Annual review and summary financial statement 1999
Shareholder information can be found on page 49 of this review. If you have any questions or queries, you can call the Shareholder Helpline on Freefone 0808 100 4141 and we will be pleased to help.

Alternatively, you can visit our website at www.bt.com
To access the Shareholder Centre pages directly, go to www.bt.com/shares
BT's vision is to be the most successful worldwide communications group. The following pages will show you how we are setting out to achieve this bold vision – winning customers and generating revenues in new areas of business and new areas of the world.

You will see that BT is so much more than "just a telephone company".

And you will see how communications can change all our lives.

CONTENTS
2 A message from Chairman, Sir Iain Vallance
4 Summary financial statement
6 A statement by Chief Executive, Sir Peter Bonfield
8 The Internet
12 The datawave
16 Mobile communications
20 Flexible working
24 Customers worldwide
28 Adding the visual dimension
32 BT in education
36 BT in the community
40 The BT Board
44 A summary of our success
49 Shareholder information
CHAIRMAN’S MESSAGE: This past financial year has been an exciting one for the communications industry, and particularly for BT. For some while, we have been hearing about the impact that new communications technologies like mobile and, more recently, the Internet will have on our lives at work and at home. Now we have begun to experience that impact first-hand.

BT’s UK network, for example, now carries more data than voice traffic. And Internet usage accounts for some 18 per cent of our local UK network traffic.

In response to such changes, your Board has reviewed BT’s vision statement – the single sentence that sums up our aims and aspirations. For the past several years, we have aimed “to become the most successful worldwide telecommunications group”. That was an ambitious objective when we set it – in fact many people found it startling – but it is increasingly clear that it is no longer sufficiently comprehensive. Our aim now is “to be the most successful worldwide communications group”.

I believe the past year has shown that we are well placed to succeed.

- Our European alliances and ventures are beginning to punch their weight.
- We have laid the foundations of our global venture with AT&T.
- We increased our activities in the Asia-Pacific region, and the momentum has continued into the current financial year with the three-way BT, AT&T, Japan Telecom alliance.
- And, in the UK, innovative marketing, price cuts and the rapid increase in Internet usage and mobile communications all contributed to a strong performance, despite increasing competition.

The figures tell the story. Your group’s turnover, including BT’s share of its ventures’ turnover, grew last year by 13.6 per cent to £18.2 billion. Our new ventures in Europe and Asia Pacific accounted for over £800 million of this increase in turnover, and both mobile and fixed network calls in the UK made strong contributions.

BT’s share price grew by 55 per cent in the financial year, compared with only five per cent for the FT-SE 100 index. Earnings per share before exceptional items were 34.7 pence. Your Board is pleased to recommend a final dividend for the year of 12.3 pence per share, which
brings the total dividend for the year to 20.4 pence per share, an increase of 7.4 per cent over 1997/98.

Yet a company can only achieve great things through the actions of its people and I would like to record here my thanks to BT people for all their efforts.

I would also like to thank two directors who retired from the Board during the year, Malcolm Argent and Sir Ewen Fergusson. Both made a notable contribution during their terms of office. Sir Ewen joined the Board as a non-executive director in 1993. Malcolm was appointed to the Board in 1989, becoming a non-executive director in 1994, and played a major part in BT's transformation into the global communications company it is today.

During the year, we welcomed Helen Alexander, Neville Isdell and Sir John Weston to the Board.

BT has made great progress over the past two decades. Now, with our new vision, we will continue to move forward, building on our success and positioning ourselves for the challenges and opportunities of the new Millennium.

Sir Iain Vallance Chairman
## Summary group profit and loss account

**FOR THE YEAR ENDED 31 MARCH 1999**

<table>
<thead>
<tr>
<th>Description</th>
<th>1999</th>
<th>1998 (a)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total turnover – ongoing activities</strong></td>
<td>£m</td>
<td>£m</td>
</tr>
<tr>
<td>Discontinued activities</td>
<td>–</td>
<td>1,372</td>
</tr>
<tr>
<td>Total turnover</td>
<td>18,223</td>
<td>17,411</td>
</tr>
<tr>
<td>Less group’s share of ventures’ turnover</td>
<td>(1,270)</td>
<td>(1,771)</td>
</tr>
<tr>
<td><strong>Group turnover – ongoing activities</strong></td>
<td>16,953</td>
<td>15,640</td>
</tr>
<tr>
<td>Other operating income (b)</td>
<td>168</td>
<td>372</td>
</tr>
<tr>
<td>Operating costs</td>
<td>(13,305)</td>
<td>(12,355)</td>
</tr>
<tr>
<td>Group operating profit</td>
<td>3,816</td>
<td>3,657</td>
</tr>
<tr>
<td>Group’s share of operating loss of ventures</td>
<td>(342)</td>
<td>(195)</td>
</tr>
<tr>
<td><strong>Total operating profit</strong></td>
<td>3,474</td>
<td>3,461</td>
</tr>
<tr>
<td>Profit on sale of investments</td>
<td>1,107</td>
<td>63</td>
</tr>
<tr>
<td>Net interest payable</td>
<td>(286)</td>
<td>(310)</td>
</tr>
<tr>
<td><strong>Profit before taxation (c)</strong></td>
<td>4,295</td>
<td>3,214</td>
</tr>
<tr>
<td>Taxation (b)</td>
<td>(1,293)</td>
<td>(1,487)</td>
</tr>
<tr>
<td><strong>Profit after taxation</strong></td>
<td>3,002</td>
<td>1,727</td>
</tr>
<tr>
<td>Minority interests</td>
<td>(19)</td>
<td>(25)</td>
</tr>
<tr>
<td>Profit for the financial year</td>
<td>2,983</td>
<td>1,702</td>
</tr>
<tr>
<td>Dividends</td>
<td>(1,322)</td>
<td>(1,216)</td>
</tr>
<tr>
<td><strong>Retained profit</strong></td>
<td>1,661</td>
<td>486</td>
</tr>
<tr>
<td>Earnings per share</td>
<td>46.3p</td>
<td>26.6p</td>
</tr>
<tr>
<td>Earnings per share before exceptional items (b) (c)</td>
<td>34.7p</td>
<td>31.7p</td>
</tr>
<tr>
<td>Dividends per share</td>
<td>20.4p</td>
<td>19.0p</td>
</tr>
<tr>
<td>Directors’ emoluments</td>
<td>5.1</td>
<td>3.1</td>
</tr>
<tr>
<td>Directors’ gains on share options</td>
<td>0.9</td>
<td>0.9</td>
</tr>
</tbody>
</table>
### Summary group balance sheet

