A better business

A better future

BT Group plc

2013 AGM
17 July 2013
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Sir Michael Rake, Chairman
London 2012 – the most connected Games ever
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Shareholder returns

Dividend per share

- Share buyback of c.£300m p.a. in 2013/14 & 2014/15 to counteract dilution from Save As You Earn scheme
Giving back to society

- BT people volunteered 43,600 days
- Technical support and BT volunteers helped Children in Need and Comic Relief
- Long-standing supporters of ChildLine
- MyDonate helped 3,600 charities raise £25m
Share price performance

**Since last AGM**

<table>
<thead>
<tr>
<th>Sector</th>
<th>FTSE100</th>
<th>BT</th>
</tr>
</thead>
<tbody>
<tr>
<td>-3%</td>
<td>16%</td>
<td>55%</td>
</tr>
</tbody>
</table>

**Last 3 financial years**

<table>
<thead>
<tr>
<th>Sector</th>
<th>FTSE100</th>
<th>BT</th>
</tr>
</thead>
<tbody>
<tr>
<td>-10%</td>
<td>13%</td>
<td>124%</td>
</tr>
</tbody>
</table>
Financial objectives

- Drive profitable revenue growth
- Grow EBITDA
- Grow free cash flow

- Invest in business
- Reduce net debt
- Support pension fund
- Progressive dividends
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Ian Livingston, Chief Executive
## 2012/13 group results

<table>
<thead>
<tr>
<th></th>
<th></th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td>£18,253m</td>
<td>(5%)</td>
</tr>
<tr>
<td>- underlying excluding transit</td>
<td></td>
<td>(3%)</td>
</tr>
<tr>
<td><strong>EPS</strong></td>
<td>26.6p</td>
<td>12%</td>
</tr>
<tr>
<td><strong>Free cash flow</strong></td>
<td>£2,300m</td>
<td>flat</td>
</tr>
<tr>
<td><strong>Net debt</strong></td>
<td>£7,797m</td>
<td>14%</td>
</tr>
</tbody>
</table>

1 before specific items
2 before cash specific items, purchases of telecommunications licences, pension deficit payments and the cash tax benefit of pension deficit payments
We have delivered low prices in the UK

**Lowest fixed-line voice prices**

- **UK**: 20
- **Spain**: 40
- **USA**: 20
- **Germany**: 40
- **France**: 20
- **Italy**: 40

£ per month

**Lowest broadband prices**

- **UK**: 10
- **France**: 20
- **Italy**: 30
- **USA**: 30
- **Germany**: 40
- **Spain**: 50

£ per month

**Lowest superfast prices**

- **UK**: 20
- **Germany**: 40
- **Italy**: 40
- **USA**: 60
- **Spain**: 40
- **USA**: 40

£ per month

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1. International Communications Market, December 2012, Ofcom. Weighed average of best-value tariff from three largest operators for a family household. PPP adjusted
2. International Communications Market, December 2012, Ofcom. Weighed average of best-value tariff from three largest operators for an affluent two person household who are heavy internet users with a superfast broadband connection. PPP adjusted
We have delivered high speeds and internet strength

**G8 download speeds**

<table>
<thead>
<tr>
<th>Country</th>
<th>Mbps</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>30</td>
</tr>
<tr>
<td>UK</td>
<td>20</td>
</tr>
<tr>
<td>Germany</td>
<td>15</td>
</tr>
<tr>
<td>Russia</td>
<td>12</td>
</tr>
<tr>
<td>France</td>
<td>10</td>
</tr>
<tr>
<td>USA</td>
<td>8</td>
</tr>
<tr>
<td>Canada</td>
<td>6</td>
</tr>
<tr>
<td>Italy</td>
<td>2</td>
</tr>
</tbody>
</table>

**Index of internet strength and activity**

<table>
<thead>
<tr>
<th>Country</th>
<th>Index</th>
</tr>
</thead>
<tbody>
<tr>
<td>UK</td>
<td>150</td>
</tr>
<tr>
<td>USA</td>
<td>140</td>
</tr>
<tr>
<td>Germany</td>
<td>130</td>
</tr>
<tr>
<td>France</td>
<td>120</td>
</tr>
<tr>
<td>Spain</td>
<td>110</td>
</tr>
<tr>
<td>Italy</td>
<td>100</td>
</tr>
</tbody>
</table>

