BT

A better business

A better future

BT Group plc

Sir Michael Rake, Chairman

Review of 2012

Significant progress for all our stakeholders

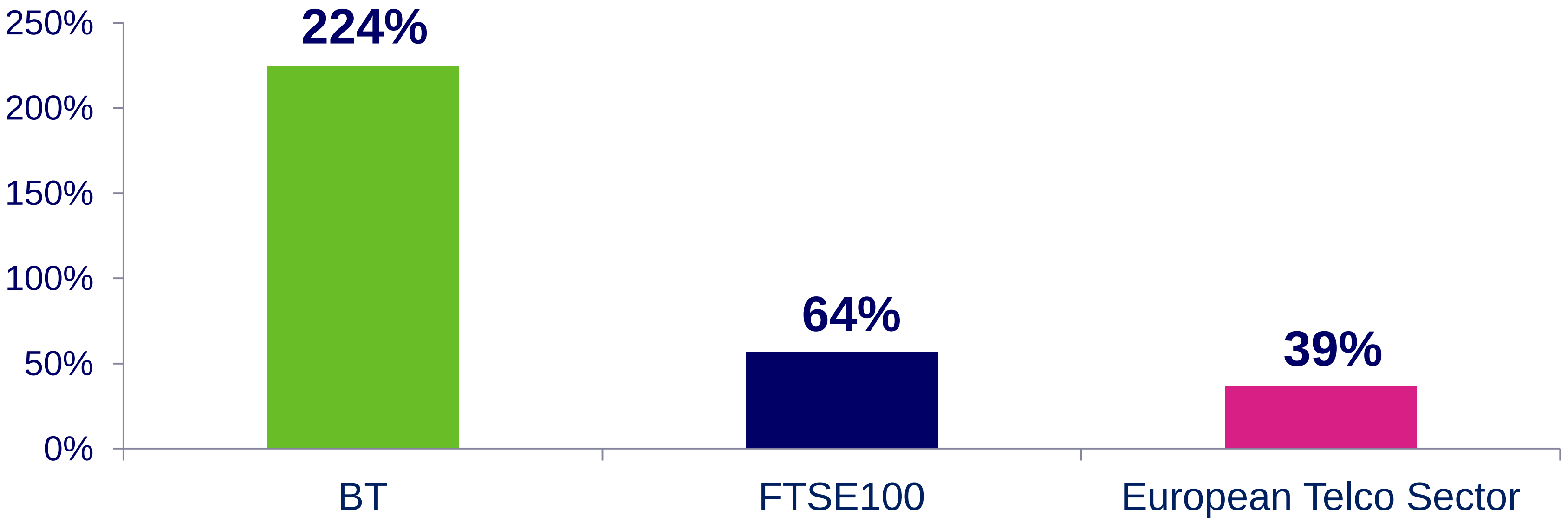
- Continued to invest in our business
- Agreed 2011 BT Pension Scheme funding valuation
- Improved our credit rating
- Increased dividends for shareholders
- Employees benefitting from progress
- Supported our communities

Strong performance over last 3 years

Earnings per share[1]	up 68%
Free cash flow[2]	more than tripled
Deficit contributions into pension fund	£3.6bn
Net debt	down £1.3bn
Total Shareholder Return[3]	up 224%

[1] before specific items and BT Global Services contract and financial review charges in 2009
[2] before specific items and pension deficit payments
[3] source: Datastream, 31 March 2009 to 31 March 2012

Total Shareholder Return



Over the last 3 years, BT has outperformed both the FTSE100 and the European Telco sector

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 31 March 2009 to 31 March 2012.

