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A better future

BT Group plc

Q3 2012 results

3 February 2012

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Tony Chanmugam, Group Finance Director

Q3 2012 group results

Revenue	£4,774m	(5%)	
– underlying ex transit		(3%)	
EBITDA¹	£1,524m	3%	
Profit before tax¹	£628m	18%	
EPS¹	6.1p	13%	
Free cash flow²	£634m	£65m	
Net debt	£7,736m	down £938m	

¹ before specific items

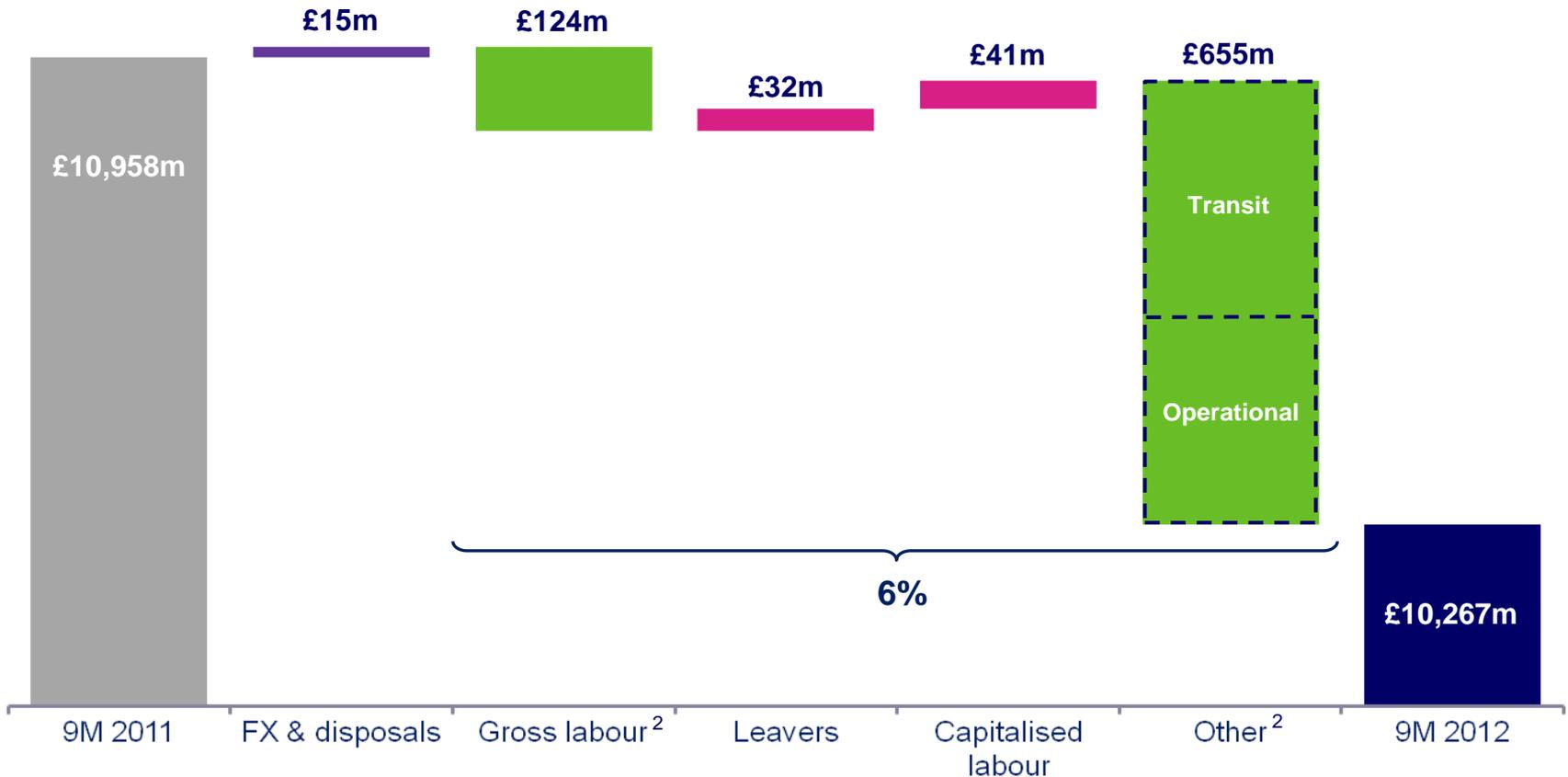
² before specific items and pension deficit payments

4

Free cash flow

£m	Q3 2012	Change	Key points
EBITDA¹	1,524	40	
Capex	(639)	31	▶ expect c.£2.6bn FY
Interest & tax	(363)	(2)	▶ lower debt, higher tax
Working capital & other	112	(4)	▶ working capital timing ▶ lower regular pension contributions
Free cash flow before specifics	634	65	
Specific items	(48)	6	▶ expect c.£180m FY
Free cash flow after specifics	586	71	