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1 Oakla Net Index, April 2013. The value is the rolling mean throughput in Mbps over the past 30 days where the mean distance between the client and the server is <300 miles

2 Boston Consulting Group e-Intensity Index, October 2012. Index is a yardstick of internet strength and activity across nations
Our strategy

- 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

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Customer service delivery | Cost transformation | Investing for the future

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Customer service delivery

- Consumer complaints down 39% over last 4 years
- 2012/13 impacted by weather
- Faster provision and repair driving better service in 2013/14
- Further significant improvement planned

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1 Percentage improvement in Group Right First Time measure each year and cumulatively from 1 April 2010
Customer service delivery

- Making it easier
  - >50% of calls use voice-recognition rather than push-button menus
  - Time spent in call menus is 20% lower than 2 years ago

- Investing in service
  - Recruited c.1,600 engineers in 2012/13
  - New contact centres in the UK

- Better diagnosis of faults
  - Enhanced speed testing via bt.com
  - Quicker restoration of broadband speeds with automated resets
  - Enhanced engineer tools

More to do
Cost transformation

- £4.7bn reduction in opex & capex over last 4 years
  - underpins ability to compete
  - releases resources and cash to invest

- c.4,000 roles insourced in 2012/13

Success and more to go for

1 Opex and capex. Before specific items, depreciation & amortisation and other operating income and purchases of telecommunications licences
Investing for the future

Fibre
TV & Sport
IT services
Mobility
Driving broadband-based consumer services

- Growing broadband share

- Fibre broadband
  - customer base more than doubled in 2012/13

- BT Wi-fi
  - world’s largest network

- BT SmartTalk

- BT TV
  - growing faster than Sky & Virgin

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BT’s retail broadband market share

<table>
<thead>
<tr>
<th>Year</th>
<th>Market Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008/9</td>
<td>27%</td>
</tr>
<tr>
<td>2009/10</td>
<td>28%</td>
</tr>
<tr>
<td>2010/11</td>
<td>29%</td>
</tr>
<tr>
<td>2011/12</td>
<td>30%</td>
</tr>
<tr>
<td>2012/13</td>
<td>31%</td>
</tr>
</tbody>
</table>

2 market share of broadband lines (DSL, fibre & cable); includes Plusnet and business broadband customers
Driving broadband-based consumer services – BT Sport

- **FREE** to all BT Broadband customers regardless of TV platform
- **£12** without BT Broadband
- BT Infinity will enable BT Sport to be more interactive and engaging
BT Sport – launching 1 August
 Being the ‘Brand for Business’ for UK SMEs

- Aim to be 1st choice for SMEs for all their fixed-line, mobile and IT needs

- Fixed-line
  - maintaining market share in calls & lines

- IT services
  - double-digit revenue growth\(^1\)
  - sector expertise, e.g. professional services

\(^1\) excluding trade sales
BT Global Services – a global leader

- Strong customer base
  - 94% of FTSE100 companies
  - 74% of Fortune 500 companies

- Good progress on customer service

- Investing in high-growth regions¹
  - double-digit revenue growth

- Speeding up cost transformation

¹ Asia Pacific, Latin America, Turkey, the Middle East and Africa

Recognised by the industry as a global leader

Aim to have the financial performance to match
The wholesaler of choice

- Largest telecoms wholesaler in Europe
- Improved revenue and profit performance
  - Q4 revenue & EBITDA up 2%
- Orders tripled in 2012/13
- IP Exchange
  - grown ten-fold to >1.9bn minutes a quarter

BT Wholesale order intake

<table>
<thead>
<tr>
<th>Year</th>
<th>Order Intake</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011/12</td>
<td>£0.7bn</td>
</tr>
<tr>
<td>2012/13</td>
<td>£2.0bn</td>
</tr>
</tbody>
</table>
- One of fastest commercial rollouts in the world
  - >15m premises passed

- Two thirds of UK premises during spring 2014
  - 18 months ahead of schedule

- Aim to reach >90% of premises
  - 29 regional wins to date supporting rollout in ‘final third’
Fibre investment in Scotland - >£400m in rural areas

Scotland’s new broadband revolution as 600,000 families go high-speed

Ambitious £264m broadband plan launched

The total should rise to 90% by the end of 2017, she said.