**At 31 March 1999**

<table>
<thead>
<tr>
<th></th>
<th>1999</th>
<th>1998</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed assets</td>
<td>£20,428</td>
<td>£18,960</td>
</tr>
<tr>
<td>Current assets</td>
<td>£7,534</td>
<td>£4,325</td>
</tr>
<tr>
<td>Creditors: amounts falling due within one year</td>
<td>£(8,029)</td>
<td>£(6,962)</td>
</tr>
<tr>
<td>Net current liabilities</td>
<td>£(495)</td>
<td>£(2,637)</td>
</tr>
<tr>
<td>Total assets less current liabilities</td>
<td>£19,933</td>
<td>£16,323</td>
</tr>
<tr>
<td>Creditors: amounts falling due after one year</td>
<td>£3,386</td>
<td>£3,889</td>
</tr>
<tr>
<td>Provisions for liabilities and charges</td>
<td>£1,391</td>
<td>£1,426</td>
</tr>
<tr>
<td>Minority interests</td>
<td>£216</td>
<td>£223</td>
</tr>
<tr>
<td>Capital and reserves</td>
<td>£14,940</td>
<td>£10,785</td>
</tr>
<tr>
<td>Total</td>
<td>£19,933</td>
<td>£16,323</td>
</tr>
</tbody>
</table>

(a) 1998 figures have been restated for changes in accounting policies adopted in the year
(b) 1998 figures include exceptional items of £238m; other operating income from MCI merger break-up fee and £510m windfall tax charge
(c) 1999 figures include net exceptional pre-tax gains of £1,038m, principally comprising the gain on sale of MCI shares, less associated disengagement costs

The executive directors receive pensions on retirement

- Global venture with AT&T announced
- £1.3 billion invested in strategic alliances and joint ventures in Europe and Asia Pacific
- 12 per cent growth in demand for BT's products and services, driven by rapidly-expanding Internet traffic and mobile usage
- BT Cellnet's customer connections up by 1.4 million to 4.5 million
CHIEF EXECUTIVE'S STATEMENT:
Around the world, the communications industry is changing the way people live and work. And BT is more than just a part of that change – we are helping to lead it. Thanks to the skills of our people and the support of our shareholders, we have transformed BT into a global player and a technological leader. BT is no longer just a UK telephone company – it is a global communications company.

Increasingly, in addition to fixed-voice telephony, BT has been making investments in, and increasing revenues from, the fastest-growing areas of the communications market, including:
- the Internet and other forms of data transfer
- services for global companies
- operations in the newly-opened markets worldwide
- mobile communications, and
- integrated communications systems and solutions for business.
Wherever we operate, we are offering our customers new, advanced, value-added services.

And we are able to do this because of our world-class network technology.

In 1998/99, we launched the UK's largest and most advanced data network. And we have earmarked £5 billion for future investment in data and multimedia services.

We have also launched – with our European partners – a pan-European optical fibre network that connects 200 cities across Europe.

Working in partnership with others to achieve more than we could alone will continue to be a key theme for BT both in the UK and around the world.

In the area of global services, Concert Communications offers world-leading products and services to global corporations, and I am delighted that we can now look forward to working in partnership with AT&T to extend those services even further, and to develop a twenty-first century network for international communications.


In Asia Pacific, we made new investments in leading communications companies, including Malaysia's Binariang.
the Republic of Korea's LG Telecom (LGT) and Hong Kong's SmarTone, adding to a portfolio that also covers Singapore, India and New Zealand. And the BT, AT&T, Japan Telecom alliance, announced in April 1999, is an important step forward for us, since Japan is such a key market in the region.

In April 1999, we made our first investment in the Latin American market, when we acquired a 20 per cent stake in ImpSat, one of the region's leading telecommunications companies.

Mobile communications is an explosive growth area for BT and our family of alliances. BT Cellnet in the UK and Cegetel's subsidiary, SFR, in France now have over four million customers each. Airtel in Spain has over two million customers and, in the Republic of Korea, LGT grew its customer numbers by 60 per cent – or 900,000 customers – in the six months to March 1999.

We are also at the forefront of technological developments in mobile communications.

In the business solutions world, we manage networks for organisations, through Syncordia Solutions, and design integrated business systems, through Syntegra. Together, these businesses grew by more than 20 per cent in 1998/99.

All of these investments and operations are underpinned by our research and development, on which we spent £268 million in 1998/99. BT's laboratories have now amassed more than 13,000 patents around the world.

1999/2000 promises to be an even more exciting year, as competition and innovation galvanise our industry and the new Millennium begins. Communications will be in the spotlight. And, with your continued support, BT will continue to take its opportunities to shine.

SIR PETER BONFIELD Chief Executive
NET GAIN: You can't drive to the world's biggest shopping centre. But you can get there in an armchair.
NET GAIN: The Internet is the world’s biggest business centre. As thousands of companies go on-line, so too do millions of customers. And, together, they are creating an electronic marketplace where customers get more choice and companies get more chances to sell. Shopping is just one example of how new technologies can transform everyday life – with the growth of e-mail, digital television and multimedia, the possibilities are endless. All you need is the technology, access to a communications network and imagination.

