BT Group plc

Annual General Meeting

July 2010
A better business

A better future

BT Group plc

Sir Mike Rake
Chairman
2009/10 summary of the year

- Year of delivery for BT
- Progress in BT Global Services, more to do
- Rest of business performed well
- Significant reduction in cost base and capital expenditure and improved free cash flow
- Continuing to invest for the future, reduce net debt, support the pension scheme and pay progressive dividends
## 2009/10 group results

<table>
<thead>
<tr>
<th>Metric</th>
<th>Value</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue&lt;sup&gt;1&lt;/sup&gt;</td>
<td>£20,911m</td>
<td>2%</td>
</tr>
<tr>
<td>EBITDA&lt;sup&gt;1&lt;/sup&gt;</td>
<td>£5,639m</td>
<td>8%</td>
</tr>
<tr>
<td>EPS&lt;sup&gt;1&lt;/sup&gt;</td>
<td>17.3p</td>
<td>23%</td>
</tr>
<tr>
<td>Free cash flow&lt;sup&gt;2&lt;/sup&gt;</td>
<td>£1,933m</td>
<td>up £1,196m</td>
</tr>
<tr>
<td>Net debt</td>
<td>£9,283m</td>
<td>down £1,078m</td>
</tr>
</tbody>
</table>

<sup>1</sup> adjusted figures, before specific items, net interest on pensions, and BT Global Services contract and financial review charges in 2008/09. Revenue is stated before specific items and BT Global Services contract and financial review charges in 2008/09.

<sup>2</sup> before pension deficit payment of £525m in FY 2009/10, £nil in FY 2008/09, but after the cash costs of the BT Global Services restructuring.
Final dividend and dividend policy

- Proposed final dividend  4.6p
- Full year dividend  6.9p, up 6%
- Committed to progressive dividends over next 3 years at same time as:
  - investing for the future
  - reducing net debt
  - supporting pension scheme
2009/10

- Incentivising management
- Rewarding and motivating our people
- Board and senior management changes
- Regulatory environment
- Corporate responsibility
Total shareholder return

Increase in TSR*

BT: 67%
FTSE100: 30%
European Telco Sector: 21%

BT has outperformed both the FTSE100 and the European Telco sector

TSR = Total Shareholder Return is the measure of the returns that a company has generated for its shareholders, reflecting share price movement and assuming reinvestment of dividends.

Measured from 1 April 2009 to 30 June 2010.
Bringing it all together
A better business

A better future

BT Group plc

Ian Livingston
Chief Executive
The UK market
UK telecom prices have fallen... unlike energy and water

Telecoms includes: fixed line telephone (line rental, calls and operator charges); Mobile phone – pay as you go and contract; Subscription to the internet; Mobile downloads; Cost of directory enquiries
UK has lowest landline prices amongst major countries

International Communications Market. December 2009. Ofcom: weighted average of best-value tariff from each of the three largest operators by market share in each country, for 600 outbound minutes; July 2009; PPP adjusted. Based on a family of two parents and two children, who are cost conscious and favour using the fixed-line phone whenever possible, which gets fairly heavy use. Includes line rental and cost of purchasing enhanced tariffs that offer reduced prices.
UK also has highest broadband availability

- Germany: 95%
- USA: 96%
- France: 99%

Source: OECD Broadband Portal June 2010
How is BT doing?
## 2009/10 line of business summary results

<table>
<thead>
<tr>
<th></th>
<th>Global Services</th>
<th>Retail</th>
<th>Wholesale</th>
<th>Openreach</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td>1%</td>
<td>4%</td>
<td>4%</td>
<td>1%</td>
</tr>
<tr>
<td><strong>EBITDA</strong></td>
<td>75%</td>
<td>11%</td>
<td>flat</td>
<td>2%</td>
</tr>
</tbody>
</table>

1 adjusted figures, before specific items and BT Global Services contract and financial review charges in FY 2008/09
BT Global Services

- A global leader in networked IT services
- £6.6bn order intake in 2009/10
BT Retail

Consumer
- 43%* share of net broadband customer additions
- Very competitive Sky Sports pricing
- BT Infinity fibre broadband launched

Business
- Challenging conditions due to economy

Conferencing
- Global video conferencing market leader

*Full year share of DSL and LLU broadband net additions
BT Wholesale

- Serves more than 1,000 communication providers in the UK
- £1.8bn managed network services contracts signed in the year
- Supporting mobile operators to cope with growing data demands
Openreach

- c.15m broadband connections
- C.24m lines
- Improved network reliability
  - In 2007, lines had faults every 9 years
  - Now, it’s once every 15 years
Pension fund

- Triennial funding valuation agreed with the Trustee
- Deficit contributions of £525m p.a.
- Pensions Regulator undertaking formal review
Building a better business

Customer service delivery  Cost transformation  Investing for the future  A better business
Customer service delivery

- Key internal programme ‘Right First Time’
  - Measures end to end service
  - Reduced overall failures by 2/3 over 2 years
- Customers are noticing the difference

Which of these landline providers has better customer service than other brands?*

