

A better business



A better future

BT Group plc

Q1 2012 results

28 July 2011

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: outlook and progress towards delivering our financial, operational and growth goals; capital expenditure; line of business performance and growth indicators; Global Services' operating cash flow; super-fast broadband roll-out and take-up; and growth in our copper line base.

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 restructuring programme not being achieved; the outcome of the Pensions Regulator's review; 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

Q1 2012 group results

Revenue	£4,764m	5%	
- underlying ex transit		3%	
EBITDA¹	£1,436m	3%	
Profit before tax¹	£533m	20%	
EPS¹	5.2p	18%	
Free cash flow			
- before specific items	£308m	down £151m	
- after specific items	£247m	down £168m	
Net debt	£8,585m	down £294m	

Key financials

Underlying revenue ex transit

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

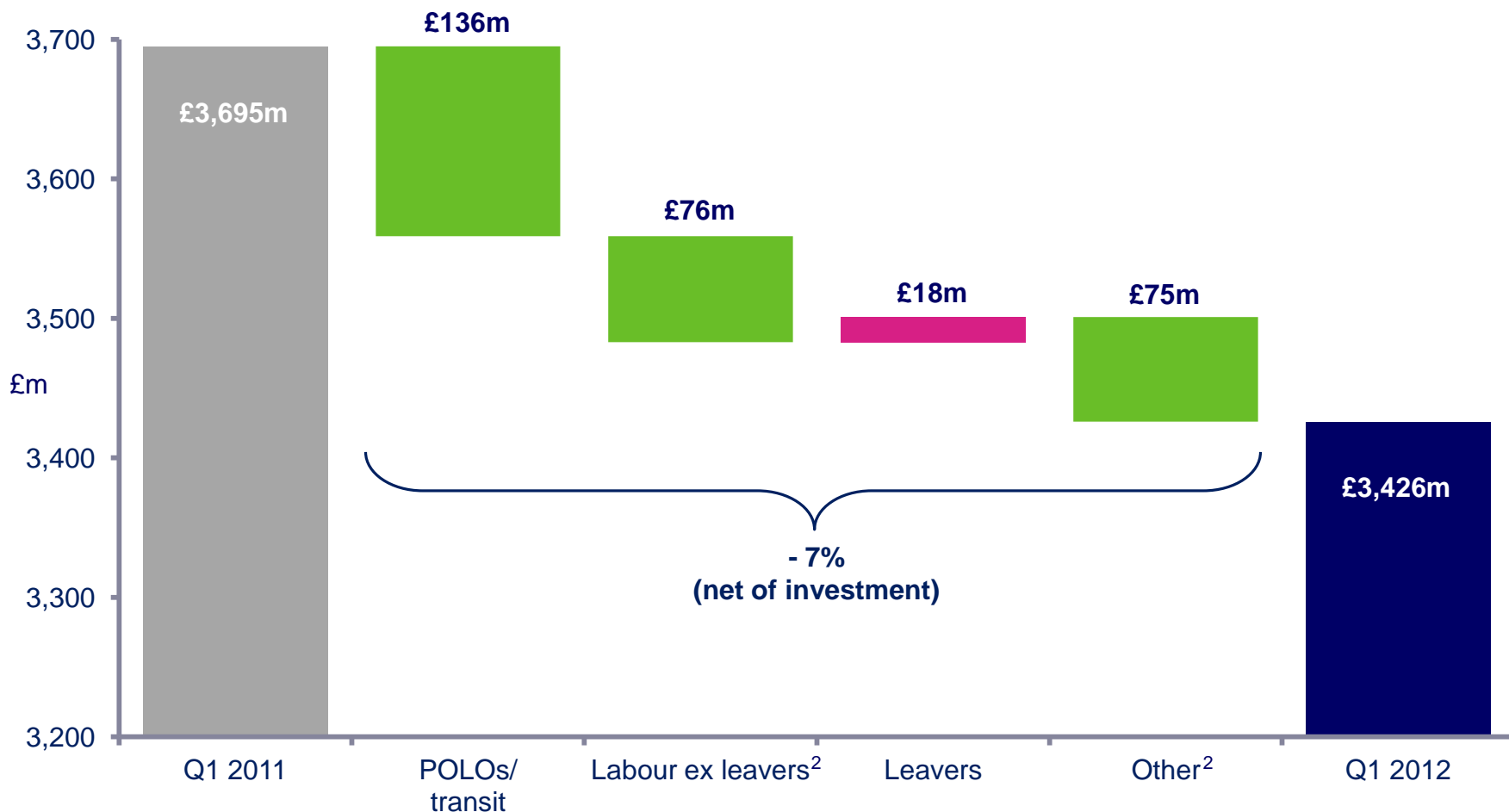
EBITDA¹

- ▶ Up 3%
 - ▶ Retail & Openreach to offset weakness in Wholesale
 - ▶ FY outlook for growth unchanged
-