Want to buy an antique? Read a newspaper? Catch up with news on your favourite football team? You can do all these things and more on the Internet.

Whatever customers want to do on-line, BT has the answer. We provide a state-of-the-art portfolio of products and services to help people use the Internet – and enjoy it!

Soaring Internet use made a major contribution to BT’s growth in 1998/99. In fact, around 18 per cent of local call traffic carried on our network is now Internet-related. And, with our partners worldwide, we now have over 1.5 million Internet access customers, including more than 600,000 in the UK.

As a global communications company, we’re into the Internet in many ways. For example, BT Internet is much more than a gateway to the Internet, for customers who enjoy its “community” aspects; BT Connect to Business is for companies that want to be more accessible to their customers; and the “pay-as-you-go” service, BT ClickFree, comes with the free talk21 e-mail service included.

In all these ways, we’re helping customers get on-line.

Throughout the year, we developed “eBusiness” products and services. These enable businesses not only to sell, but also
help them to communicate and deal with their suppliers and others in a secure, low-cost and flexible way.

Our initiatives have been enhanced through partnerships with leading players in the Internet market.

For example, our involvement in advertising and transactions over the net was heightened when we bought a 50 per cent share in Excite UK in January.

In February, BT unveiled plans to develop, with Microsoft, a range of Internet, intranet and corporate data services for mobile customers around the world.

Looking outside the UK, in February, BT bought Arrakis, a leading Spanish Internet service provider (ISP). We also have interests in ISPs in France, Germany, the Netherlands, Sweden and Switzerland.

And, in the Asia-Pacific region, we have interests in five ISPs – ClearNet in New Zealand, HarmonixNet in Japan, CyberWay in Singapore, LG Telecom in the Republic of Korea and Mantra Online in India.

We are also leading the way in doing business with our own customers on-line – bt.com makes it possible for customers to buy BT products and services on-line or to update their Friends & Family numbers.

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**GETTING ON-LINE**

At the time of its launch, BT ClickFree was the only free UK Internet service that required no registration. Customers can access the Internet simply and easily, paying only the cost of a local call, or less if they belong to one of BT's call discount schemes.

Once on-line, users can access further services, such as free e-mail or news and information provided by BT and Excite UK. Visit [www.btclickfree.com](http://www.btclickfree.com)

BT Internet offers frequent users a complete package, including five e-mail addresses, web space to set up a site, access to Wireplay's on-line games network and a 24-hour helpdesk. Visit [www.btinternet.com](http://www.btinternet.com)

“Communication today is about much more than using the phone. It's about new technologies, such as the Internet, multimedia and mobile communications. We, at BT, want people to embrace these new technologies, rather than feel daunted by them. We want to guide our customers through this new age of communications, to help them get the most from it.”

BILL COCKBURN
Group Managing Director, BT UK
THE DATAWAVE: E-mail, e-commerce, easy – we’re riding the “datawave”.

THE DATAWAVE: The datawave is being driven by use of the Internet and by business people transmitting huge amounts of information to colleagues, customers and suppliers. Newspapers and catalogues, graphics and video, bank statements and share prices can all be turned into streams of '0's and '1's, and sent along a telephone line. When people talk to each other over the phone line, they do so for a few minutes, yet when computers talk to each other, they do so for hours, or even days, at a time. This additional traffic can only be good news for BT.

We're making a massive investment in the networks and services that are supporting this tidal wave of information.

We have a range of services to carry data into customers' offices and homes at high speed, and are increasing our data network investment so that we can continue to handle the growing quantities of traffic. We are building the UK's largest and most advanced network for Internet traffic and other advanced data and multimedia services - in fact, we are going to spend around £5 billion over the next five years on its development.

The delivery of data to offices and homes needs lines that work at higher speeds than the conventional phone line. An example of the higher speed services offered by BT is Integrated Services Digital Network, or ISDN, which provides fast data access. The number of BT ISDN lines in service increased by 40 per cent to 1.8 million in 1998/99.

BT also provides a range of high-speed broadband data services for business customers and we are carrying out trials of a new technology called Asymmetric Digital Subscriber Line, or ADSL, to bring the benefits of broadband data to
consumers and smaller businesses. ADSL uses compression techniques to expand vastly the capacity of a conventional phone line, and makes it possible, for example, to send video pictures down a copper wire.

Although the technology is still developing, it is now possible to send voice calls over the Internet or a corporate intranet. And, in the future, voice over the Internet will generate an increasing amount of the traffic carried over our data networks.

We believe that there could be many advantages to carrying voice in this form, particularly for corporate customers who can integrate their voice and data networks. Customers could benefit from lower infrastructure costs and enhanced management capabilities.

In April 1999, BT announced the launch of a new service for BT Internet customers which enables them to talk and share visual information simultaneously over the Internet, using Microsoft’s Net Meeting software.
SHE COULD GET
THE CURRENT
SHARE
PRICES
IN HER MOBILE
YOUR MOVE: Why have yesterday’s news when you can have today’s? Why let where you happen to be control what you can do?
YOUR MOVE: Mobile communications give people more control over their lives — enabling them to contact friends, family and colleagues, regardless of where they happen to be. Mobile services are a major growth market and BT, through our joint ventures and our subsidiary BT Cellnet, is helping millions to stay in touch when they are on the move. Not only are mobile phones being used for voice calls, but, together with laptop and palmtop computers, they are also giving customers access to mobile data services — everything from traffic reports to football scores, and even access to the Internet.

We and our partners now have more than 14 million mobile services customers in ten countries around the world.

In the UK, we offer mobile services through BT Cellnet, of which we own 60 per cent. The number of BT Cellnet customers reached 4.5 million in 1998/99 — a growth of 47 per cent in the year. In fact, in the October to December quarter, BT Cellnet added a record 658,000 customers.