Progressive dividends

Dividend for 2012

Final	5.7p	^ 14%
Full year	8.3p	^ 12%

- Dividend per share to grow **10%-15%** per year for next 3 years
- Share buyback of c.£300m to offset dilution from Save As You Earn scheme

London 2012

80,000 connections across 94 locations

Up to 60Gb of information carried each second

1,550 wireless access points

5,500km of internal cabling

16,500 telephone lines

14,000 mobile SIM cards

10,000 cable TV outlets

1,000,000 man-hours

Over 850 people on the ground at Games' Time

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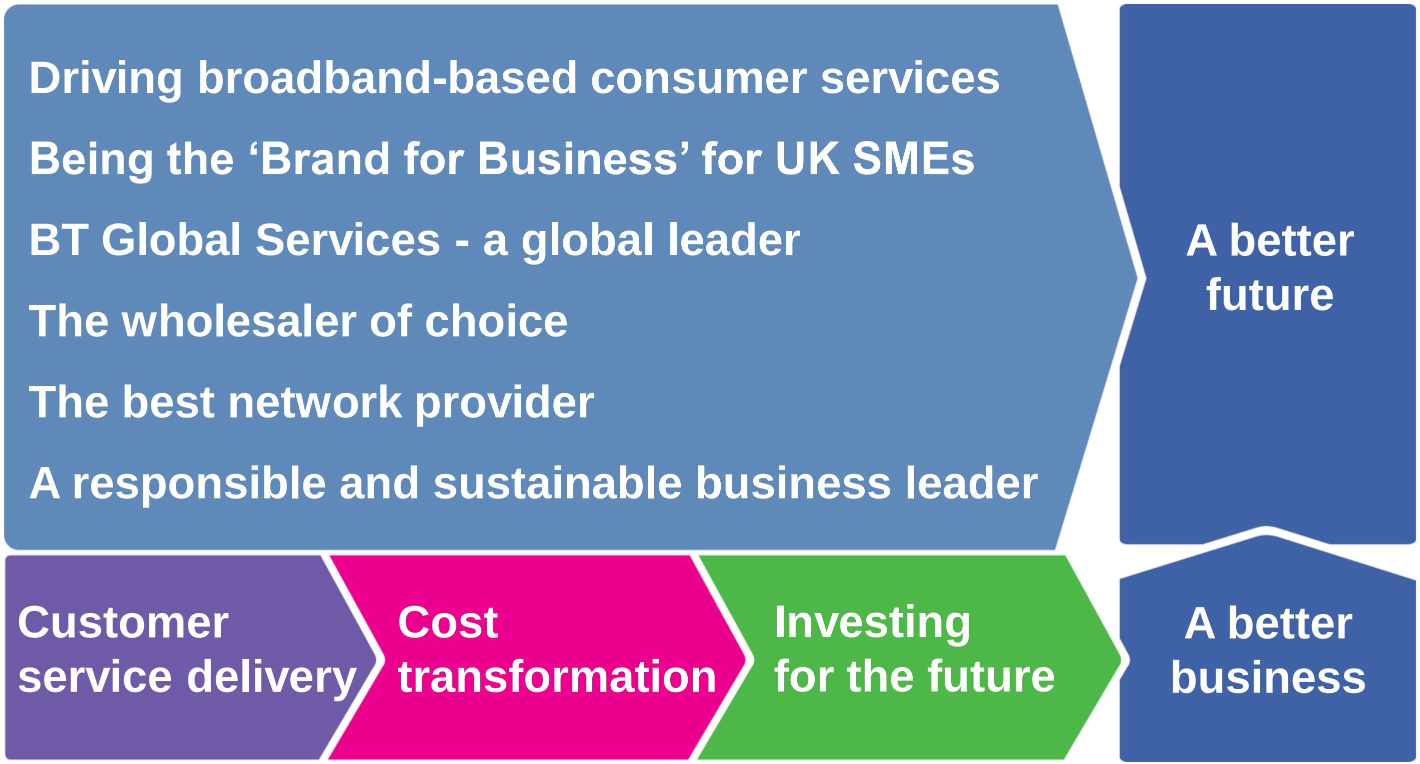
Ian Livingston, Chief Executive

2012 group results

	Results	Change
Underlying revenue excluding transit[1]		1.9%
Profit before taxation[1]	£2,421m	16%
Free cash flow[2]	£2,522m	13%
Net debt after £2bn pension payment	£9,082m	up £266m

