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 and future years’ outlook, including revenue growth, EBITDA and free cash flow growth; progressive dividends and our share buyback; capital expenditure; debt, liquidity and credit rating; further restructuring costs; further cost transformation; our fibre rollout progress, speed and coverage, and BDUK area coverage; our investment in TV and our BT Sport proposition; our investment for growth plans; and the impact of regulatory and legal 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, 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.
Sir Michael Rake, Chairman
Review of the year

- Investments are delivering
- Met or exceeded financial targets
- Good progress towards delivering sustainable, profitable revenue growth
- Delivering value to customers, shareholders and society
Shareholder returns

Dividend per share

- 6.9p +7% 2009/10
- 7.4p +12% 2010/11
- 8.3p +14% 2011/12
- 9.5p +15% 2012/13
- 10.9p 2013/14

- 7.5p proposed final dividend, up 15%
- Share buyback of £302m in 2013/14
  - buyback of c.£300m pa in 2014/15 and 2015/16
Tony Chanmugam, Group Finance Director
## FY 2013/14 results vs. outlook

<table>
<thead>
<tr>
<th></th>
<th>Outlook</th>
<th>FY 2013/14 results</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Underlying(^1)</strong></td>
<td>Improved trend vs 2012/13</td>
<td>up 0.5% vs down 3.1% PY</td>
</tr>
<tr>
<td>revenue ex transit</td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td><strong>EBITDA(^2)</strong></td>
<td>£6.0bn-£6.1bn</td>
<td>£6,116m</td>
</tr>
<tr>
<td></td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td><strong>Normalised free cash flow(^3)</strong></td>
<td>Around £2.3bn</td>
<td>£2,450m</td>
</tr>
<tr>
<td></td>
<td></td>
<td>✓</td>
</tr>
</tbody>
</table>

\(^1\) excludes specific items, foreign exchange movements and the effect of acquisitions and disposals

\(^2\) before specific items

\(^3\) before specific items, purchases of telecommunications licences, pension deficit payments & cash tax benefit of pension deficit payments
## Q4 2013/14 group results

<table>
<thead>
<tr>
<th>Metric</th>
<th>Value</th>
<th>YoY change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue(^1)</td>
<td>£4,748m</td>
<td>(1)%</td>
</tr>
<tr>
<td>- underlying ex transit</td>
<td></td>
<td>1.2%</td>
</tr>
<tr>
<td>EBITDA(^1)</td>
<td>£1,705m</td>
<td>2%</td>
</tr>
<tr>
<td>EPS(^1)</td>
<td>9.0p</td>
<td>10%</td>
</tr>
<tr>
<td>Normalised free cash flow(^2)</td>
<td>£1,346m</td>
<td>3%</td>
</tr>
<tr>
<td>Net debt</td>
<td>£7,028m</td>
<td>down £769m</td>
</tr>
</tbody>
</table>

\(^1\) before specific items
\(^2\) before specific items, purchases of telecommunications licences, pension deficit payments & cash tax benefit of pension deficit payments
Revenue trend

YoY movement in underlying revenue ex transit

Q1 2012/13: -6%
Q2 2012/13: -5%
Q3 2012/13: -4%
Q4 2012/13: -3%
Q1 2013/14: -2%
Q2 2013/14: -1%
Q3 2013/14: 0%
Q4 2013/14: 1%
FY 2013/14 external revenue

1 movement in underlying revenue excluding transit
FY 2013/14 cost transformation

3% reduction\(^2\) ex BT Sport and pensions charge increase

\(^1\) opex is before specific items and depreciation & amortisation
\(^2\) underlying costs excluding transit
EBITDA\(^1\)

Reflects investment in BT Sport

\(^1\) before specific items
Normalised free cash flow¹

¹ before specific items, purchases of telecommunications licences, pension deficit payments & cash tax benefit of pension deficit payments
² excluding early customer receipts
Debt and liquidity

- Continue to target BBB+/Baa1 credit rating
- £1.7bn debt repayable in 2014/15
- Cash and investments of £2.5bn
- Available facilities of £1.5bn
- Strong liquidity position