Much of this growth was due to the great success of its pre-paid packages — EasyLife and U, and its “First” pricing packages.

In March 1999, BT Cellnet bought an 80 per cent stake in Martin Dawes Telecommunications, a mobile service provider, for around £130 million.

In mainland Europe, we have stakes in mobile operators in four major markets — France, Germany, the Netherlands and Spain. Cegetel in France provides mobile services through SFR, which now has more than four million customers and its GSM digital network covers 97 per cent of the French population.

We also have interests in a number of mobile operators in the Asia-Pacific region. In the Republic of Korea, we took a 23.5
per cent stake in LG Telecom (LGT) in October. Then, LGT had 1.5 million customers yet, by the end of March, it had 2.4 million, an increase of 60 per cent in just six months.

Also in October, we bought a 33.3 per cent stake in Binariang, a major telecommunications group that provides fixed, mobile and international gateway services in Malaysia.

And, in May 1999, BT acquired a 20 per cent stake in SmarTone, a leading provider of digital mobile communications services in Hong Kong, for around £240 million. SmarTone has a market share of 18 per cent and more than half a million customers.

We are now preparing for the next generation of mobile communications, with trials of services that will bring the Internet, data and video to mobile phones and palmtop computers.

MOBILITY WINNERS
Two BT Cellnet services have been chosen as "Millennium Products" – showcase examples of British innovation at the turn of the Millennium. BT Cellnet Traffic Line provides motorists with live, in-car reports on motorway traffic congestion; and BT Cellnet Genie delivers personalised information – such as up-to-the-minute news, sports scores, share prices or job vacancies – to a BT Cellnet digital phone.

THE BANK IN YOUR POCKET
A service that turns a mobile phone into a portable cash machine is being tested in Leeds by BT Cellnet and Barclaycard. Users download "electronic cash" and store it on a special Barclaycard. More than 1,400 consumer outlets, including shops, car parks and restaurants, are accepting "e-cash". The trial follows the success of a mobile phone launched in 1997 that enabled customers to access their Barclaycard and Barclays Bank accounts. For more about BT Cellnet, visit www.btcellnet.co.uk
HOME WORK: Work should be something you do – not a place you go to. And, increasingly, you can do it wherever you choose.
HOME WORK: Communications technology gives us more choice — choice of when, how and where to work, for example. It also gives us the chance to achieve a better balance in life — balance between work and home. It gives us the freedom to work differently, to run our lives differently, and to do what we want, when we want to do it. We are in control of the technology — it serves us, not the other way around.

These customers call for new products and services from BT.

And it’s not a market just based in the UK — it’s worldwide.

BT Highway, for example, was launched during the year, with Home Highway aimed at home Internet users and occasional home workers, and Business Highway designed to help medium-sized businesses, home workers and teleworkers.

By effectively transforming a normal telephone line into a digital Internet and multimedia connection, BT Highway users no longer have to disconnect from the Internet to use the phone or send a fax — they can surf the net, send an e-mail or a fax at the same time as making and receiving telephone calls.

Mobile phones can keep a sales force in touch with base, and the combination of mobile phones and mobile computers enables field teams to be “virtually” in the office even when

You can now work anywhere in the world where you can get fixed or mobile access to a communications network — so the workplace can be any place.

BT has a growing new customer-base — people who work from home occasionally, those who are self-employed or running a small business from home, and companies with a workforce based outside the office.
they are with a customer on the other side of the world.

We provide a whole range of mobile communications solutions to keep people in touch with their companies and their customers. For example, voicemail, pagers and chargecards ensure that people are never beyond reach.

BT RemoteWorks is the perfect solution for those who work from home yet need all the facilities of the office, providing connection to a corporate Local Area Network (LAN). It enables workers to access databases, send and receive e-mails, and use the corporate intranet from wherever they happen to be working.

BT RemoteWorks helps people in organisations of all kinds, offering speedy, secure and reliable access to a LAN. It is available in three different packages, each combining BT's experience and expertise with state-of-the-art technologies from other suppliers such as Microsoft, Compaq, Dell and Nokia.

So, with the right technology, customers can be in touch, in control, and in business, anywhere they choose. Because our solutions are as mobile as our customers.

WORKSTYLE CONSULTANCY GROUP
BT has set up the Workstyle Consultancy Group (WCG) which helps companies establish flexible working programmes. The WCG takes a holistic approach to operational, technological, people and property issues associated with flexible working. For companies, the benefits of offering flexible working include savings on overheads, increased productivity, reduced absenteeism, and a wider pool of potential employees. And, for employees, the benefits include less stress, less unnecessary travel and a greater freedom to balance their work life and their home life.

If you are thinking of setting up an office from home, you can visit www.wfh.co.uk/wfh/ where we will guide you through what you need for success.

BT HIGHWAY
BT Highway is all about speed, flexibility and convenience. For speed, an existing line is converted into a digital system; for flexibility, a single line is split, providing two lines from one; and, for convenience, all customers need to get going is a modern PC with an ISDN card or a terminal adaptor. All you need to know can be found at www.highway.bt.com or from Freefone 0800 222444. It's so simple to get on the BT Highway!
WAKE UP CALL: Multinational corporations need to be awake to their customers' needs 24 hours a day, seven days a week.
Global companies today need seamless communications solutions – virtual private networks, managed global services or electronic trading systems, for example. And BT is leading the way in providing just such solutions.

BT Worldwide serves multinational customers and concentrates on key growth markets, such as the datawave, the IP world, mobile communications, multimedia and fixed-to-mobile convergence, outside the UK.

Concert Communications is one of the world’s leading providers of managed global communications services and, since its launch in 1994, has won more than 4,700 customers in 52 countries.

Concert products and services are distributed all around the world, through our joint ventures, alliances and partnerships. Concert will be a key component of BT’s contribution to the global venture we are forming with AT&T.

