

BT Group plc

Q1 2009/10 results

30 July 2009



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Certain statements in this results release are forward-looking and are made in reliance on the safe harbour provisions of the US Private Securities Litigation Reform Act of 1995. These statements include, without limitation, those concerning: revenue, operating cost and capital expenditure reduction, and free cash flow and EBITDA; progress in Global Services; plans for future networks and roll out of super fast broadband; and the liquidity and funding position.

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Ian Livingston



Q1 2009/10 key points

- ▶ Solid start to year
- ▶ Revenue up 1%
 - underlying revenue down 3%
- ▶ EBITDA* down 3%
 - Group ex. Global Services EBITDA* up 6%
 - sequential improvement in Global Services
- ▶ Cost reductions being delivered
- ▶ Free cash flow improved by £612m over Q1 last year
 - including benefit of tax repayment

* before specific items and leaver costs

underlying = ex FX and acquisitions

Q1 2009/10 line of business overview

Global Services

	Q1 2009/10	Change
Revenue	£2,079m	4%
EBITDA	£62m	(66)%
Operating cash flow	£(459)m	£178m

- ▶ Underlying revenue down 4%
 - impacted by continued decline in calls and lines in UK and Europe
- ▶ EBITDA* increased by over 90% sequentially
- ▶ Operating cash flow improvement due to working capital and capex

* before contract and financial review charges in prior period

Q1 2009/10 line of business overview

Global Services

- ▶ Order intake of £1.4bn in quarter



- ▶ Underlying operating costs up 1%
 - year on year reductions expected from Q2
- ▶ Improving delivery of cost reduction programmes
 - total labour resource
 - procurement
 - network costs

Q1 2009/10 line of business overview

Retail

	Q1 2009/10	Change
Revenue	£2,110m	(2)%
EBITDA	£476m	26%
Operating cash flow	£363m	£194m

- ▶ Underlying revenue before one-off down 6%
 - SME's impacted by economic conditions
 - account transfers from Global Services
- ▶ Net operating costs down 8%
- ▶ EBITDA before one-off up 16%
 - low prior year comparator
 - growth rate expected to return to mid single digits for the rest of the financial year
- ▶ Improved operating cash flow due to increase in EBITDA, improved cash collections and lower capex

Q1 2009/10 line of business overview

Retail

- ▶ Broadband
 - market share increased to 35% of installed base*
 - 46% share of net adds* at 78,000
- ▶ Consumer ARPU** up £3 from Q4
- ▶ BT Vision base at 433,000
- ▶ ADSL2+ and super-fast broadband launched for consumers and small businesses
- ▶ Expanded partnership with Vodafone in Ireland

* DSL + LLU

8 ** excluding one-off benefit



Q1 2009/10 line of business overview

Wholesale

	Q1 2009/10	Change
Revenue	£1,142m	(1)%
EBITDA	£320m	(1)%
Operating cash flow	£108m	£63m

- ▶ Further declines in transit revenue expected
- ▶ Managed network solutions revenue more than doubled
 - 10 year deal with KCOM
- ▶ Net operating costs down 1%
- ▶ Slowing rate of decline in EBITDA
- ▶ Operating cash flow improvement

Q1 2009/10 line of business overview

Openreach

	Q1 2009/10	Change
Revenue	£1,306m	flat
EBITDA	£503m	2%
Operating cash flow	£237m	£(19)m

- ▶ Consistent trend in revenue
- ▶ Net operating costs down 1%
- ▶ EBITDA up 2%
- ▶ Accelerated investment in super-fast broadband

Building a better business



BT Group plc

Tony Chanmugam



Profit and loss account

£m	Q1 2009/10	restated Q1 2008/9	Change
Revenue	5,235	5,177	1%
POLOs	1,048	1,037	
Revenue (net)	4,187	4,140	
EBITDA*	1,371	1,417	(3)%
Depreciation & amortisation	(738)	(691)	
Operating profit*	633	726	(13)%

* before specific items and leaver costs

Profit and loss account

£m	Q1 2009/10	restated Q1 2008/9	Change
Operating profit*	633	726	(13)%
Finance costs	(214)	(208)	
JV & assoc.	8	1	
Profit before tax*	427	519	(18)%
Leaver costs	(45)	(73)	
Pension interest	(69)	78	
Specific items	(41)	(27)	
Reported profit before tax	272	497	
Tax	(58)	(115)	
Profit for the period	214	382	
Adjusted* EPS	4.2p	5.1p	(18)%
Reported EPS	2.8p	4.9p	(43)%