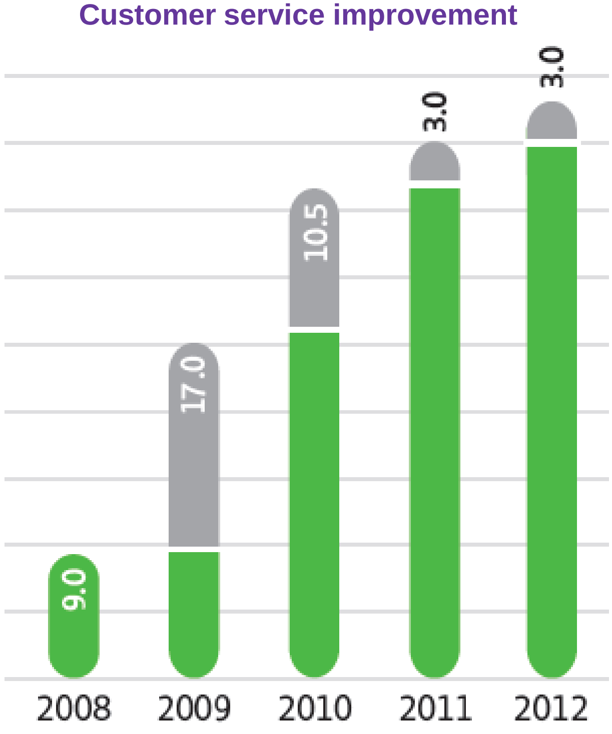
[1] before specific items
[2] before specific items and pension deficit payments

Our strategy for building a better future



Customer service delivery

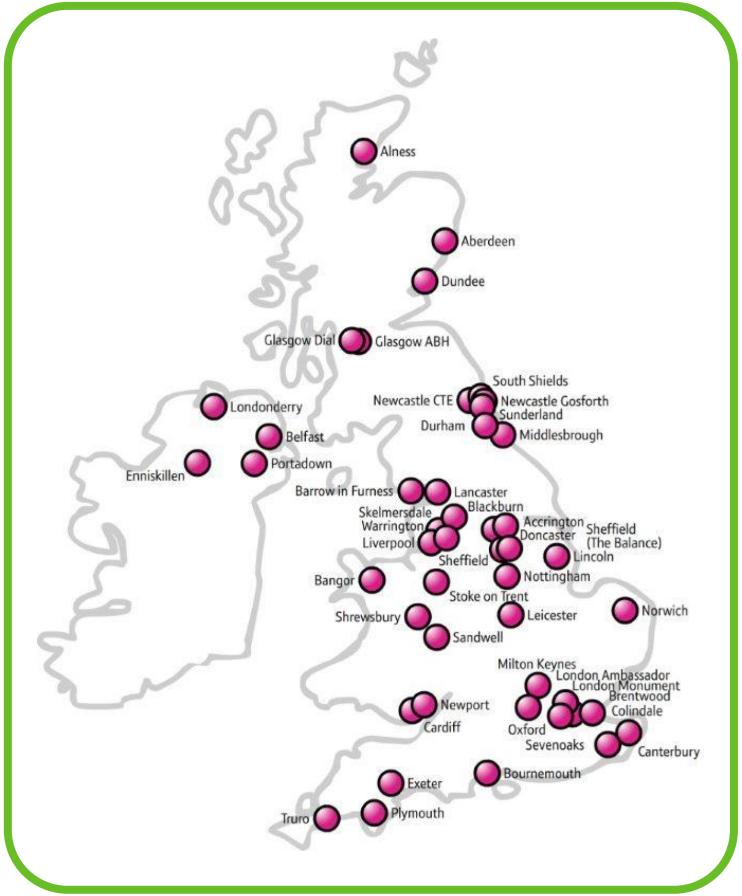
- Complaints are down significantly
  - Consumer complaints over 3 years ✓ **58%**
  - Business complaints over 3 years ✓ **78%**
- Consumer problems solved on first contact **>82%**