Syntegra, BT’s systems integration and transformation business, is part of BT Worldwide. It has revenues of over £400 million a year and customers in more than 50 countries worldwide.

Syntegra consultants help clients use modern technology to support new ways of doing business.

But, of course, not all our customers outside the UK are large companies operating globally, which is why our strategy has two strands. In addition to exploiting our leading position in providing managed services for multinational companies, we will invest in the fastest-growing market segments as they open around the world.
In mainland Europe, which has been open for competition since January 1998, we have created an extended family of ventures and partnerships in all the major markets.

Together, we have built Europe’s largest high-speed network. Our pan-European network connects over 200 cities in seven countries. Our partners in France, Germany, Italy, the Netherlands and Switzerland have connected up their in-country networks with ours, and further partnered with Concert, to give European customers a real advantage in today’s global marketplace.

In Asia Pacific, we have moved rapidly to serve customers in liberalising markets, with major investments in Japan, Hong Kong, the Republic of Korea, Singapore and Malaysia.

Although still relatively new, our European and Asia-Pacific ventures have already won customers and revenues, contributing £1.1 billion to BT’s revenues in 1998/99.

The BT global family now serves more than ten million mobile customers and approaching one million Internet customers, outside the UK.

SOLUTIONS BUSINESSES

Syncordia Solutions is the UK’s largest provider of managed and outsourced network solutions. Syncordia has more than 27,000 clients in 46 countries and annual revenues of £500 million. Find out about Syncordia Solutions at www.syncordia.bt.com
And find out more about Syntegra by visiting www.syntegra.co.uk

“Our global venture with AT&T will serve the complete communications needs of multinational organisations and the international calling needs of individuals and businesses around the world, and is expected to be operational this year.

BT and AT&T are developing an intelligent managed Internet protocol-based global network which will be implemented by the global venture, its parent companies and our many partners worldwide. This network—unparalleled in capabilities and reach—will support services such as global electronic commerce, global call centres and new intranet-based solutions to support global organisations and executives on the move.”

ALFRED MOCKETT
President and Chief Executive
BT Worldwide
SEE HEAR: The three-day-long meeting - taxi, aeroplane, hotel and airport lounge.
Or the hour-long meeting - just one phone call. Which makes more sense?
SEE HEAR: BT’s network makes it possible to send video down a phone line (even if that line has been in the ground for years), surf the Internet while waiting for the 12.10 from Waterloo, hold a global conference without leaving the office, and transform a home into an interactive entertainment centre.

As companies are expanding globally, they are finding that organising and travelling to just one meeting, let alone many, can be an arduous task. In the UK, it is estimated that over one billion business meetings take place every year, and some people spend as many as 11 hours a week travelling to and from meetings.

But there is an easy answer – audio and videoconferencing. Modern technology means that people attending a meeting no longer have to be in the same room, or even the same continent.

BT Conference Call links groups of people into the same telephone conversation over an ordinary touch-tone phone – at home, in the office, using a payphone, a mobile phone, or even a Skyphone. Customers can hold a meeting wherever and whenever they want, to and from anywhere in the world, and with literally hundreds of participants. And BT Conferencing provides customers with a complete service, organising everything from translators to transcripts.

Combining this with data conferencing enables customers simultaneously to share data, files and applications, and work interactively.

With videoconferencing, there is the added advantage of visual communications – talking “face-to-face” is still the best way to build relationships. BT’s videoconferencing customers can “meet” and demonstrate the ideas they are discussing by using a mobile camera or
video equipment, sharing anything from a page of text to a live video.

Again, there is no limit on numbers, time or geography – videoconferences can be held anywhere and everywhere, at any time – all customers need is a videophone.

And the benefits the technology brings aren't just for business people – anyone can videoconference, to wish a grandmother in Australia “Happy Birthday”, or show holiday snaps to a friend in Birmingham.

Technology is changing the shape of communications – not just in the office, but also out on the streets. BT UK Enterprises incorporates BT Payphones, as well as Yellow Pages and its associated web-based service, YELL. Many of our payphones are no longer just telephones – we are creating 1,000 multimedia payphones from which people can make telephone calls and, via a small screen, access the Internet and send and receive e-mails.

These interactive multimedia kiosks give people access to a wealth of information, from maps and weather forecasts, to cricket scores and cinema listings.

Access to information and services is at the heart of British Interactive Broadcasting’s Open service, to be launched in the Autumn. British Interactive Broadcasting is a consortium made up of BT, BSkyB, HSBC and Matsushita to provide interactive television services. Open will make television a gateway to the virtual High Street, giving access to home shopping, home banking, education, entertainment, information, games and more.

Services will be beamed into customers’ homes via satellite, and the BT network will be used by viewers to interact back down the line. BT plans to provide an e-mail service for Open, so customers can stay in touch with friends and family the world over.

**ADDING THE VISUAL DIMENSION**

For all the information you need on audio and videoconferencing, whether for business or pleasure, visit [www.conferencing.bt.com](http://www.conferencing.bt.com)

And to find out about Open, visit [www.bib.co.uk](http://www.bib.co.uk)

Yellow Pages has an award-winning Internet-based service, YELL. Visit [www.yell.co.uk](http://www.yell.co.uk) which contains an electronic version of the Yellow Pages directory. You can search for business types or company names in any UK location, and the service will bring up suggested companies and contact details for you. YELL also opens the door to a range of electronic shopping, travel and entertainment options.
this

IS THE FUTURE
TEACH YOURSELF: We live and learn — and it's never been easier — not by a long chalk.
BT has one of the UK's widest-ranging corporate programmes of involvement in, and support for, all forms of education, from primary school to university and, increasingly, at home.

Communications technology can be used in all sorts of ways. A fax machine can be a link between a child with hearing difficulties and the outside world, a link that can raise communication and literacy skills. Audioconferencing can bring students together to broaden their experience and expose them to a greater variety of views. Videoconferencing can bring all parts of the world into the classroom or provide student teachers with mentoring just when they need it most – immediately after a lesson.