Debt maturity\(^1\) is evenly spread

\(^1\) carrying value at 31 March 2014, 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 2014
Regulation

2013/14

- Regulation impacted revenue and EBITDA by £150m-£200m in 2013/14
  - WLR, LLU and ISDN30 charge controls
  - Leased Lines Charge Control
  - Narrowband Market Review reduced fixed termination revenue in BT Wholesale from Q4

2014/15

- Fixed Access Market Review
  - final statement due shortly
- TalkTalk fibre margin squeeze complaint
  - BT fully compliant with all regulation and competition law
- Ladder pricing
  - awaiting decision from Supreme Court
- Historic Ethernet pricing
  - awaiting decision from CAT on appeals against Ofcom’s Dec 2012 determinations
Pension

- IAS 19 deficit £5.6bn net of tax (Q4 2012/13: £4.5bn)
  - increase in year reflects investment returns below IAS 19 assumption
  - partly offset by £325m deficit payment in Q4 and higher real discount rate

- BT’s median estimate shows surplus of c.£0.5bn

1 includes service cost, regular contributions, interest on liability and expected return on assets
## Outlook

<table>
<thead>
<tr>
<th></th>
<th>2014/15</th>
<th>2015/16</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Underlying revenue ex transit</strong></td>
<td>Broadly level with 2013/14</td>
<td>Growth</td>
</tr>
<tr>
<td><strong>EBITDA</strong></td>
<td>£6.2bn-£6.3bn</td>
<td>Growth</td>
</tr>
<tr>
<td><strong>Normalised FCF</strong></td>
<td>Above £2.6bn</td>
<td>Growth</td>
</tr>
<tr>
<td><strong>Dividends</strong></td>
<td>Up 10-15%</td>
<td>Up 10-15%</td>
</tr>
</tbody>
</table>

*New outlook*

1 before specific items

© British Telecommunications plc
BT Group plc

Gavin Patterson, Chief Executive
## Global Services – another good quarter

<table>
<thead>
<tr>
<th></th>
<th>Q4 2013/14</th>
<th>Change</th>
<th>FY 2013/14</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>£1,857m</td>
<td>(4)%</td>
<td>£7,041m</td>
<td>(2)%</td>
</tr>
<tr>
<td>- underlying ex transit</td>
<td>flat</td>
<td></td>
<td></td>
<td>(1)%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>£286m</td>
<td>8%</td>
<td>£932m</td>
<td>12%</td>
</tr>
</tbody>
</table>

- Q4 underlying revenue ex transit flat
  - double-digit increase in high-growth regions
  - lower UK public sector revenue
- Q4 EBITDA up 8%
  - reflects cost transformation programmes
- FY operating cash flow £389m, up £177m
  - c.£60m early customer receipts
- Good Q4 order intake of £2.2bn, up 13%
  - FY up 9%

![12 month rolling operating cash flow graph](image-url)
Business – steady performance

<table>
<thead>
<tr>
<th></th>
<th>Q4 2013/14</th>
<th>Change</th>
<th>FY 2013/14</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>£895m</td>
<td>(3)%</td>
<td>£3,509m</td>
<td>flat</td>
</tr>
<tr>
<td>- underlying ex transit</td>
<td></td>
<td>(2)%</td>
<td></td>
<td>(1)%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>£287m</td>
<td>1%</td>
<td>£1,098m</td>
<td>5%</td>
</tr>
</tbody>
</table>

- Q4 underlying revenue ex transit down 2%
  - Voice down 2% partly reflecting migration to VoIP
  - IT services down 7% reflecting strong PY performance
- Q4 EBITDA up 1%
  - Reflects cost transformation programmes
- Q4 order intake up 12%
  - FY up 3%

12 month rolling order intake
Consumer – continued strong performance

<table>
<thead>
<tr>
<th></th>
<th>Q4 2013/14</th>
<th>Change</th>
<th>FY 2013/14</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>£1,068m</td>
<td>9%</td>
<td>£4,019m</td>
<td>4%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>£269m</td>
<td>5%</td>
<td>£833m</td>
<td>(14)%</td>
</tr>
</tbody>
</table>