Free cash flow

£m	Q1 2012	Change	Key points
EBITDA¹	1,436	37	
Capex	(618)	(8)	
Interest & tax	(243)	57	▶ lower debt, tax slightly higher
Working capital & other	(267)	(237)	▶ £200m receipt in prior year
Free cash flow before specifics	308	(151)	▶ outlook - to be above 2011 level in 2012 & 2013
Specific items	(61)	(17)	▶ GS restructuring & property rationalisation
Free cash flow after specifics	247	(168)	

Q1 2012 cost transformation



£269m opex¹ 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

A better business















A better future

BT Group plc

Ian Livingston, Chief Executive

Q1 2012 line of business results summary¹

	Global Services	Retail	Wholesale	Openreach
Underlying revenue ex transit	 2%	 4%	 1%	 5%
EBITDA	 6%	 1%	 9%	 5%
Operating cash flow movement	 £22m	 £1m	 £98m	 £48m

Q1 2012 line of business overview

Global Services

	Q1 2012	Change ¹
Revenue	£1,905m	(5)%
Underlying revenue ex transit		(2)%
EBITDA	£138m	6%

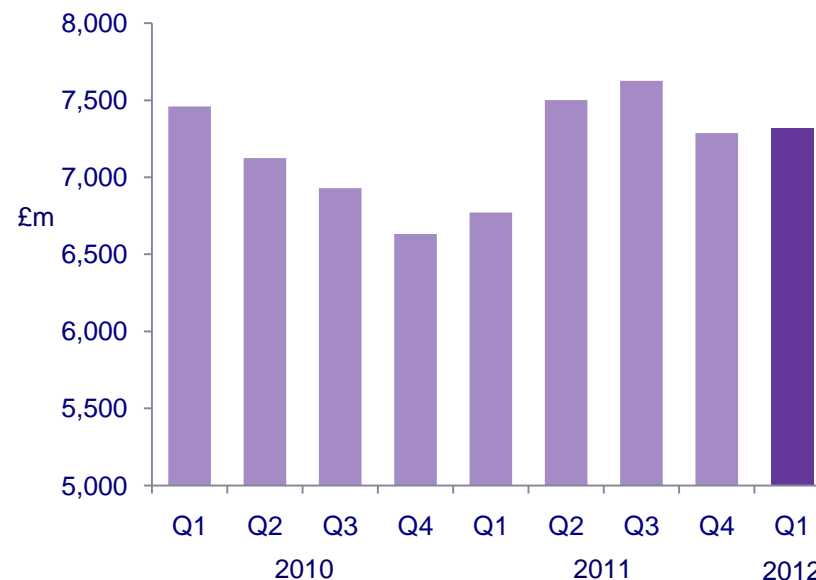
Financials

- ▶ 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

12 month rolling order intake



Q1 2012 line of business overview