And then there's the Internet. Not just another way of finding things out, not just a new way of communicating, not just another thing to do with a computer. The Internet is all these things and much, much more. Potentially, everyone can find out for themselves whatever they want to know about anything or everything.

Of course, BT is not the only one to realise how important this is. In November, the Government announced its commitment to the National Grid for Learning, a nationwide initiative to encourage learning on the Internet. We are happy and proud to be playing our part. BT now provides Internet services to one in every six of the UK's schools. And it's not just in schools that the impact
is being felt. Training and educational material can be delivered on-line to workplaces or homes, anywhere, anytime, via the Internet-based service, Solstra, which BT jointly developed with Futuremedia.

But there’s more than one type of network and BT and its people offer support, advice and real partnership in many other ways. We run a number of programmes to foster links between education and business, introducing pupils to the world of work and helping them prepare for their working life. These range from work experience and teacher placements in the company, to awards schemes for schools, colleges and universities.

Over the next couple of years, as part of BT’s FutureTalk Millennium Project, we are running a nationwide, drama-based education programme, aimed at nine to 12-year-olds. Drama groups will visit 3,500 schools around the UK, giving performances and running workshops to help enhance the communications skills of young people. The visits will be followed up with further workshops, teaching modules, poetry and story-telling.

SCHOOLS INTERNET CALLER
BT’s specially-designed Schools Internet Caller is helping to make the National Grid for Learning a reality. Schools Internet Caller offers schools in the UK unlimited access to on-line services between 8am and 6pm on weekdays during the school term for a low fixed annual cost of £445 for an analogue line and £790 for an ISDN line. Schools can choose any participating on-line or Internet service provider. To find out more about BT’s Schools Internet Caller, call Freephone 0800 672655.

BT EDUCATION AND TRAINING
BT’s education and training website provides information on the variety of ways our applications, products and services are helping people in education. There’s also information about our current marketing campaigns for education, as well as special offers. Visit www.bteducation.com
WE
LIVE HERE
TOO
COMMUNITY CONSCIOUS: The most important connections we make are those with other people.
COMMUNITY CONSCIOUS: The things BT does in the UK touch nearly everyone and have a profound impact on the economy, on communication between people and on the delivery of public services. We want to be a good corporate citizen because we live here too.

BT gladly accepts that we have a responsibility to make an appropriate social contribution to the communities in which we operate. Because we know that, in the long term, a good company – and we believe we are a good company – will prosper in a healthy society, and vice versa.

We continue to commit a minimum of 0.5 per cent of our UK pre-tax profits to support activities in the community through our Community Partnership Programme (CPP). In 1998/99, this amounted to £15 million, including total donations to charity of £2.6 million.

Other contributions in support of community activities are estimated to have doubled the figure of £15 million.

We ensure the effectiveness of this investment through the CPP, which remains the largest programme of its kind in the UK.

And what does it go towards? Projects within education and the voluntary sector focusing on the improvement of communication skills and employability, with particular emphasis on disadvantaged groups; support for the arts; and a growing programme of employee involvement through projects such as BT SchoolFriends.

We are considering ways of extending this approach to our international activities.

Our FutureTalk Millennium Project will help people at home, work and in education through a national programme, both at The Dome in Greenwich, London and elsewhere around the country. It will do two things. First, it will give everyone a
chance to develop their communications skills and, second, it will give them the opportunity to try out new communications technology. Ultimately, the aim of FutureTalk is to encourage people to use talk and technology to build better lives based on better communication.

The telephone is particularly important for elderly and disabled customers. For some it is a lifeline, for others a way of living a more fulfilling life. Many of our products have features to help the aged or infirm, such as induction loops in handsets, large button dialpads, amplifiers and loud bells. We can also provide bills and other BT publications in Braille or large print.

BT takes its responsibility to the environment very seriously. We were one of the first major British companies to produce an environmental policy and an annual environmental report. We were also among the first to introduce comprehensive environmental management systems and to address our policy on sustainable development.

BT’s first social report – entitled An issue of responsibility – which takes a detailed look at the social impact of the company’s activities, will be published shortly.
From left to right:
Sir Iain Vallance Chairman,
Sir Peter Bonfield Chief Executive,
Robert Brace, Bill Cockburn,
Lord Marshall Deputy Chairman,
Helen Alexander, Dr Iain Anderson,
Neville Isdell, Keith Oates
and Sir John Weston.
Chairman
Sir Iain Vallance (d) (f)
Appointed a director in 1984, Sir Iain Vallance was Chief Executive from 1986 through 1995 and has been Chairman of BT since 1987. He also chairs the Nominating and Community Support Committees. Sir Iain became part-time Chairman on 1 August 1998. Aged 56. Other appointments: A vice-chairman of The Royal Bank of Scotland; non-executive director of Mobil Corporation and Scottish Enterprise; a vice president of the Princess Royal Trust for Carers.

Executive Directors
Sir Peter Bonfield CBE
Chief Executive (a)
Sir Peter Bonfield FEng FIEE joined BT in January 1996 as Chief Executive. He chairs the Group Executive Committee. Aged 54. Other appointments: Non-executive deputy chairman of ICL; non-executive director of AstraZeneca; vice president of the British Quality Foundation.

Robert Brace
Group Finance Director (a) (e)
Robert Brace FCA joined BT in 1989 and was appointed to the Board in 1993 as Group Finance Director. Aged 49.

Bill Cockburn CBE, TD
Group Managing Director, BT UK (a)
Bill Cockburn joined the company in October 1997 as Group Managing Director of BT's UK business and was appointed to the Board on 1 April 1998. Aged 56. Other appointments: Non-executive director of Centrica and Lex Service; member of the Business in the Community board; trustee of the Princess Royal Trust for Carers.