£264m net speed boost

AROUND £264million is to be spent boosting internet speeds in rural areas, it was announced yesterday.

Deputy First Minister Nicola Sturgeon was in Glasgow to sign a contract

Rural broadband worth the money

A TOTAL of £264million will be spent on improving internet speeds in rural areas.

Local authorities, the UK Government’s Broadband Delivery
The best network provider - mobile

High capacity indoor networks where people use mobile

Urban capacity where it’s really needed

Rural coverage to extend fixed

- Great indoor coverage at low prices
- Convenience & simplicity
- Faster speeds & higher volumes
A responsible and sustainable business leader

**Connected Society**

2020 goal 9/10

“More than 9 out of 10 people in the UK will have access to fibre-based products & services”

**Net Good**

2020 goal 3:1

“We will help customers reduce carbon emissions by at least three times the end-to-end carbon impact of our business”

**Improving Lives**

2020 goal £1bn

“We will use our skills and technology to help generate >£1bn for good causes”
Progress made

- The right strategy and making good progress
- More to do on customer service
- Made key investments for the future
- Delivered growth in profits and dividends
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Rt Hon Patricia Hewitt,
Chair of the Remuneration Committee
Resolution 11
Re-elect Karen Richardson

Resolution 12
Re-elect Nick Rose

Resolution 13
Re-elect Jasmine Whitbread

Resolution 14
Reappointment of auditors

Resolution 15
Remuneration of auditors

Resolution 16
Authority to allot shares

Resolution 17
Authority to allot shares for cash*

Resolution 18
Authority to purchase own shares*

Resolution 19
Notice of general meetings*

Resolution 20
Authority for political donations

*Special resolutions
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
<table>
<thead>
<tr>
<th>Res No.</th>
<th>Description</th>
<th>For &amp; Discretion</th>
<th>Against</th>
<th>Vote Withheld</th>
<th>Overall</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Total</td>
<td>%</td>
<td>Total</td>
<td>%</td>
</tr>
<tr>
<td>11</td>
<td>Re-elect Karen Richardson</td>
<td>5,016,262,439</td>
<td>99.67%</td>
<td>16,575,893</td>
<td>0.33%</td>
</tr>
<tr>
<td>12</td>
<td>Re-elect Nick Rose</td>
<td>4,937,526,113</td>
<td>98.11%</td>
<td>95,277,632</td>
<td>1.89%</td>
</tr>
<tr>
<td>13</td>
<td>Re-elect Jasmine Whitbread</td>
<td>4,959,060,843</td>
<td>99.57%</td>
<td>21,348,959</td>
<td>0.43%</td>
</tr>
<tr>
<td>14</td>
<td>Auditors’ reappointment</td>
<td>4,982,879,510</td>
<td>99.59%</td>
<td>20,273,995</td>
<td>0.41%</td>
</tr>
<tr>
<td>15</td>
<td>Auditors’ remuneration</td>
<td>4,994,050,687</td>
<td>99.84%</td>
<td>8,090,968</td>
<td>0.16%</td>
</tr>
<tr>
<td>16</td>
<td>Authority to allot shares</td>
<td>4,826,630,666</td>
<td>96.14%</td>
<td>193,593,481</td>
<td>3.86%</td>
</tr>
<tr>
<td>17</td>
<td>Authority to allot shares for cash</td>
<td>5,019,103,252</td>
<td>99.79%</td>
<td>10,809,629</td>
<td>0.21%</td>
</tr>
<tr>
<td>18</td>
<td>Authority to purchase own shares</td>
<td>5,006,327,241</td>
<td>99.48%</td>
<td>26,235,354</td>
<td>0.52%</td>
</tr>
<tr>
<td>19</td>
<td>14 days’ notice of meetings</td>
<td>4,596,480,775</td>
<td>91.32%</td>
<td>436,996,014</td>
<td>8.68%</td>
</tr>
<tr>
<td>20</td>
<td>Political donations</td>
<td>4,920,863,984</td>
<td>97.87%</td>
<td>107,276,718</td>
<td>2.13%</td>
</tr>
</tbody>
</table>
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