Record of voting by proxies
More than 159,000 proxy cards were lodged by shareholders unable to attend the AGM. The vast majority of these appointed the Chairman to vote on their behalf on the 16 resolutions before the meeting.

Business transacted
All the resolutions proposed at the meeting were passed by shareholders. An overwhelming majority of those present voted in favour of each resolution, and over three billion proxy votes were also cast in favour.

Polls
A poll was demanded on Resolution 2 “That the remuneration policy contained in the report on directors’ remuneration for the year ended 31 March 2002 be received”.

The result of the poll, as shown below, was announced to the Stock Exchange on 18 July:

<table>
<thead>
<tr>
<th>Result of the poll</th>
<th>Votes</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>FOR the resolution:</td>
<td>3,415,721,606</td>
<td>(96.82%)</td>
</tr>
<tr>
<td>AGAINST the resolution:</td>
<td>112,009,169</td>
<td>(3.18%)</td>
</tr>
</tbody>
</table>

Accordingly, Resolution 2 was carried.
Pointing out that this was the first AGM for BT Group, chairman Sir Christopher Bland said: “That may sound strange, but this is indeed the first AGM for BT Group. This company was formed last year as a result of the demerger which created two new FTSE 100 companies – mm02 and BT Group.”
“The last time we were here, in 1997, was an era of expansion in telecoms, the beginning of the internet and mobile boom. That boom was followed by a bust, which affected everyone and left many major European telcos with heavy debts and serious strategic challenges.

“During the past year we have taken decisive action to stabilise the company. That has been successfully accomplished. And we have embarked on a new course for the future.

“It has been a year of transformation. Last March, we had debt approaching £28 billion. We had a major funding gap to address. We had no free cash flow. And we had suspended dividend payments.

“We then announced an action plan – and we delivered it within 12 months. We conducted a successful rights issue for £5.9 billion. We carried out a major £8 billion disposal programme, including our stakes in Japan and Spain – and Yell.

“We unwound the Concert joint venture. We raised £2.4 billion by the sale and leaseback of the majority of our UK property. And we demerged the mm02 wireless business. The demerger gave you stakes in two substantial European businesses – BT Group and mm02.

“As a result of these measures, we more than halved our net debt, from £27.9 billion to £13.7 billion, going well beyond our debt reduction target of £15 billion.”

Sir Christopher reminded shareholders that BT had already announced a return to the dividend list as he had last year indicated would be the case. He added: “We announced a final dividend for 2001/2 of two pence per share. Future dividend policy will be to grow dividends progressively, with 40 to 50 per cent of earnings paid out as dividends. This rewards shareholders and retains cash to grow the business and pay down debt.”
“Following the demerger, BT Group has performed relatively strongly, particularly throughout this calendar year. We have continued to outperform our European peers and have also outperformed the FTSE 100, including during the current turbulence. As of last night, the European Telco Services index had fallen by 43 per cent since the date of our demerger and the FTSE had fallen by 24 per cent. Over the same period, BT had fallen by 16 per cent, a comparatively robust performance. However, any fall is unattractive to shareholders, but we believe that if we continue to manage the company effectively and achieve our goals the share price should eventually respond.

“Last year, I thanked you for keeping faith with BT. This year, I believe your faith will be vindicated. Thank you for staying with us through the difficult times. We will take every opportunity to repay you for your loyalty in the years ahead.”

Speaking of the new chief executive, Sir Christopher said: “Ben Verwaayen joined us in February, bringing with him significant telecoms experience and a proven track record in promoting cultural change. He has hit the ground running - and running fast. He has unveiled a new strategic approach for BT, including a bold new broadband strategy.

The slides that accompanied Sir Christopher’s statement can be found here. (Microsoft PowerPoint format 4.2MB).
Following Sir Christopher’s remarks, Chief Executive Ben Verwaayen explained BT Group’s strategic priorities. These are customer satisfaction, financial discipline, broadband, a new focus for BT Ignite, a clear network strategy, a clear strategy for each customer group and a focus on motivating BT people.

Mr Verwaayen said that customer satisfaction and financial discipline went hand in hand. They were fundamental to creating shareholder value. He said that customer satisfaction depended on giving customers an improvement in their productivity or their lifestyle. Not all of these customers would want the same services. “There is a huge difference between a corporate customer and a residential customer, so we need a clear focus on the different groups of customers that we have.”

With 22 million customers and five customer contacts per month, BT had over 100 million opportunities to do this every month, yet things could also go wrong. Mr Verwaayen explained that one of BT’s targets was to cut the number of dissatisfied
customers per product, per customer segment, by 25 per cent each year and he showed some of the measures being taken to achieve this goal, including new customer contact centres, more preventive maintenance and online transaction systems.