Directors
In addition to the directors shown here, Malcolm Argent and Sir Ewen Fergusson served on the Board until their retirement as directors on 31 December 1998 and 31 March 1999, respectively.

All of the current non-executive directors are considered independent of the management of the company.

Company Secretary
Colin R Green (a)
Colin Green, a solicitor, was appointed Secretary in 1994. Aged 50.
NON-EXECUTIVE DIRECTORS

Lord Marshall of Knightsbridge

Deputy Chairman (b) (c) (d)

Lord Marshall joined the Board in 1995 and has been non-executive Deputy Chairman of BT since January 1996. He chairs the Audit and Remuneration Committees. Aged 65. Other appointments: Chairman of British Airways, Inchcape and Invensys; non-executive director of HSBC, RAC Holdings and The New York Stock Exchange; deputy president of the CBI.

Helen Alexander (b) (d)

Helen Alexander joined the Board on 1 June 1998. Aged 42. Other appointments: Chief executive of The Economist Group; non-executive director of Northern Foods.

Dr Iain Anderson (b) (c) (d) (e)

Dr Anderson was appointed to the Board in 1995. He chairs the Pensions Committee and is also a member of the BT Scotland Board. Dr Anderson was strategy and technology director of Unilever until May 1998. Aged 60. Other appointments: Non-executive director of Scottish & Newcastle.

Neville Isdell Ireland (c)

Neville Isdell joined the Board on 1 July 1998. Aged 55. Other appointments: Chairman and chief executive of Coca-Cola Beverages – a new European bottling company.

Keith Oates (b) (c) (d)

Keith Oates was appointed a director in 1994. He is a former deputy chairman and managing director of Marks & Spencer. Aged 56. Other appointments: Non-executive director of Diageo; member of the Financial Services Authority and the English Sports Council.

Sir John Weston (b) (e) (f)


Key to membership of principal Board committees:
(a) Group Executive
(b) Audit
(c) Remuneration
(d) Nominating
(e) Pensions
(f) Community Support
A SUMMARY OF OUR SUCCESS:
The 1998/99 financial year was one of great achievements for BT - achievements which have served to re-shape and transform your company into an international communications group. The next four pages are a summary of our success, and will take you through some of the highlights of the past 12 months.

FINANCIAL RESULTS
BT’s results reflect continuing growth in demand across many markets. The performance both of mobile communications and local call volumes in the UK for Internet traffic was particularly strong.

Total turnover increased by 13.6 per cent to £18,223 million in the year, including our proportionate share of our ongoing ventures’ revenues. Pre-tax profit at £4,295 million included a gain of £1,133 million on the sale of BT’s shares in MCI. Excluding this gain and other exceptional items, pre-tax profit grew by 9.4 per cent in 1998/99.

UK local and national call volumes grew by nine per cent. Mobile communications turnover was up by 29 per cent, stimulated by BT Cellnet’s pre-paid packages and lower prices. Syntegra and Syncordia, our systems integration and outsourcing businesses, performed well, and our advanced services turnover was significantly higher than in 1997/98. Demand for second lines in homes, and ISDN channels for businesses, contributed to the growth in turnover.

Our share of our ongoing ventures’ turnover grew to £1,270 million in the year, predominately in mainland Europe and Asia Pacific. Our share of their operating losses increased to £342 million, which is as expected whilst they develop their networks, products and services to compete in their recently-liberalised markets.
Capital expenditure rose by 7.9 per cent to £3,269 million, and was concentrated mainly on improving our fixed and mobile networks in the UK. Data has now overtaken voice traffic on BT’s networks and we are currently increasing our data network investment to handle the datawave. We invested £1.3 billion in the year in our non-UK ventures, including LG Telecom in the Republic of Korea, Binariang in Malaysia and Viag Interkom in Germany.

The £4.2 billion proceeds gained from the sale of MCI shares enabled us to reduce our net debt in the year to £953 million at 31 March 1999, representing six per cent of shareholders’ equity. This means BT’s balance sheet is very strong, with low gearing.

SHAREHOLDER RETURN

The BT share price increased by 55 per cent over the past year, compared with five per cent growth in the FT-SE 100 index. Another measure of major significance to shareholders is total shareholder return, which takes into account the dividends paid, as well as the movement in the share price. The chart shows total shareholder return (TSR) performance over the past five years.

The Board is recommending a final dividend of 12.3 pence per share, giving a total dividend for the year of 20.4 pence. This represents a 7.4 per cent increase on 1997/98.

TEAMING UP WITH AT&T

The most important event of 1998/99 was the announcement of our intention to form a global venture with US telecommunications company AT&T.

The global venture, which is currently awaiting approvals from the USA, will be owned equally by BT and AT&T. It will combine trans-border assets and operations of both companies, including international networks, all international traffic, and all international products for business customers, including Concert Communications.
The venture will have its own board of directors, with Sir Iain Vallance as its first Chairman and David Dorman as Chief Executive Officer.

**EUROPE**

Either alone or in partnership, we now run fixed-line services in eight mainland European countries: Belgium, France, Germany, Italy, the Netherlands, Spain, Sweden and Switzerland. For mobile services, we and our partners operate in France, Germany, the Netherlands and Spain. We also have a stake in Internet companies in France, Germany, the Netherlands, Sweden and Switzerland, and own outright an Internet service provider in Spain.

**ASIA PACIFIC**

In the Asia-Pacific region, we have a presence in Australia, China, Hong Kong, India, Indonesia, Japan, the Republic of Korea, Malaysia, New Zealand, the Philippines, Singapore, South Africa, Taiwan and Thailand, involved variously in fixed, mobile and Internet markets.

During the year, we continued to invest in the region, particularly in Malaysia and the Republic of Korea, and, since the year end, we have announced further investments in Hong Kong and Japan.

