on liability and expected return on assets
Pension funding

- BT median valuation c.£1bn surplus
  - future real returns of c.2% p.a. sufficient to meet pension liabilities

- Government introducing new objective for Pensions Regulator to consider sponsor growth

- Pensions Regulator reviewing funding valuation
  Code of Practice
Summary of the year

- Good progress
- Delivering growth in profits and dividends
- Making key investments for the future

More to do
### 3 year performance vs outlook

<table>
<thead>
<tr>
<th></th>
<th>Outlook at May 2010</th>
<th>Outcome</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td>Improving revenue trends from 2010/11 to 2012/13, with growth in 2012/13</td>
<td>X</td>
</tr>
<tr>
<td><strong>EBITDA</strong>¹</td>
<td>Growth 2010/11 to 2012/13</td>
<td>Up 5%</td>
</tr>
<tr>
<td><strong>Adjusted</strong>²</td>
<td>c.£2.0bn by 2012/13</td>
<td>£2.7bn</td>
</tr>
<tr>
<td><strong>FCF</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Normalised</strong>³</td>
<td>c.£1.9bn by 2012/13</td>
<td>£2.3bn</td>
</tr>
<tr>
<td><strong>Dividends</strong></td>
<td>Progressive over next 3 years</td>
<td>Up by average of 11% p.a.</td>
</tr>
</tbody>
</table>

¹ before specific items  
² before cash specific items and pension deficit payments  
³ calculated based on pension tax relief expected at May 2010
## Outlook

<table>
<thead>
<tr>
<th></th>
<th>2013/14</th>
<th>2014/15</th>
<th>2015/16</th>
</tr>
</thead>
<tbody>
<tr>
<td>Underlying revenue ex transit</td>
<td>Improved trend</td>
<td></td>
<td></td>
</tr>
<tr>
<td>EBITDA&lt;sup&gt;1&lt;/sup&gt;</td>
<td>£6.0bn to £6.1bn</td>
<td>£6.2bn to £6.3bn</td>
<td>Growth</td>
</tr>
<tr>
<td>Capex</td>
<td>Broadly level with 2012/13</td>
<td>Broadly level with 2012/13</td>
<td></td>
</tr>
<tr>
<td>Normalised FCF</td>
<td>Around £2.3bn</td>
<td>Around £2.6bn</td>
<td>Growth</td>
</tr>
<tr>
<td>Dividends</td>
<td>Up 10-15%</td>
<td>Up 10-15%</td>
<td></td>
</tr>
</tbody>
</table>

<sup>1</sup> before specific items
Our markets **volume of demand is strong**

- Broadband increasingly critical to everyday life
  - strong volume growth
  - rising service expectations

- Volume growth plays to strengths of fixed networks
  - complementary roles for fixed and mobile

- Growth particularly strong in AsiaPac, LatAm & MEA

- Industry challenges relate to pricing not volume

### Secure enterprise data connections are also growing

<table>
<thead>
<tr>
<th>Region</th>
<th>Expected annual increase in MPLS VPN connections (2013-2018)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asia Pacific</td>
<td>17%</td>
</tr>
<tr>
<td>Middle East &amp; Africa</td>
<td>15%</td>
</tr>
<tr>
<td>South &amp; Central America</td>
<td>12%</td>
</tr>
<tr>
<td>Europe</td>
<td>7%</td>
</tr>
<tr>
<td>North America</td>
<td>4%</td>
</tr>
</tbody>
</table>

1 Peak traffic, Gigabit per second
2 Ovum IP VPN forecasts – 2013 to 2018
Our markets we have delivered low prices in the UK

Lowest fixed-line voice prices¹

- UK
- Spain
- USA
- Germany
- Italy

£ per month

Lowest broadband prices¹

- UK
- France
- Italy
- USA
- Germany
- Spain

£ per month

Lowest superfast prices²

- UK
- Germany
- Italy
- France
- Spain
- USA

£ per month

¹ International Communications Market, December 2012, Ofcom. Weighed average of best-value tariff from three largest operators for a family household. PPP adjusted
² International Communications Market, December 2012, Ofcom. Weighed average of best-value tariff from three largest operators for an affluent two person household who are heavy internet users with a superfast broadband connection. PPP adjusted
Our markets we have delivered high speeds and internet strength