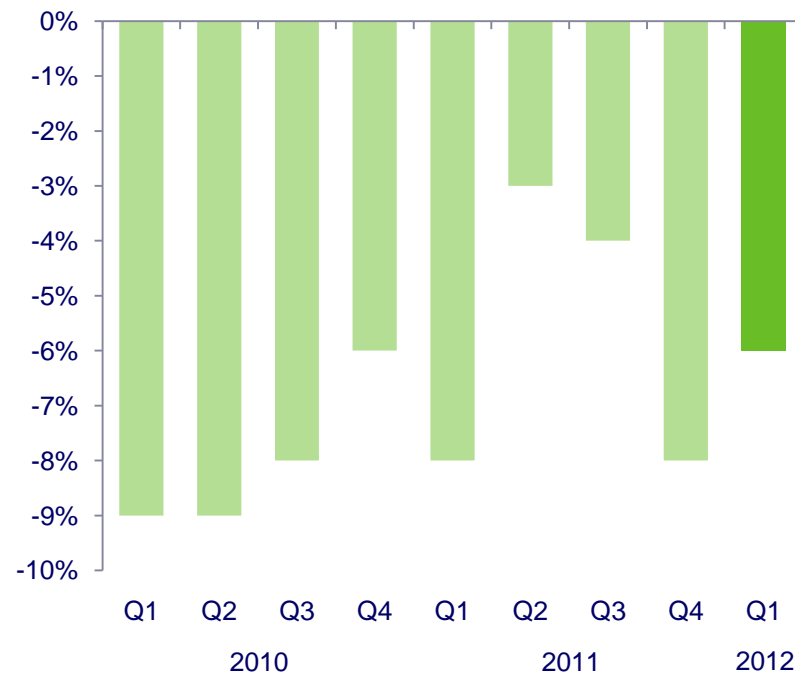
Retail

	Q1 2012	Change ¹
Revenue	£1,830m	(4)%
EBITDA	£446m	1%

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%

YoY change in net operating costs



Q1 2012 line of business overview

Retail

Growth indicators

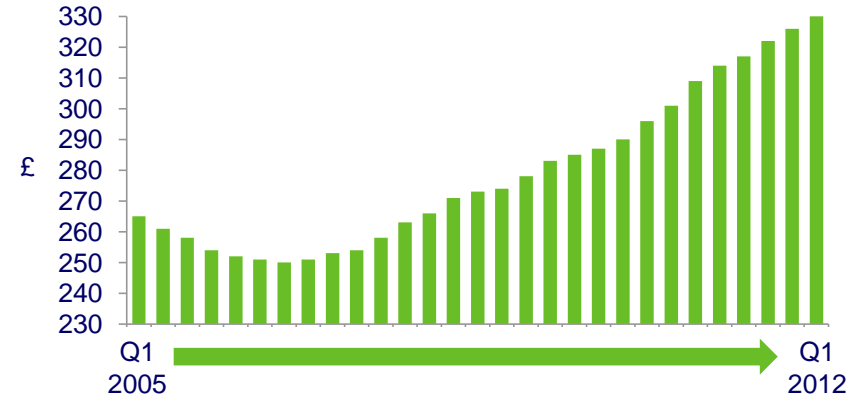
Consumer

- ▶ Consumer ARPU up 5% YoY to £330
- ▶ 56% share of broadband net adds¹
 - 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

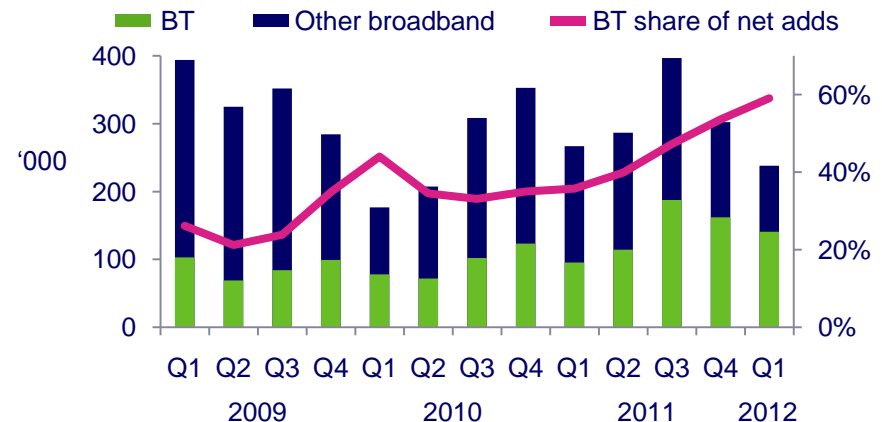
Business

- ▶ IT services & mobility revenue up 7%

Consumer ARPU



Broadband market net adds²



Q1 2012 line of business overview

Wholesale

	Q1 2012	Change ¹
Revenue	£1,004m	(5)%
Underlying revenue ex transit		(1)%
EBITDA	£307m	(9)%

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

Q1 2012 line of business overview

Openreach

	Q1 2012	Change ¹
Revenue	£1,255m	5%
EBITDA	£538m	5%

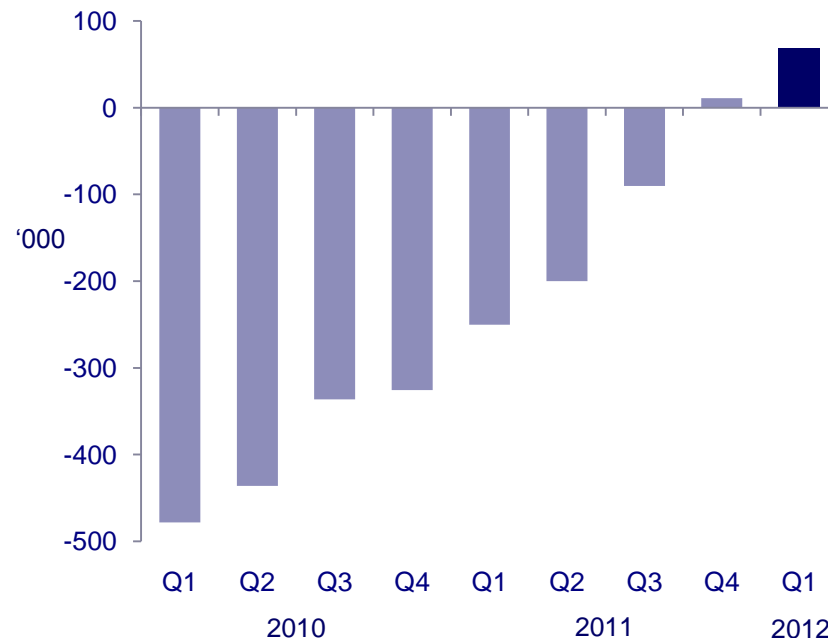
Financials

- ▶ 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

12 month change in total copper lines



In summary

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

A better business



A better future

BT Group plc

Q&A