- Q4 revenue up 9%
  - broadband and TV up 24%
  - improved trend in calls and lines, up 1%
- Q4 costs up 10%
  - c.£130m BT Sport investment and higher revenue-related costs
  - partly offset by cost transformation activities
- Q4 EBITDA up 5%
  - reflects better revenue performance

Consumer YoY revenue growth

© British Telecommunications plc
Consumer – continued strong performance

- Q4 consumer line loss of 49,000, best for >5 years
- 170,000 retail broadband net adds in Q4, a 79% market share
- Q4 TV net adds of 46,000, up 15%

1 includes business customers; DSL & fibre, excluding cable
Wholesale – ongoing challenges

<table>
<thead>
<tr>
<th></th>
<th>Q4 2013/14</th>
<th>Change</th>
<th>FY 2013/14</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>£571m</td>
<td>(15)%</td>
<td>£2,422m</td>
<td>(7)%</td>
</tr>
<tr>
<td>- underlying ex transit</td>
<td></td>
<td>(9)%</td>
<td></td>
<td>(3)%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>£152m</td>
<td>(6)%</td>
<td>£614m</td>
<td>(1)%</td>
</tr>
</tbody>
</table>

- Q4 underlying revenue ex transit down 9%
  - calls and lines down 24%, partly due to Narrowband Market Review
  - managed solutions down 6%
  - 38% growth in IP services
- Q4 operating costs ex transit down 11%
  - lower cost of sales and selling & admin
- Q4 order intake £525m
  - includes long-term contract with O2 UK
Openreach – strong fibre growth offset by regulation

<table>
<thead>
<tr>
<th></th>
<th>Q4 2013/14</th>
<th>Change</th>
<th>FY 2013/14</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>£1,271m</td>
<td>flat</td>
<td>£5,061m</td>
<td>(1)%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>£694m</td>
<td>2%</td>
<td>£2,601m</td>
<td>(2)%</td>
</tr>
</tbody>
</table>

- Q4 revenue flat
  - c.£70m impact from regulation
  - fibre revenue up 63%
  - Ethernet revenue up 3%
- Q4 operating costs down 3%
  - efficiencies and one-off benefits offset pay inflation and additional work after adverse weather
- Physical line base up 6,000 in Q4
  - FY up 83,000
- 347,000 net fibre connections in Q4, up 28%

Openreach fibre net adds (LHS) vs Openreach fibre penetration (RHS)
Our strategy for the last four years

- 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
Our purpose, goal, strategy and culture

Our purpose: To use the power of communications to make a better world

Our goal: A growing BT: to deliver sustainable profitable revenue growth

Our strategy:
- Broaden and deepen our customer relationships
- Deliver superior customer service
- Transform our costs
- Invest for growth
- Fibre
- TV and content
- Mobility and future voice
- UK business markets
- Leading global companies

Our culture: A healthy organisation
## Our purpose, goal, strategy and culture

<table>
<thead>
<tr>
<th>Our purpose</th>
<th>To use the power of communications to make a better world</th>
</tr>
</thead>
<tbody>
<tr>
<td>Our goal</td>
<td>A growing BT: to deliver sustainable profitable revenue growth</td>
</tr>
<tr>
<td>Our strategy</td>
<td>Broaden and deepen our customer relationships</td>
</tr>
<tr>
<td></td>
<td><strong>Deliver superior customer service</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Transform our costs</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Invest for growth</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Fibre</strong></td>
</tr>
<tr>
<td></td>
<td><strong>TV and content</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Mobility and future voice</strong></td>
</tr>
<tr>
<td></td>
<td><strong>UK business markets</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Leading global companies</strong></td>
</tr>
<tr>
<td>Our culture</td>
<td>A healthy organisation</td>
</tr>
</tbody>
</table>

© British Telecommunications plc
Deliver superior customer service

Achieved so far

- Extra engineers and contact centre agents
- Diagnostic capabilities in hubs
- Complaints trending down
- Consumer customer advocacy up 6% points

Future plans

- Reduce faults
  - invest in training
  - targeting high fault rate cabinets
  - improving network diagnostics
- Delivering on the day
  - reducing missed appointments/failed call-backs
  - dedicated case managers for complex issues
- Improved culture and operating model
  - root and branch process re-design
  - incentivisation and people development