* before specific items, leaver costs and net interest on pensions

Free cash flow

£m	Q1 2009/10	restated Q1 2008/9	Change
EBITDA*	1,371	1,417	(46)
Leavers	(45)	(73)	
EBITDA	1,326	1,344	(18)
Interest	(284)	(285)	1
Tax	210	-	210
Capex	(678)	(836)	158
Working capital	(599)	(962)	363
Other	(56)	32	(88)
Specific items	(41)	(27)	(14)
Free cash flow	(122)	(734)	612
Net debt	(10,517)	(10,581)	64

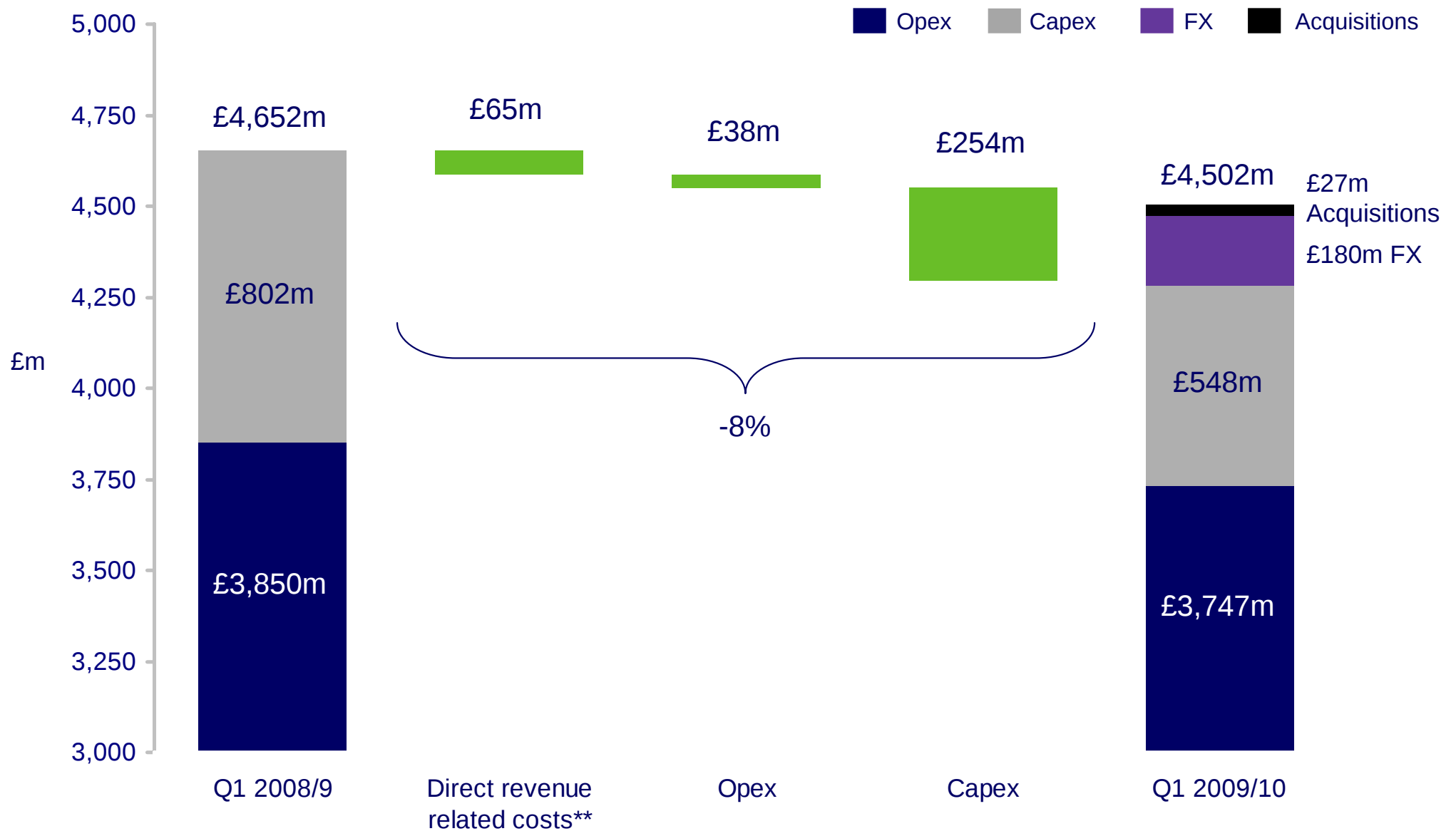
* before specific items and leaver costs