Cumulative improvement in ‘right first time’ measure from 1 April 2007

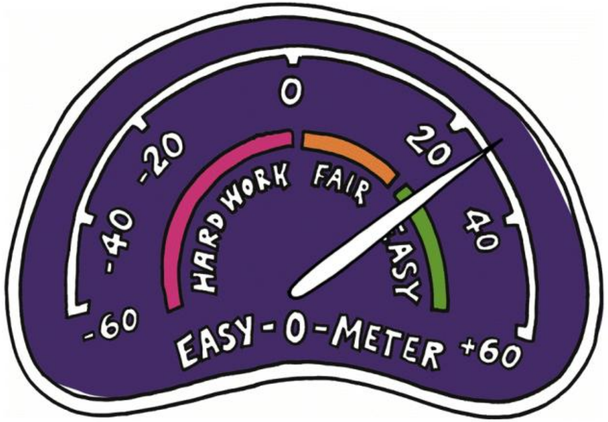
Investing in improving customer service

- Improved diagnostics
- **4** new UK contact centres opened
  - Sandwell, South Shields, Accrington, Belfast
  - Creating nearly 1,000 local jobs
- **44** UK centres out of 51 worldwide
  - Around 40% reduction in offshore staff over last 4 years
- Around 10,000 advisors trained to NVQ standard

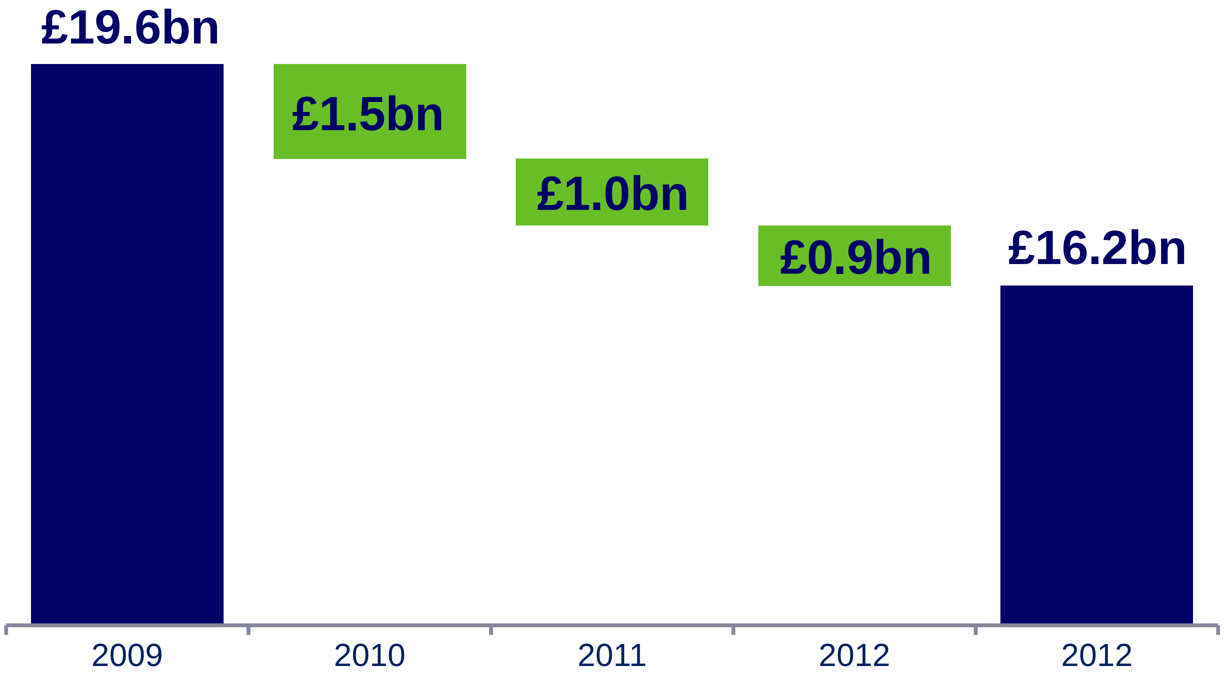


Making it easier for our customers

- Working to make it easier to contact and get help from BT
- Focus on **'Net Easy'** measure
  - We ask customers how easy it is to deal with BT
  - Substantial improvement already
- Making it easier to contact us by phone
  - Interactive Voice Response simplified/faster
  - Introducing natural language response
- Online contact made easier