¹ Cumulative improvement from 1 April 2009 to 31 March 2014
Our purpose, goal, strategy and culture

Our purpose: To use the power of communications to make a better world

Our goal: A growing BT: to deliver sustainable profitable revenue growth

Our strategy:
- Broaden and deepen our customer relationships
- Deliver superior customer service
- Transform our costs
- Invest for growth
- Fibre
- TV and content
- Mobility and future voice
- UK business markets
- Leading global companies

Our culture: A healthy organisation
Our purpose, goal, strategy and culture

Our purpose
To use the power of communications to make a better world

Our goal
A growing BT: to deliver sustainable profitable revenue growth

Our strategy
Broaden and deepen our customer relationships

- Deliver superior customer service
- Transform our costs
- Invest for growth

- Fibre
- TV and content
- Mobility and future voice
- UK business markets
- Leading global companies

Our culture
A healthy organisation
Invest for growth – fibre

Achieved so far

- UK average broadband speed 2\textsuperscript{nd} in G8
  - UK average speed up c.50% YoY
  - widest fibre coverage of the 5 largest W. European countries

- >19m premises passed
  - two-thirds of UK premises
  - nearing end of main commercial build

- >2.7m Openreach premises now connected
  - >2.1m retail fibre customers

Future plans

- We’ll help take UK coverage to at least 90% of premises
  - will bid for funds to go further

- Rolling out in all 44 BDUK areas
  - >630,000 premises passed so far

- Increasing speed over coming years
  - making FTTP-on-Demand available across FTTC footprint
  - vectoring trial undertaken, potential for >100Mbps over FTTC
  - G.fast has potential to deliver up to 1Gbps
Invest for growth – TV and content

**BT TV - achieved so far**

- 1m BT TV customers
- New smaller and faster YouView box launched
- New channels added
  - now >140 channels available including new paid-for channels e.g. Discovery, Disney, Sky Movies
  - growth in HD with 27 channels on YouView
  - launched buy-to-keep movies

**BT TV - future plans**

- More third-party content and channel distribution deals
- New YouView shareholder agreement gives more control over roadmap
- New capabilities such as
  - multi-room
  - entry level YouView box
  - connected red button
- First generation TV service ending in Q1
Invest for growth – TV and content

BT Sport - achieved so far

- c.3m direct customers
  - c.5m including wholesale deals
- Proposition strengthened further in quarter
  - January: World Rally Championship coverage started
  - March: MotoGP coverage started
  - German Bundesliga extended to 2017
- BT Sport app available on Chromecast
  - allows app-only customers to watch BT Sport easily on their TV

BT Sport - future plans

- BT Sport to remain free for BT broadband customers for 2014/15 season
- New content to be added
  - European Rugby Champions Cup from this autumn
  - exclusive rights to UEFA competitions from summer 2015
Invest for growth – mobility and future voice

- Our competitive advantage is the ability to create single converged offerings
  - combining fibre and 4G
  - distinct from ‘quad play’ marketing of linked products

For businesses
- Meets customer demand for a complete, converged fixed and mobile solution
- Single platform available wherever customers are
- Leverages BT’s strong brand and connectivity among business customers

For consumers
- Meets customer needs for fast and reliable data and voice services wherever they are
- Compelling propositions at competitive prices
- Leverages brand and existing channels to market
Invest for growth – mobility and future voice

- MVNO for ubiquitous coverage
- >5.4m BT Wi-fi hotspots for data needs
- 4G core and small cell development
- 4G spectrum with a combined 4G/wi-fi router

- High capacity, high performance, low cost network
- Designed for heavy data usage indoors and ‘always best connected’ customer experience
- Leverages our fibre and wi-fi networks, and our 4G spectrum

Will launch with MVNO proposition
Business: converged offering in coming weeks
Consumer: launch later in 2014/15
2 year journey to full inside-out network
Invest for growth – UK business markets