Operating cash flow by line of business

£m	Q1 2009/10	Q1 2008/9	Change
Global Services	(459)	(637)	178
Retail	363	169	194
Wholesale	108	45	63
Openreach	237	256	(19)
Other	(185)	(149)	(36)
Operating cash flow	64	(316)	380
Group items*	(186)	(418)	232
Group free cash flow	(122)	(734)	612

* leaver costs, interest, tax, specific items and other

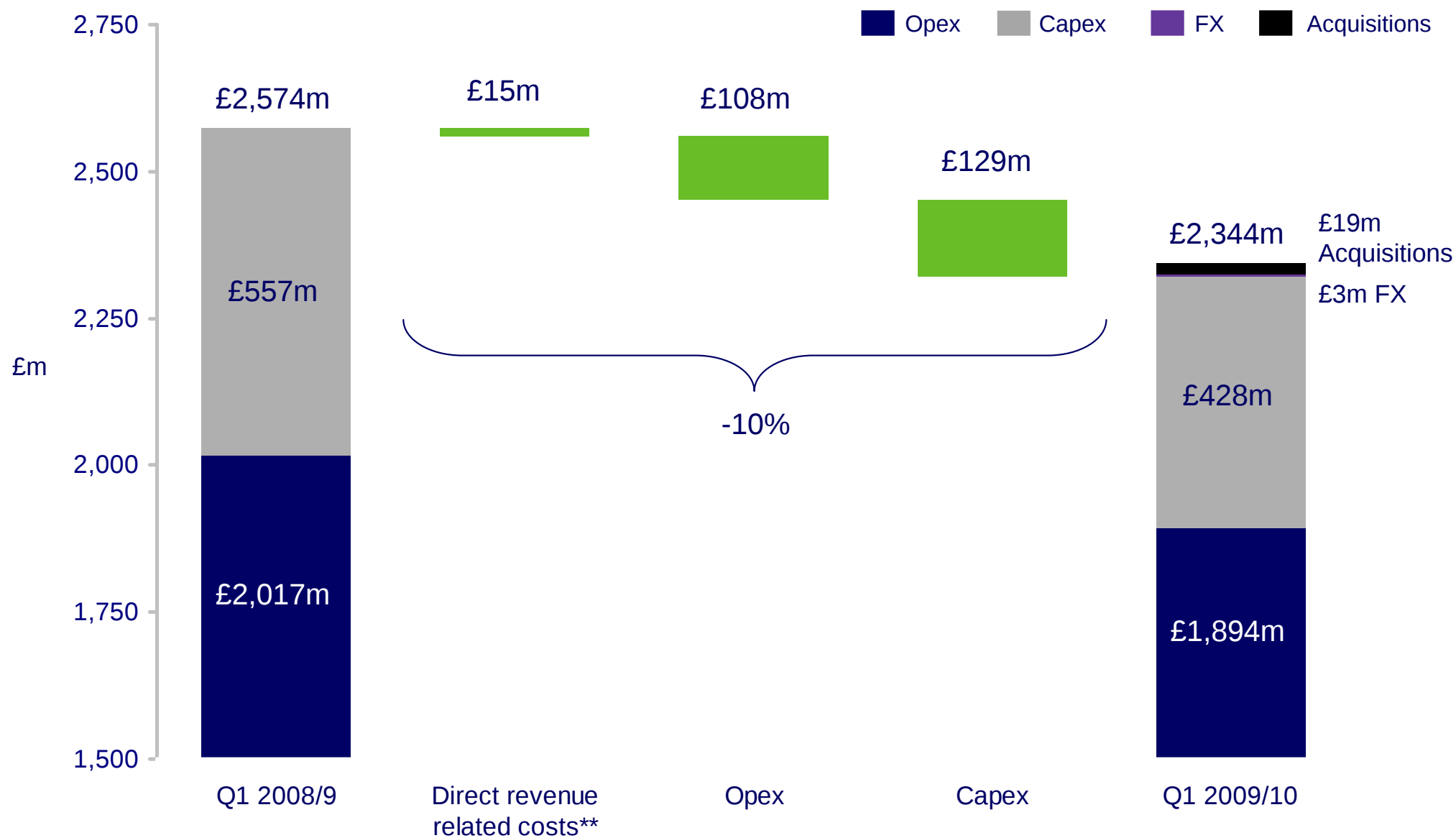
Q1 2009/10 group cost savings*



*before specific items, leaver costs and depreciation & amortisation

** POLOs and transit

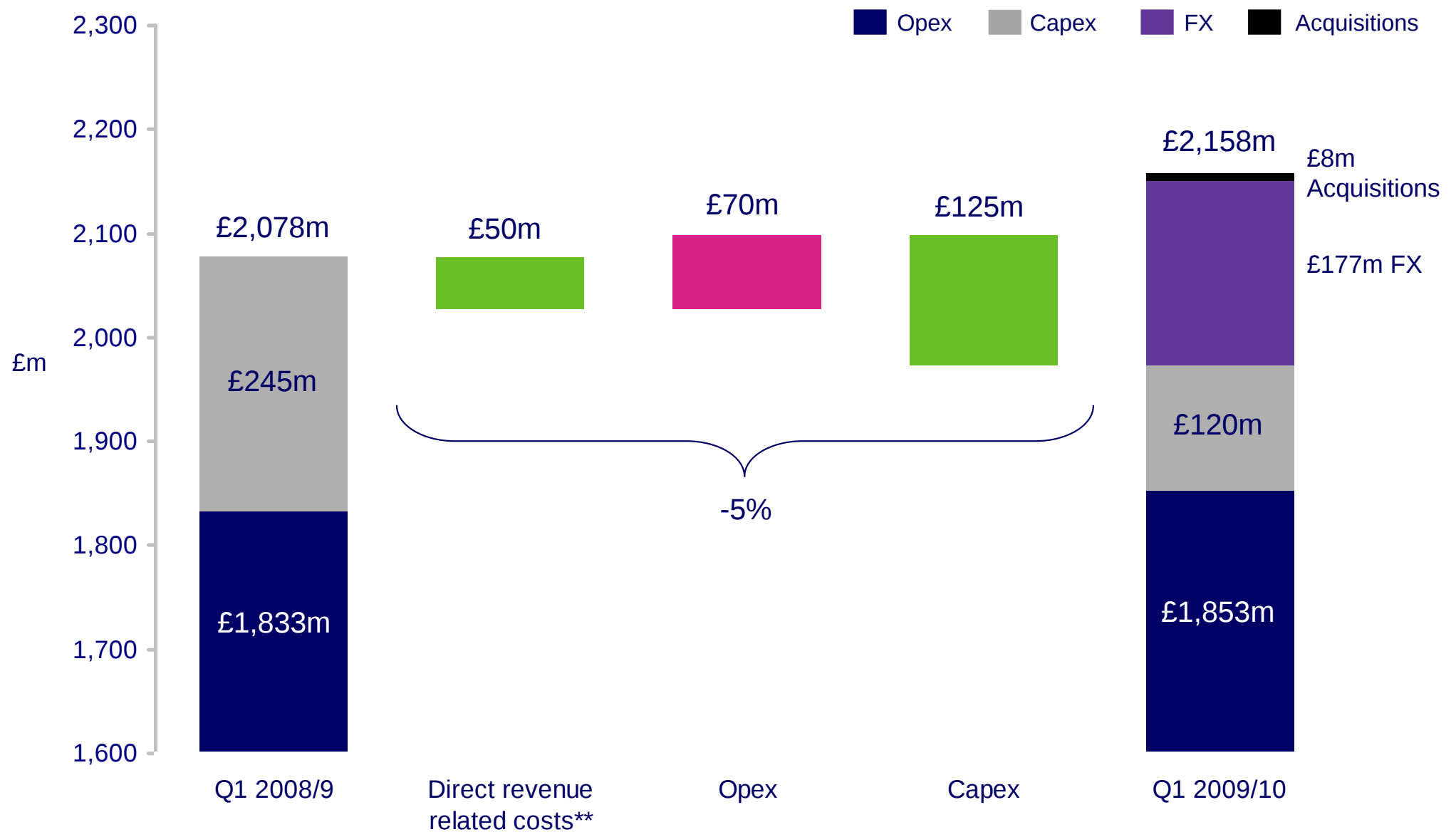
Q1 2009/10 group ex Global Services cost savings*



*before specific items, leaver costs and depreciation & amortisation

** POLOs and transit

Q1 2009/10 Global Services cost savings*



*before specific items, leaver costs and depreciation & amortisation

** POLOs and transit

Other financials

▶ Pension fund - IAS19 position

- £5.8bn deficit post tax
- AA bond rates at 6.20%; inflation at 3.25%
- as at 24 July 2009 deficit post tax was £5.0bn

▶ Pension fund - triennial valuation

- discussions continue
- agreed £525m p.a. deficit contributions for next 3 years will not be impacted

▶ Liquidity

- €600m bond issued in Q1, oversubscribed
- undrawn committed facilities of £2.4bn

2009/10 year ahead

Solid start to the year

Making progress, more to do

No change to overall guidance

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Q&A