Cost[1] transformation



Costs down £3.4bn over the last 3 years

[1] total capital expenditure and operating costs before specific items, depreciation and amortisation and other operating income and BT Global Services contract and financial review charges in 2009

Retail - Driving broadband-based consumer services

The UK's No.1 provider of consumer voice and broadband services

- **54%** share of broadband net additions[1]
- **6.3m** broadband customers – **up 10%**
- **>550k** BT Infinity customers – **more than trebled**
- BT Vision
  - customer base **up 23%**
  - new enhancements **coming soon…**
    - YouView
    - multicasting
    - Premier League football

[1] DSL, LLU and fibre

Retail - Being the ‘Brand for Business’ for UK SMEs

Supplying fixed calls and lines, broadband, mobility and IT services for UK SMEs

- SME market remains tough
- We have increased our focus on **higher margin** products and services
- Improvement in key measures:
  - line loss at lowest level for **4 years**
  - **outperforming market** in calls and lines

1m

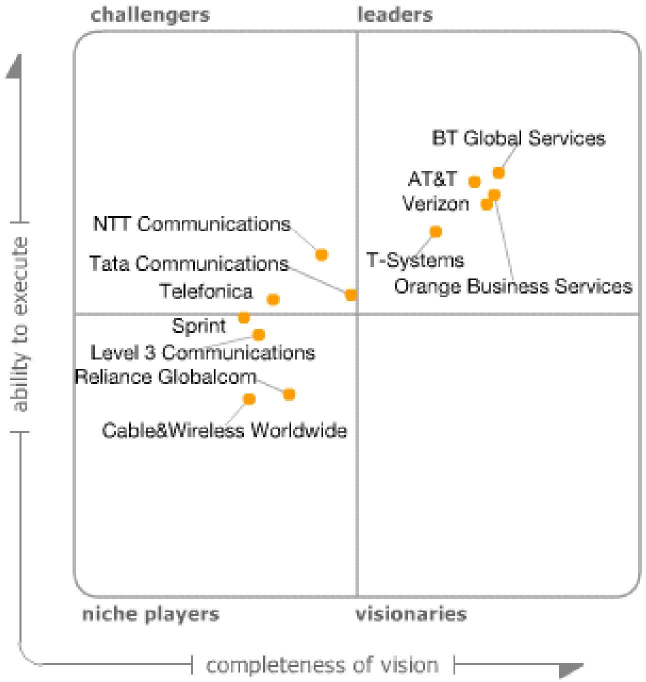
UK SME Customers

Global Services - A global leader

A global leader in managed networked IT services, serving the needs of customers in more than 170 countries worldwide

- Recognised as a **global leader**
- **£6.7bn** order intake
- Relaunch of product portfolio
- Investments in Asia Pacific, Latin America and Middle East & Africa
  - orders **up over 60%**

A leader in Gartner's Global Network Service Provider Magic Quadrant[1]



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 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

[1] Gartner, Magic Quadrant for Global Network Service Providers, Neil Rickard and Robert Mason, April 2012

Wholesale - The wholesaler of choice

Providing a range of voice, broadband and data services for fixed and mobile network operators, internet service providers and telecoms resellers

- Transitioning to new products and managed services
- **>200 customers** for global IP Exchange platform
- Supporting growing demand for bandwidth
  – capacity up **8 times** over last 6 years

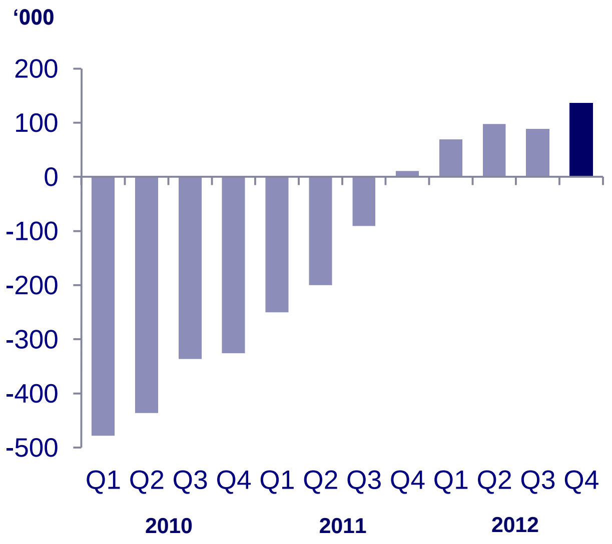
We are Europe's largest telecoms services wholesaler by revenue