- BT: 29%
- Virgin Media: 18%
- Sky: 11%
- TalkTalk: 5%

- Complaints
  - Consumer reduced by around half over the last 18 months

Still more to do

* Source: Millward Brown, 6 months to March 2010
Cost transformation

Total costs reduced by £1,752m*

‘Right First Time’

Better processes / efficiency

Supplier re-negotiations

Try to protect permanent employees

* Total underlying operating costs and capital expenditure

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Building a better future

- 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
Investing for the future – fibre

- Roll out to 2/3 of UK by 2015
- Total c. £2.5bn spend
- One of the largest private sector plans in the world
- BT Infinity
  - Prices start from £19.99
Investing for the future - TV

- Project Canvas
  - Joint venture between BT, BBC, ITV, Channel 4 and Talk Talk
  - Combining broadcast content with broadband interactivity through the television

- Premium sports offered to customers for the first time
  - Sky Sports available to customers from £6.99 a month

- New interactive services planned
How is BT doing?
BT Vision
Financial strategy to 2012/13

2010/11 to 2012/13

- Improving revenue trends
- Grow EBITDA
- Grow free cash flow

- Invest in business
- Reduce net debt
- Support Pension fund
- Progressive dividend
BT Group plc
Annual General Meeting
July 2010
Resolution 1

Reports and accounts
Resolution 1

Reports and accounts

Votes:
For: 99.79% Against: 0.21%

4,647,200,436 9,719,024
Resolution 2

Directors’ remuneration report
www.bt.com/annualreport
Resolution 2

Directors’ remuneration report

Votes: For: **93.69%**  
3,959,348,407  
Against: **6.31%**  
266,719,918
Resolution 3

Final Dividend

Votes: For: 99.96%  
Against: 0.04%

4,655,097,602  
1,839,260
Resolution 4
Re-elect Sir Michael Rake
Votes: For: \(98.73\%\) Against: \(1.27\%
 4,581,070,949 \quad 58,883,361

Resolution 5
Re-elect Ian Livingston
Votes: For: \(99.50\%\) Against: \(0.50\%
 4,632,746,139 \quad 23,419,835

Resolution 6
Re-elect Carl Symon
Votes: For: \(99.49\%\) Against: \(0.51\%
 4,631,624,000 \quad 23,825,896

Resolution 7
Elect Anthony Ball
Votes: For: \(99.55\%\) Against: \(0.45\%
 4,633,888,330 \quad 21,081,648
Resolution 8
Reappointment of auditors
Votes: For: 99.10%  Against: 0.90%
4,615,908,187  41,826,316

Resolution 9
Remuneration of auditors
Votes: For: 99.34%  Against: 0.66%
4,625,733,904  30,728,737
Resolution 10
Authority to allot shares
Votes: For: 98.38%  Against: 1.62%
4,558,700,566  75,255,332

Resolution 11
Authority to allot shares for cash*
Votes: For: 99.38%  Against: 0.62%
4,625,958,346  28,893,084

Resolution 12
Authority to purchase own shares*
Votes: For: 99.48%  Against: 0.52%
4,631,103,590  24,026,717

*Special resolution
Resolution 13
Notice of general meetings*
Votes: For: 93.32%  
Against: 6.68%  
4,338,220,180  
310,752,798

Resolution 14
Authority for political donations
Votes: For: 98.20%  
Against: 1.80%  
4,556,139,323  
83,302,372

*Special resolution
Poll on all Resolutions

Using your Admission Card/Proxy Card:

- If voting all shares “for”, place a cross (X) in “For” box
- If voting all shares “against”, place a cross (X) in “Against” box
- If withholding vote, place (X) in “Vote withheld” box
- If splitting vote, indicate the number of shares voting “for” “against” and “Vote withheld”
- Please sign the card
- Place completed card in ballot box as you leave
- Please ask a marshal if you have any questions
Poll on Amendment to Resolution X

Using your voting paper:

• If voting all shares “for” amendment, tick (✔) “For” box in Column 2, alongside appropriate resolution number

• If voting all shares “against” amendment, tick (✔) “Against” box in Column 3

• If splitting vote, enter the appropriate number of shares in Columns 2 and 3

• Write name, address and account number in Box 1

• Sign the voting paper in Box 2 and hand it to marshal at end of row

• Please ask a marshal if you have any questions
Poll on Procedural Resolution

Using your voting paper:

• Delete Box A

• If voting “for” procedural resolution, place a tick (√) in Box 1 headed “For”

• If voting “against” procedural resolution, place a tick (√) in Box 2 headed “Against”

• If splitting vote, enter the appropriate number of shares in Boxes 1 and 2

• Write name, address and account number in Box 3

• Sign the voting paper in Box 4 and hand it to marshal at end of row

• Please ask a marshal if you have any questions
Poll on an adjournment

Using your voting paper:

• Delete Box B

• If voting “for” an adjournment, place a tick (✓) in Box 1 headed “For”

• If voting “against” an adjournment, place a tick (✓) in Box 2 headed “Against”

• If splitting vote, enter the appropriate number of shares in Boxes 1 and 2

• Write name, address and account number in Box 3

• Sign the voting paper in Box 4 and hand it to marshal at end of row

• Please ask a marshal if you have any questions