Q3 2012 YTD cost transformation



£314m opex¹ reduction in Q3

£691m opex¹ reduction in 9 months

¹ before specific items, depreciation & amortisation and other operating income

² adjusted for labour related costs of £67m in the nine months which were treated as Other costs in 2011

Outlook 2012

EBITDA¹

▶ above £6bn – a year early

Free cash flow²

▶ around £2.4bn

¹ before specific items

² before specific items and pension deficit payments

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Ian Livingston, Chief Executive

Q3 2012 line of business overview

Global Services

	Q3 2012	Change ¹
Revenue	£1,894m	(4%)
Underlying revenue ex transit		(1%)
EBITDA	£144m	2%

Financial

- ▶ Underlying revenue ex transit down 1%
 - c.£60m milestones achieved in Q2 rather than Q3
 - flat YTD
- ▶ Net operating costs down 5%
 - down 2% ex transit
- ▶ EBITDA up 2%
 - up 8% YTD
- ▶ Capex up 9%
 - delivery of new contracts

Operational

- ▶ Q3 order intake £1.6bn
 - lower levels of renewals account for all of YTD decline
- ▶ Progress in AsiaPac & LatAm
 - combined order intake up >50% YTD

¹ prior year restated for the impact of customer account moves

Q3 2012 line of business overview

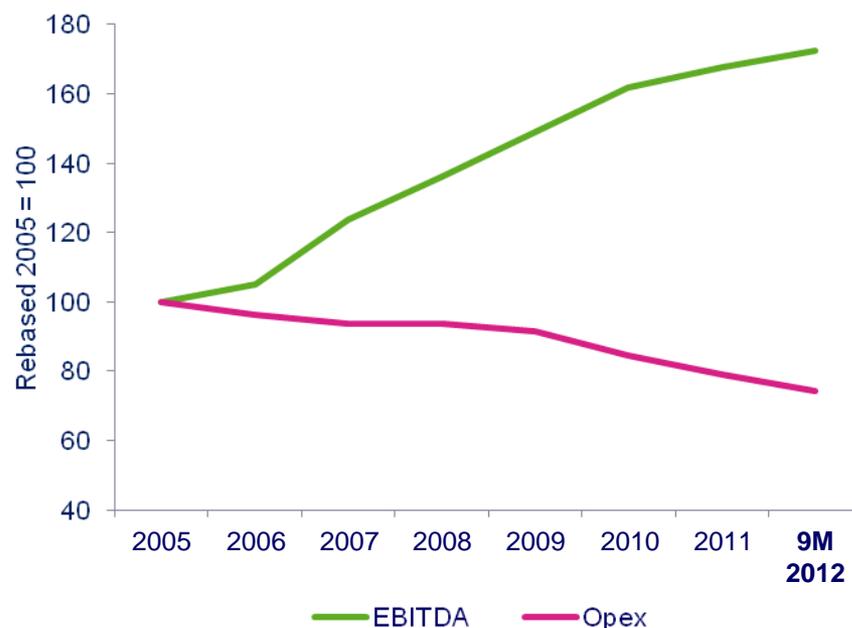
Retail

	Q3 2012	Change ¹
Revenue	£1,849m	(5%)
EBITDA	£453m	0%

Financial

- ▶ Consumer revenue down 6%
 - improving metrics
 - comparatively warmer weather impacted call volumes
- ▶ Business revenue down 6%
 - almost all due to lower IT hardware sales
 - focus on higher margin products & services
- ▶ Net operating costs down 7%