Openreach - The best network provider

Responsible for providing services over the 'local loop' network and backhaul services and for the roll-out of our fibre network

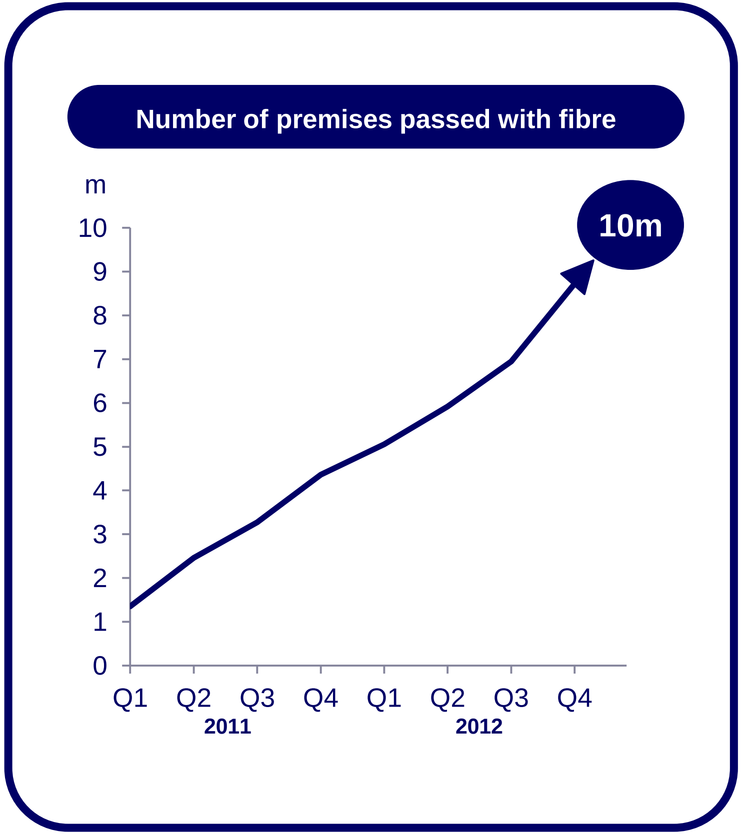
- **136,000** increase in copper lines
  - the largest increase since the formation of Openreach
- **>1m** broadband users added to our network