**G8 download speeds**

- Japan
- UK
- Germany
- Russia
- France
- USA
- Canada
- Italy

---

**Index of internet strength and activity**

- UK
- USA
- Germany
- France
- Spain
- Italy

---

---

1. Ookla Net Index, April 2013. The value is the rolling mean throughput in Mbps over the past 30 days where the mean distance between the client and the server is <300 miles

2. Boston Consulting Group e-Intensity Index, October 2012. Index is a yardstick of internet strength and activity across nations
Our markets we have opportunities in adjacent markets

Fixed Telecoms
- Bundling (SME)
- Voice over IP (BT SmartTalk)
- Converged solutions
- Wi-fi

£16bn

Pay TV
- Bundling
- On-demand services
- Interactive services

£5bn

Mobile
- Bundling (SME)
- Voice over IP (BT SmartTalk)
- Converged solutions
- Wi-fi

£15bn

IT
- Hosting
- Unified comms
- Cloud

£37bn

Note: annual market revenues in the UK. Fixed revenues exclude wholesale revenues
Sources: UK Ofcom Communication Market Report 2012 & IDC IT Services forecasts
Our strategy

- 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 improvement but more to do

Significant improvement over last 4 years

- Fewer complaints, higher satisfaction, higher RFT
- A tough 2012/13 in the UK impacted by some of wettest weather on record
- Further significant improvement planned

Strong performance in some segments

- BT Global Services\(^2\)
- Plusnet\(^3\)

Group Right First Time\(^1\)

\(^1\) Percentage improvement in Group Right First Time measure each year and cumulatively from 1 April 2010

\(^2\) Current Analysis – BT Global Services Company Assessment – March 14, 2013

\(^3\) Plusnet won ‘Best Customer Rated Home Broadband’ at the uSwitch.com Broadband Awards 2013; and Best Broadband Provider in BroadbandGenie.co.uk Home Broadband Survey 2013
Cost transformation success and more to go for

- £4.7bn reduction in opex and capex over last 4 years
  - underpins ability to compete
  - releases resources and cash to support our investments

- More opportunities ahead

1 before specific items, depreciation & amortisation and other operating income and purchases of telecommunications licences
Investing for the future Driving broadband based consumer services

Where we are

- Growing broadband base & market share
  - now c.1.3m fibre customers
- Over 800k TV customers
  - growing faster than competition
- Over 5m BT Wi-fi hotspots

Growth opportunities

- Fibre broadband
- TV
  - widening channel portfolio
  - BT Sport
- Wireless services
  - 4G spectrum opportunity
  - BT SmartTalk - over 150k downloads

BT’s retail broadband market share

<table>
<thead>
<tr>
<th>Year</th>
<th>Market share</th>
<th>Market share</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008/9</td>
<td>27%</td>
<td>28%</td>
</tr>
<tr>
<td>2009/10</td>
<td>35%</td>
<td>30%</td>
</tr>
<tr>
<td>2010/11</td>
<td>36%</td>
<td>30%</td>
</tr>
<tr>
<td>2011/12</td>
<td>37%</td>
<td>31%</td>
</tr>
<tr>
<td>2012/13</td>
<td>38%</td>
<td></td>
</tr>
</tbody>
</table>

1 Includes Plusnet and business broadband customers
Investing for the future Being the ‘Brand for Business’ for UK SMEs

Where we are

- Strong market position in fixed
- Stable market share of calls & lines
- Growing in adjacent markets
  - over 250k mobile customers
  - double-digit\(^2\) IT services growth

Growth opportunities

- BT Infinity for Business
- Mobility
  - converged offers using 4G spectrum
- IT services
  - growing capabilities
  - sectorial expertise, e.g. professional services

BT Business market share

<table>
<thead>
<tr>
<th>Service Type</th>
<th>Market Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed voice and data</td>
<td>37%</td>
</tr>
<tr>
<td>Mobile voice and data</td>
<td>2%</td>
</tr>
<tr>
<td>IT services</td>
<td>1%</td>
</tr>
</tbody>
</table>

\(^1\) 2011 BT estimate based on market sizing data from IDC. Excludes NI.