Mr Verwaayen also explained the company’s three-year financial targets, including growing the company, driving down debt and increasing earnings per share.

“Broadband matters,” said Mr Verwaayen. He said it mattered to customers because it was the next innovation in the industry and gave them opportunities to improve productivity and enhance their lifestyle. It mattered to shareholders because it represented the future. It mattered to the country because it would be a major driver of economic growth and it mattered to BT people because it gives them an opportunity to “make a difference”.

Mr Verwaayen showed shareholders a new broadband advertisement as an example of the marketing that was required to explain broadband and to complement technology and pricing activities.
6 Chief Executive’s presentation*

He said that, as of the end of June, the number of BT exchanges which were broadband-enabled had increased to 1,115 compared with 890 at the same time last year, and that the new exchanges now covered 73 per cent of internet users. He also confirmed that orders for broadband were now running at about 12,000 per week and that there were now 280,000 end users connected. BT’s target is a million broadband customers by summer 2003 and five million customers in 2006.

Mr Verwaayen said that BT Ignite provided an example of the need to concentrate assets where they could make a difference. The business would not be about “everything for everybody” but would focus its activity on multi-site corporations active in Europe with a global reach.

The same principle applied to network strategy. Companies such as BT had had complex networks in which four or five generations of technology needed to work together. A clear-cut strategy was required to reduce complexity and capital expenditure at the same time as upgrading networks. “We will innovate and at the same time rationalise, and do it in a way that is helpful for our customers and for ourselves.”

Mr Verwaayen concluded by saying that, as a service company, BT depended on its people. “If you look to your own judgement about how BT is doing, it is a single BT individual that drives your impression about how we are doing as a company. It is therefore of paramount interest to get everybody on board. Motivated people are the key for our success.”

The slides supporting Ben Verwaayen’s presentation can be viewed here. (Microsoft PowerPoint format 4.2MB).
Sir Christopher told shareholders that BT Group did not follow the accounting procedures allegedly adopted by troubled US telecoms company, Worldcom.

Group Finance Director, Ian Livingston, confirmed: “We believe our accounts to be entirely properly stated and in accordance with UK standards.”

A shareholder asked if the Board was prepared to turn “broadband rhetoric” into a genuine success story over the next 12 months and Sir Christopher said: “We stand by our target of one million ADSL connections by next summer.

“It’s a remarkable target to have set and I believe it’s uniting BT across a number of divisions. It’s having an electrifying and unifying effect on BT.”

Sir Christopher strongly disputed that the company’s customer complaints handling was “rotten to the core”. “It is a very testing and complicated process,” he said. “I believe our staff are extremely dedicated and do their best to give good customer service. It is also true to say that we could do better. We know that and we are working hard on it.”

Asked when he expected growth in the share value, Sir Christopher said: “Soon, I hope. If we please our customers and control our costs, then I believe, as night follows day, the share price will follow.”

Continuing on a financial theme, the Chairman said BT was a good corporate citizen and that £15 million...
was disbursed to community projects last year.

In reference to Board members’ remuneration he said: “Our rewards are focused on very, very clear financial and customer satisfaction objectives.” He added that bonuses for top executives were relative to the company’s performance in comparison with the other FTSE 100 companies. Payments to previous directors had been in line with contractual agreements, he said.

And, in response to a point about the company’s debt, Sir Christopher said: “When you’ve been through as painful a process as we have to get the debt down, you never want to get back into that position again.”
Certain statements in these presentations and the accompanying slides 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: dividend policy; revenue, market share, working capital and capital expenditure control, cost cutting, customer satisfaction, earnings per share, cash-flow and debt reduction targets; growth opportunities by BT business, including broadband growth in the UK; broadband customer targets, reductions in costs, and prices for customers, and increased access to broadband.

Although BT Group 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 and its lines of business; future regulatory actions and conditions in BT’s operating areas, including competition from others in communications markets; selection by BT and its lines of business of the appropriate trading and marketing models for its products and services; technological innovations, including the cost of developing new products and the need to increase expenditures for improving the quality of service; the anticipated benefits and advantages of new technologies not being realised; developments in the convergence of technologies; prolonged adverse weather conditions resulting in a material increase in overtime, staff or other costs; the anticipated benefits and advantages of new technologies, products and services, including broadband, not being realised; the timing of entry and profitability of BT and its lines of business in certain communication markets; significant change in market shares for BT, its lines of business and its
principal products and services; fluctuations in foreign currency exchange rates and interest rates; general financial market conditions affecting BT’s performance; factors not within BT’s control which may affect the ability of BT’s lines of business to reduce costs, grow revenue, improve quality and maximise return on capital employed; and the reintegration of Concert.