Rolling 12 month change in copper lines

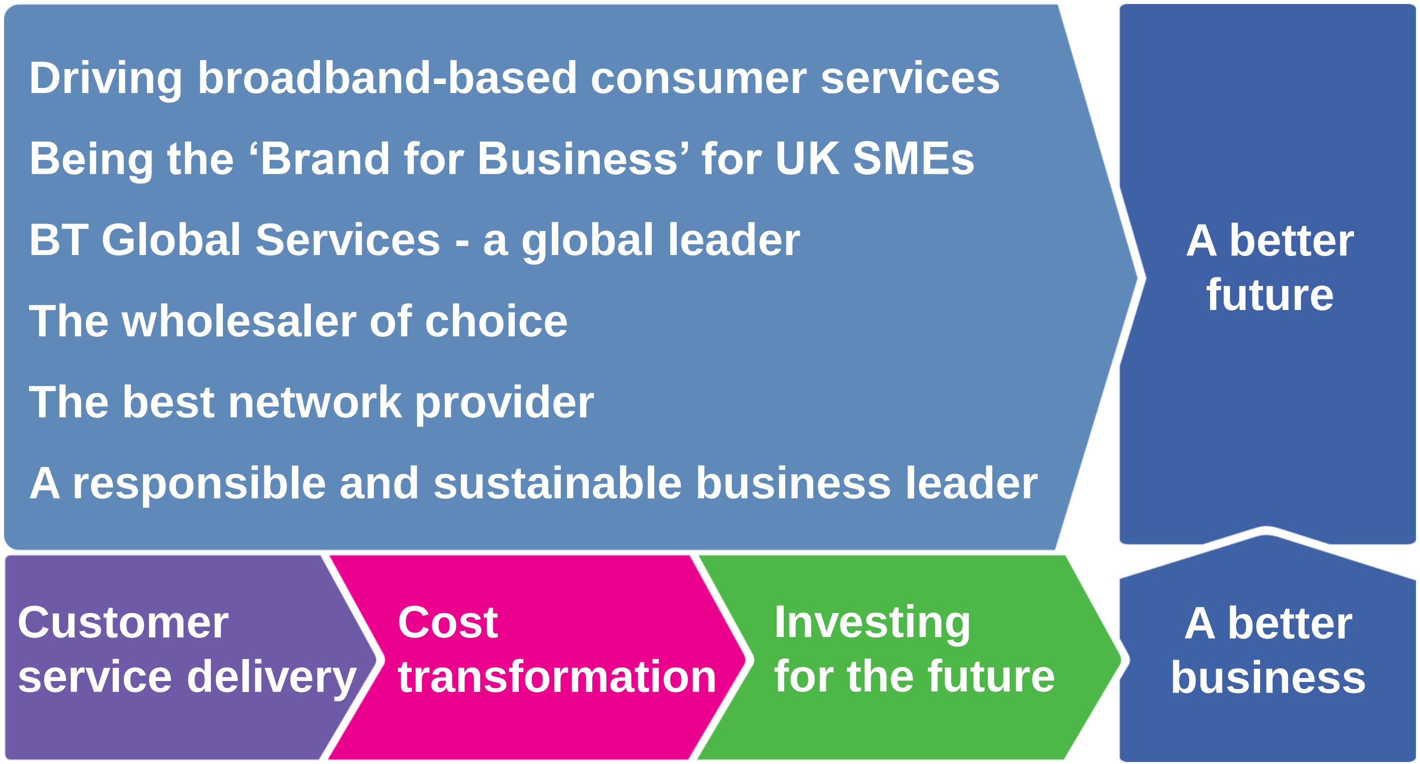


Fibre roll-out - Changing the UK

- Fibre broadband now available to **>10m** UK homes and businesses
- **2014** - 2/3 of UK premises passed
- **2017** - potentially 90% of UK premises passed
- Recruited over 1,200 new engineers, including 500 from armed forces
- Fibre innovations
  - FTTC speeds doubled
  - 330Mbps FTTP product launched
  - 'FTTP on demand' trials



Our strategy for building a better future



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Progress made

More to do

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BT Group plc

2012 AGM

11 July 2012

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Rt Hon Patricia Hewitt,
Chair of the Remuneration Committee

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2012 AGM

11 July 2012

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Annual General Meeting

11th July 2012

Resolution 1

Reports and accounts

www.bt.com/annualreport

Resolution 1

Reports and accounts

Votes:	**For:**	**4,959,223,610 (99.68%)**
	Against:	9,651,800 (0.19%)
	Withheld:	6,481,207 (0.13%)

Resolution 2

Directors' remuneration report

www.bt.com/annualreport

Resolution 2

Directors’ remuneration report

Votes:	**For:**	**4,666,671,931 (93.80%)**
	Against:	215,880,279 (4.34%)
	Withheld:	92,828,632 (1.86%)

Resolution 3

Final Dividend

Votes:	**For:**	**4,968,306,649 (99.86%)**
	Against:	1,204,399 (0.02%)
	Withheld:	5,910,960 (0.12%)

Resolutions 4–13

Re-election & election of directors

Resolution 9
Re-elect Rt Hon Patricia Hewitt

Votes: **For: 4,866,993,825 (97.82%)**
Against: 40,580,536 (0.82%)
Withheld: 67,851,293 (1.36%)