\(^2\) excluding trade sales
Investing for the future BT Global Services – a global leader

Where we are

- A global leader
  - recognised by customers and industry
- Strong customer base

Growth opportunities

- Investing in high-growth regions
- Grow share of wallet
- Building differentiated market position
  - e.g.
    - low latency trading solutions
    - supply chain visibility solutions

1Gartner, Global Network Service Provider Magic Quadrant, Neil Rickard and Robert Mason, March 2013. This Magic Quadrant graphic was published by Gartner, Inc. as part of a larger research note and should be evaluated in the context of the entire report. The Gartner report is available upon request from BT. Gartner does not endorse any vendor, product or service depicted in our research publications, and does not advise technology users to select only those vendors with the highest ratings. Gartner research publications consist of the opinions of Gartner’s research organization and should not be construed as statements of fact. Gartner disclaims all warranties, expressed or implied, with respect to this research, including any warranties of merchantability or fitness for a particular purpose.
Investing for the future The wholesaler of choice

Where we are

- Strong customer base
  - >1,400 CP customers
- Changing wholesale market

Growth opportunities

- Ethernet
  - expanded footprint & portfolio
- Managed services
  - deeper partnerships with customer base
- Mobility
  - supporting 4G rollouts
- IP Exchange
  - rapid growth in UK and overseas

IP Exchange revenue

<table>
<thead>
<tr>
<th>Year</th>
<th>£m</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011/12</td>
<td>60</td>
</tr>
<tr>
<td>2012/13</td>
<td>120</td>
</tr>
</tbody>
</table>
Investing for the future The best network provider

Where we are

- Fibre deployment
  - one of fastest commercial rollouts in the world
    - two thirds of UK premises during spring 2014, 18 months ahead of original schedule
    - now >15m premises passed

Growth opportunities

- Aim to reach >90% premises
  - 21 BDUK wins to date supporting rollout in final third

- Ethernet
  - largest UK footprint
  - growing international footprint

- 4G

Increasing rate of fibre take-up

Phase 2 – started October 2009
Phase 4 – started June 2010
Phase 8 – started February 2012
Investing for the future **4G spectrum**

- Great indoor coverage at low prices
- Convergence, convenience and simplicity
- Faster speeds & higher volumes

**For Consumers**
- Super-fast wireless data
- High quality experience in and out of home
- Automatic connection to wi-fi and LTE

**For Business**
- Complete fixed & mobile solution
- Predictable fixed costs
- Single platform for all devices - mobiles, desk phones and soft phones

**Machine to Machine**
- Fast, secure and dependable
- Good for streamed services & prioritising traffic
- Greater range than wi-fi
4G spectrum inside-out network

- Build focused on indoor and outdoor small cells
  - an economic rollout, growing with the customer base
  - long-term competitiveness – high capacity, lower cost network for heavy data usage
- Leverages our fibre and wi-fi footprints
- Extends wi-fi
  - licensed spectrum - greater range, quality of service guarantee for voice and video
  - integrates seamlessly
4G spectrum partnerships & wholesale opportunity

**BT focus:**
urban and indoor capacity

- No plans to build a macro network
- Indoor and outdoor small cells where the need exists

**Mobile operator partner focus:**
outdoor and national coverage

- Roaming seamlessly on partner macro network
- Open to wholesale to partner MNOs

<table>
<thead>
<tr>
<th>Distance</th>
<th>Network Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>50m</td>
<td>Picocells/Femtocells</td>
</tr>
<tr>
<td>100m</td>
<td>Micro/small cells</td>
</tr>
<tr>
<td>500m</td>
<td>Macrocells</td>
</tr>
<tr>
<td>1km</td>
<td>Tower</td>
</tr>
<tr>
<td>2km</td>
<td></td>
</tr>
</tbody>
</table>

© British Telecommunications plc
BT a responsible and sustainable business leader

- We are working towards clear goals to create a better future for the communities in which we work

**Connected Society**
Vision: To help improve society through the power of digital connections

**2020 goal**
9/10
“More than 9 out of 10 people in the UK will have access to fibre-based products & services”

**Net Good**
Vision: To help society live within the constraints of our planet’s resources through our products and people

**2020 goal**
3:1
“We will help customers reduce carbon emissions by at least three times the end-to-end carbon impact of our business”

**Improving Lives**
Vision: To help improve hundreds of millions of lives globally through our products and people

**2020 goal**
£1bn
“We will use our skills and technology to help generate >£1bn for good causes”
Our people

- Increase skills, e.g.
  - BT Academy
  - multi-skilling

- Investment leading to new jobs

- Insourcing

- Empowerment and continuous improvement, e.g.
  - The Challenge Cup
Summary

- Continued pricing and economic challenges
- Improved customer service, but more to do
- £4.7bn of cost taken out in 4 years, more to go for
- Investing to support future
- Growth potential across our business
  - revenue
  - profits
  - cashflow
- Our strategy is delivering, but more to be delivered