**THE UK**

BT operates 28 million customer lines in the UK – around 20 million residential lines and eight million business lines. On average, approximately 100 million UK local and national calls are made every single day and, in 1998/99, these accounted for around 31 per cent of group turnover. International calls accounted for approximately nine per cent of turnover.

**MOBILE COMMUNICATIONS**

In the UK, we offer mobile services through BT Cellnet, of which we own 60 per cent. The number of BT Cellnet customers reached 4.5 million in 1998/99 – a growth of 47 per cent in the year. We and our partners now have more
than 14 million mobile services customers around the world.

**BT Cellnet customers**

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**PRICING AND MARKETING**

Our focus in the year was on the launch of new products and services, a continued emphasis on call stimulation, and encouraging customers to come back to BT. We continued to introduce price reductions and new discount schemes.

**ANNUAL GENERAL MEETING**

We believe that shareholders should have the opportunity, from time to time, to vote on the remuneration policy for BT directors and senior executives and, at this year's AGM, you will have the opportunity to do so.

**BT IN THE SPOTLIGHT**

**CONCERT** Concert Communications' portfolio of products and services is offered through 47 distributors worldwide, many of which are BT companies or part of our global family of joint ventures, partnerships and alliances. Concert has 1,600 employees in 13 countries, and operates one of the world's largest managed backbone networks.

**INTERCONNECT** Many other licensed operators in the UK use our network to help deliver their customers' calls. The emergence of new fixed and mobile operators led to a 30 per cent increase in interconnect turnover in 1998/99.

**QUALITY OF SERVICE** We continue to operate one of the largest customer research programmes in the UK, conducting over 30,000 interviews each month. In the last measurement period, to 31 March 1999, 90 per cent of our residential customers, and 86 per cent of business customers, said they were satisfied with our service.

**RESEARCH & DEVELOPMENT** In 1998/99, we spent £268 million on research and development. We continue to invest in the digital transmission of broadband, video, data and voice services.

**BT PEOPLE** There were 124,700 people working for BT as at 31 March 1999, of whom 5,800 were based outside the UK. The company is currently organised into two main divisions – BT UK and BT Worldwide. We were delighted to win Investors in People accreditation in October.
Auditors’ statement to the shareholders of British Telecommunications plc
We have examined the summary financial statement on pages 4, 5 and 42 to 48.

Respective responsibilities of Directors and Auditors
The summary financial statement is the responsibility of the directors. Our responsibility is to report to you our opinion on its preparation and consistency with the full annual financial statements and directors’ report.

Basis of opinion
We conducted our work in accordance with the Auditing Guideline “The auditors’ statement on the summary financial statement” adopted by the Auditing Practices Board.

Opinion
In our opinion, the summary financial statement is consistent with the full annual financial statements and the directors’ report of British Telecommunications plc for the year ended 31 March 1999 and complies with the requirements of Section 251 of the Companies Act 1985, and the regulations made thereunder.

PricewaterhouseCoopers
Chartered Accountants & Registered Auditors
London 25 May 1999

The auditors’ report on the full annual accounts for the year ended 31 March 1999 is unqualified and does not contain any statement concerning accounting records or failure to obtain necessary information and explanations.

This summary financial statement was approved by the Board on 25 May 1999 and was signed on its behalf by:

Sir Iain Vallance Chairman
Sir Peter Bonfield CBE Chief Executive
Robert Brace Group Finance Director

Important Note
This summary financial statement does not contain sufficient information to allow as full an understanding of the results of the group and state of affairs of the company or the group as would be provided by the full annual report.

Shareholders who would like more detailed information may obtain a copy of the full annual report for 1999 and/or future years, free of charge, by completing and returning the request card that accompanies this annual review.

For the benefit of blind and partially-sighted shareholders, this annual review and extracts from the Notice of 1999 annual general meeting will be available shortly on audio cassette from Lloyds TSB Registrars (details opposite).
SHAREHOLDER INFORMATION

Shareholder Enquiries

For all enquiries about your shareholding, please call the BT Shareholder Helpline on Freefone 0808 100 4141, Fax 01903 833 062.
Or from overseas: +44 1903 833 950,
Fax +44 1903 833 062.

Or write to: Lloyds TSB Registrars (450)
The Causeway, Worthing, West Sussex

When writing, it helps if you include a
daytime telephone number, so that we
can contact you should further information
be required.

Our Shareholder Helpline can help you
with the following registration services:

- Unclaimed dividends
- Duplicate dividend tax vouchers
- Dividend mandates
- Dividend investment plan
  (which replaces the former share
dividend plan)
- Amalgamation of accounts
- Change of name or address
- Issue of share certificates
  and duplicates
- Obtaining copies of the full annual
  report and accounts

Shareline

Lo-call 0345 010 707 (UK callers only)
Shareline reports the 9.00am BT share price
each weekday, together with recorded
news about the company – updated daily
by 10.00am.

When you use one of BT's Lo-call
0345 numbers from anywhere within the
UK, you pay only the price of a local call.*

Share Price Line

0906 8222 334 (UK callers only)
The BT Share Price Line gives real-time
buying and selling prices for BT shares,
plus the FT-SE 100 index and the very
latest news from the stock market.

This service is provided by Teleshare,
London EC2A 4PE. Calls are charged at 60p
per minute, including VAT.* Price correct as
at May 1999.

*Different rates may apply to calls from
non-BT networks.

Internet

The full annual report and an animated
version of this annual review are available
on the Internet via the BT home page at
www.bt.com

To access our Shareholder Centre pages
directly, go to www.bt.com/shares
WHERE WE ARE IN THE WORLD

BT has a presence, through subsidiaries, joint ventures, alliances and partnerships, in countries around the globe, spanning Europe, North America, Latin America and Asia Pacific. We also have operations around the world through distributors for our Concert portfolio of products and services and the commercial activities of Syncordia and Syntegra.

You can find out more about BT’s global family on our website at www.bt.com