**Achieved so far**

- New BT Business organisation created
  - new simplified structure
  - synergies from combining IT services units
- Improved sector-based IT services propositions
- Integrated service offerings
- BT MeetMe with Dolby Voice launched
  - exclusive; high quality audio
- Plusnet for Business re-launched
  - extending market reach

**Future plans**

- Growing share of wallet with existing customers
- Developing new IP-based voice and data products
- Cross-selling from leading position in fixed

![Market size graph](image)

- **Market size (£bn)**
  - Fixed-voice and data: 40%
  - Mobility: 1%
  - Addressable IT services market: 6%

- **Percentage:**
  - BT Business
  - Rest of market
Invest for growth – leading global companies

Achieved so far

- Delivered double-digit revenue increase in high-growth regions
  - began hiring >400 new people; improving infrastructure
- Rationalised networks
- BT Security and BT Conferencing moved into BT Global Services from April 2014

Future plans

- Increasing share of wallet
  - extending industry focus, expanding solutions
- Supporting multinational customers
  - investing in global account management and network
- Focusing on gross margin and cash

A leader in Gartner’s Magic Quadrant for Global Network Service Providers

This graphic was published by Gartner, Inc. as part of a larger research document and should be evaluated in the context of the entire document. The Gartner document is available upon request from BT. Gartner does not endorse any vendor, product or service depicted in its 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.
## In summary

### Deliver superior customer service
- Investing more to achieve a step-change

### Transform our costs
- Further transformation to come, driving out cost of failure

### Invest for growth
- Rich opportunities to deliver sustainable, profitable revenue growth
- Increasing cash over the long term

### Strong platform to achieve future outlook
## Income statement

<table>
<thead>
<tr>
<th></th>
<th>Q4 2013/14</th>
<th>Change</th>
<th>Key points</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td>4,748</td>
<td>(1)%</td>
<td>£70m negative FX impact</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>transit down £56m</td>
</tr>
<tr>
<td>- underlying ex transit</td>
<td>1.2%</td>
<td></td>
<td>stronger performances from BT Global Services and BT Consumer</td>
</tr>
<tr>
<td><strong>EBITDA</strong></td>
<td>1,705</td>
<td>2%</td>
<td>cost transformation offset by c.£130m BT Sport investment</td>
</tr>
<tr>
<td><strong>Operating profit</strong></td>
<td>1,054</td>
<td>8%</td>
<td>depreciation down 6%</td>
</tr>
<tr>
<td><strong>Profit before tax</strong></td>
<td>901</td>
<td>9%</td>
<td></td>
</tr>
<tr>
<td><strong>EPS</strong></td>
<td>9.0p</td>
<td>10%</td>
<td>includes restructuring charges of £94m, net interest expense on pensions of £59m</td>
</tr>
<tr>
<td><strong>Specific items</strong></td>
<td>(144)</td>
<td>64%</td>
<td></td>
</tr>
</tbody>
</table>

¹ before specific items
## Free cash flow

<table>
<thead>
<tr>
<th>£m</th>
<th>Q4 2013/14</th>
<th>Change</th>
<th>Key points</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>EBITDA¹</strong></td>
<td>1,705</td>
<td>41</td>
<td></td>
</tr>
<tr>
<td>Capex</td>
<td>(544)</td>
<td>28</td>
<td>efficiencies in capital programme</td>
</tr>
<tr>
<td>Interest</td>
<td>(110)</td>
<td>30</td>
<td>lower debt, timing of coupons</td>
</tr>
<tr>
<td><strong>Tax²</strong></td>
<td>(150)</td>
<td>(46)</td>
<td>timing of tax payments</td>
</tr>
<tr>
<td>Working capital &amp; other</td>
<td>445</td>
<td>(8)</td>
<td></td>
</tr>
</tbody>
</table>

**Normalised FCF**  
1,346  

| **Cash tax benefit of pension deficit payments** | 19 | (60) | prior year benefited from £2bn pension payment in March 2012 |
| **Telecoms licences** | - | 202 | prior year purchase of 4G mobile spectrum |
| **Specific items** | (92) | 55 | restructuring costs |

**Reported FCF**  
1,273  

¹ before specific items  
² before cash tax benefit of pension deficit payments