Cumulative change in EBITDA & opex²



¹ prior year restated for the impact of customer account moves

² cumulative YoY % change, rebased off 2005

Q3 2012 line of business overview

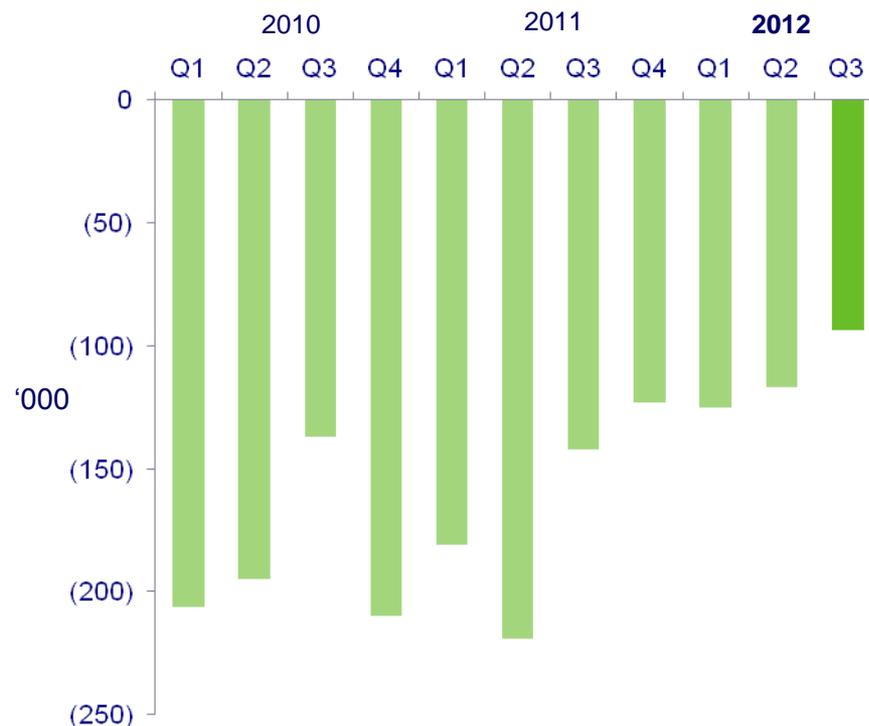
Retail

Operational

Consumer

- ▶ Active consumer line loss at lowest level for 5 years at 93,000
- ▶ 56% share of broadband net adds¹
- ▶ Currently >400,000 BT Infinity customers
 - Q3 net adds at 7.3k/week, up 16% vs Q2
- ▶ BT Vision base 679,000 at Q3
 - Q3 net adds 39,000
- ▶ Consumer ARPU up 5% YoY to £337

QoQ movement in active consumer lines



Q3 2012 line of business overview

Wholesale

	Q3 2012	Change ¹
Revenue	£979m	(8%)
Underlying revenue ex transit		(3%)
EBITDA	£303m	(8%)

Financial

- ▶ Underlying revenue ex transit down 3%
 - migration to LLU
 - ongoing transition towards IP-based products
- ▶ Net operating costs down 9%
 - flat ex transit
 - lower labour costs offset by changes in product mix and network migration costs

Operational

- ▶ Q3 order intake c.£340m
- ▶ MEAS available at over 12,000 mobile sites
- ▶ IP Exchange minutes up >50%

Q3 2012 line of business overview

Openreach

	Q3 2012	Change ¹
Revenue	£1,300m	5%
EBITDA	£591m	7%

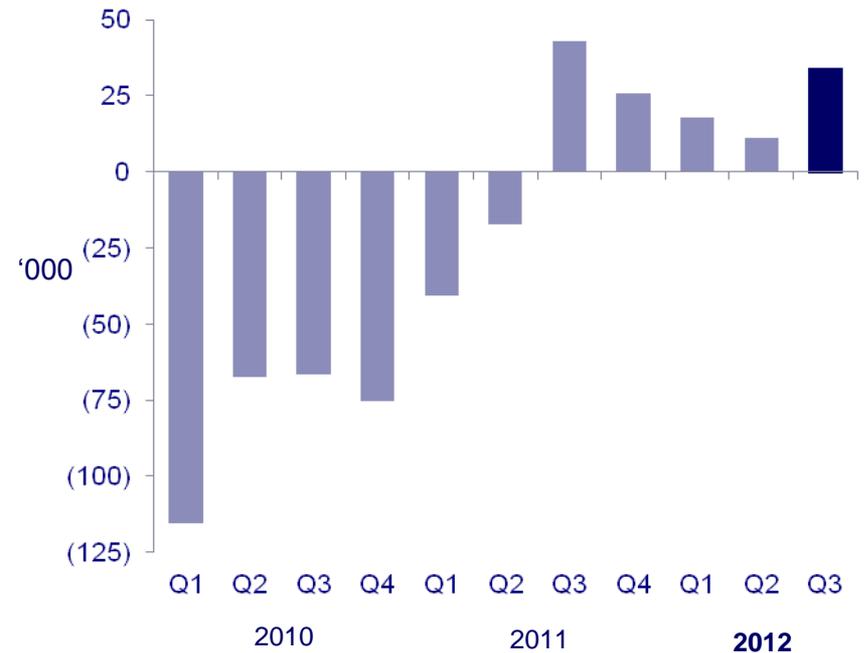
Financial

- ▶ Revenue up 5%
 - growth in Ethernet, LLU and fibre
- ▶ Net operating costs up 3%
 - efficiency improvements offset by higher labour costs due to engineering activity

Operational

- ▶ 5th successive quarter of line growth
- ▶ Over 7m premises passed with fibre
- ▶ FTTC speeds to roughly double
- ▶ 'FTTP on demand' in FTTC areas

QoQ change in total copper lines



Pension

- ▶ IAS 19 net deficit £4.1bn
 - impact of recent higher inflation has increased liabilities
 - RPI/CPI differential more prudent than Office for Budget Responsibility assumption
 - discount rates impacted by quantitative easing

- ▶ Work commenced on triennial valuation

In summary

- ▶ Growth in profits and cash flow
- ▶ Continuing investment programmes
- ▶ Fibre roll-out progressing well
- ▶ More to do!

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Q&A