BT Group plc
2017 Annual General Meeting
12 July 2017
BT Group plc

Sir Michael Rake - Chairman
Ongoing transformation: progress since 2008

- Annual revenue: +16%
- Underlying EBITDA: +32%
- Dividend payments have returned more than £1 per share

BT is a stronger, more efficient and higher-growth company
### 2016/17: satisfactory financial performance despite significant challenges

<table>
<thead>
<tr>
<th>Challenges</th>
<th>Actions taken</th>
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<tbody>
<tr>
<td>• Financial misconduct in our Italian operations</td>
<td>• Management team in Italy changed</td>
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<tr>
<td>– Zero tolerance for misconduct that took place</td>
<td>• Review of processes and practices</td>
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<td>• Historical Openreach practices</td>
<td>• Improvements implemented in controls, governance and compliance</td>
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<td>– Deemed Consent investigation</td>
<td>• Appropriate and proportionate actions on remuneration</td>
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<td>• Weaker demand in business markets</td>
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<tr>
<td>– UK public sector and international corporate markets</td>
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Major achievements delivered in other parts of the business and a formidable set of assets
**Openreach: new governance framework agreed with Ofcom**

**An enduring agreement**

- Providing greater certainty

- Better, broader, faster connectivity is critical for the UK
  - we are committed to make the investments and service improvements necessary

- Independent Chairman appointed to strengthened board

- Openreach to remain a wholly-owned subsidiary
Investing for the future

Customer experience  Fibre rollout  Ultrafast  4G  5G

Investments coupled to increased operating efficiency and ongoing cost transformation
Progressive shareholder returns

- Proposed final dividend of 10.55p, up 10%
- Full-year dividend of 15.40p, up 10%
Summary: good progress since 2008 – BT is well placed for the future

- Fibre rollout ranks among the fastest in the OECD
- Acquisition of EE has created market leading position in wireless
- Successfully launched competitive sports offering in TV
- Strong balance sheet

We have the strength and depth to deliver growth and profitability
BT Group plc

Gavin Patterson - Chief Executive
A national asset: a world-leading converged telecommunications group

BT is an engine of the digital economy ... providing vital connectivity that people rely on
Financial strength: investing in networks, people and customer experience

While meeting our pension obligations, reducing debt and paying progressive dividends
Our wider return on investment

Connecting communities
Creating jobs
Supporting skills training
Enhancing tech literacy

A powerful force in digital communications with potential for sustained and steady growth
2016/17: a challenging year

Wrong-doing in Italian operations

- Management team in Italy changed
- Assurance testing and strengthened controls in Global Services

Deemed Consent practices

- Systems and processes strengthened in Openreach

Slowdown in UK public sector

- Reconfiguring parts of public-sector business

Our Italian business accounts for 1% of our profit

Relates to an 18-month period that ended in December 2014

Order intake in Business and Public Sector was up 18% last year

We’re determined that these issues will not recur
Ongoing transformation: focused and disciplined approach

Streamlining the business will save £300m over two years

Enabling us to recruit more engineers

Creating 1,700 new apprentice and graduate roles this year

And further improve customer experience

Customer experience improvements in every part of the business; more to come this year
Customer experience: building on underlying strengths of the business

<table>
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<th>Consumer</th>
<th>EE</th>
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<td>• Average revenue per user</td>
<td>+8%</td>
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<td>• BT Sport strengthened</td>
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<th>Wholesale and Ventures</th>
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<td>• A fair regulatory settlement that will benefit all stakeholders and promote investment</td>
<td>• Good growth in fibre broadband and Ethernet</td>
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<td>• Customer service improvements</td>
<td>• Order intake</td>
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<tr>
<td>• Record fibre growth</td>
<td>+38%</td>
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<td></td>
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<td>80%</td>
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**Consumer**
- Average revenue per user: +8%
- BT Sport strengthened

**EE**
- The UK’s leading mobile network
- 4G UK geographic coverage: 80%

**Openreach**
- A fair regulatory settlement that will benefit all stakeholders and promote investment
- Customer service improvements
- Record fibre growth

**Wholesale and Ventures**
- Good growth in fibre broadband and Ethernet
- Order intake: +38%
Digital future: our investments will underpin UK infrastructure

We’re committed to investing £6bn in our fixed and mobile networks over three years

G.fast
Fibre to the Premises
4G & 5G
Research and Development
(c£500m annual spend)

We’re also investing in our people and prioritising the customer experience
Wider purpose: investing and contributing in a connected society

Our purpose is to use the power of communications to make a better world

130 community fibre partnerships now delivered
Tech literacy programme
Work Ready programme
More than 30% of our people volunteered in the year

Contributing to digital literacy and connectivity of the UK while delivering our strategy
Summary: confident outlook after a challenging year

• Investing in differentiated content, services and applications...

• ... while maintaining financial discipline and operating efficiency

Realising our full potential while having a positive impact on society