Resolution 10
Re-elect Phil Hodkinson

Votes: **For: 4,875,077,549 (97.98%)**
Against: 91,298,696 (1.84%)
Withheld: 8,995,896 (0.18%)

Resolution 11
Re-elect Nick Rose

Votes: **For: 4,937,907,826 (99.25%)**
Against: 28,604,146 (0.57%)
Withheld: 8,862,580 (0.18%)

Resolution 12
Re-elect Jasmine Whitbread

Votes: **For: 4,943,727,242 (99.36%)**
Against: 22,698,677 (0.46%)
Withheld: 8,947,079 (0.18%)

Resolution 13
Elect Karen Richardson

Votes: **For: 4,944,863,891 (99.39%)**
Against: 21,485,944 (0.43%)

Resolution 14

Reappointment of auditors

Votes:	**For:**	**4,932,540,687 (99.14%)**
	Against:	35,292,591 (0.71%)
	Withheld:	7,544,235 (0.15%)

Resolution 15

Remuneration of auditors

Votes:	**For:**	**4,939,358,980 (99.28%)**
	Against:	27,591,638 (0.55%)
	Withheld:	8,435,057 (0.17%)

Resolution 16
Authority to allot shares

Votes:

For:	**4,769,476,453 (95.86%)**
Against:	159,319,562 (3.20%)
Withheld:	46,580,645 (0.94%)

Resolution 17
Authority to allot shares for cash*

Votes:

For:	**4,900,726,409 (98.50%)**
Against:	59,020,872(1.19%)
Withheld:	15,626,798 (0.31%)

Resolution 18
Authority to purchase own shares*

Votes:

For:	**4,947,700,247 (99.44%)**
Against:	19,227,920 (0.39%)
Withheld:	8,456,227 (0.17%)

*Special resolutions

Resolution 19

Notice of general meetings*

*Special resolution

Votes:	**For:**	**4,589,621,233 (92.25%)**
	Against:	377,859,361 (7.59%)
	Withheld:	7,894,877 (0.16%)

Resolution 20

Authority for political donations

Votes:	**For:**	**4,805,278,497 (96.58%)**
	Against:	154,728,710 (3.11%)
	Withheld:	15,400,577 (0.31%)

BT Group plc

Annual General Meeting

11th July 2012

		For & Discretion		Against		Vote Withheld		Overall	
Res No.	Description	Total	**%**	Total	**%**	Total	**%**	Total	**%**
11	Re-elect Nick Rose	4,937,907,826	**99.25%**	28,604,146	**0.57%**	8,862,580	**0.18%**	4,975,374,552	**100.00%**
12	Re-elect Jasmine Whitbread	4,943,727,242	**99.36%**	22,698,677	**0.46%**	8,947,079	**0.18%**	4,975,372,998	**100.00%**
13	Elect Karen Richardson	4,944,863,891	**99.39%**	21,485,944	**0.43%**	9,063,502	**0.18%**	4,975,413,337	**100.00%**
14	Auditors' reappointment	4,932,540,687	**99.14%**	35,292,591	**0.71%**	7,544,235	**0.15%**	4,975,377,513	**100.00%**
15	Auditors' remuneration	4,939,358,980	**99.28%**	27,591,638	**0.55%**	8,435,057	**0.17%**	4,975,385,675	**100.00%**
16	Authority to allot shares	4,769,476,453	**95.86%**	159,319,562	**3.20%**	46,580,645	**0.94%**	4,975,376,660	**100.00%**
17	Authority to allot shares for cash	4,900,726,409	**98.50%**	59,020,872	**1.19%**	15,626,798	**0.31%**	4,975,374,079	**100.00%**
18	Authority to purchase own shares	4,947,700,247	**99.44%**	19,227,920	**0.39%**	8,456,227	**0.17%**	4,975,384,394	**100.00%**
19	14 days' notice of meetings	4,589,621,233	**92.25%**	377,859,361	**7.59%**	7,894,877	**0.16%**	4,975,375,471	**100.00%**
20	Political donations	4,805,278,497	**96.58%**	154,728,710	**3.11%**	15,400,577	**0.31%**	4,975,407,784	**100.00%**

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