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A better future

BT Group plc

Q1 2013/14 results

25 July 2013

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Tony Chanmugam, Group Finance Director

Q1 2013/14 income statement

£m	Q1 13/14	Change ¹	Key points
Revenue	4,449	(1%)	▶ transit down £51m ▶ £32m positive FX impact
- underlying ex transit		(1%)	▶ impact of regulation
EBITDA²	1,440	(1%)	▶ includes BT Sport pre-launch costs
Operating profit²	743	2%	▶ depreciation down 4%
Profit before tax²	595	5%	▶ lower depreciation and lower interest
EPS²	5.9p	5%	
Specific items	(114)	n/m	▶ includes restructuring charges of £84m and net interest expense on pensions of £59m

¹ prior year restated

² before specific items

Q1 2013/14 free cash flow

£m	Q1 13/14	Change ¹	Key points
EBITDA²	1,440	(12)	
Capex	(600)	61	► timing of payments
Interest	(222)	(9)	
Tax ³	(31)	140	► timing/overpayments in prior years
Working capital & other	(647)	(116)	► working capital phasing
Normalised FCF⁴	(60)	64	
Cash tax benefit of pension deficit payments	20	(142)	► prior year benefited from £2bn pension payment in March 2012
Specific items	(134)	(101)	► includes restructuring charges of £106m
Reported FCF	(174)	(179)	
Net debt	8,058	(1,084)	

¹ prior year restated

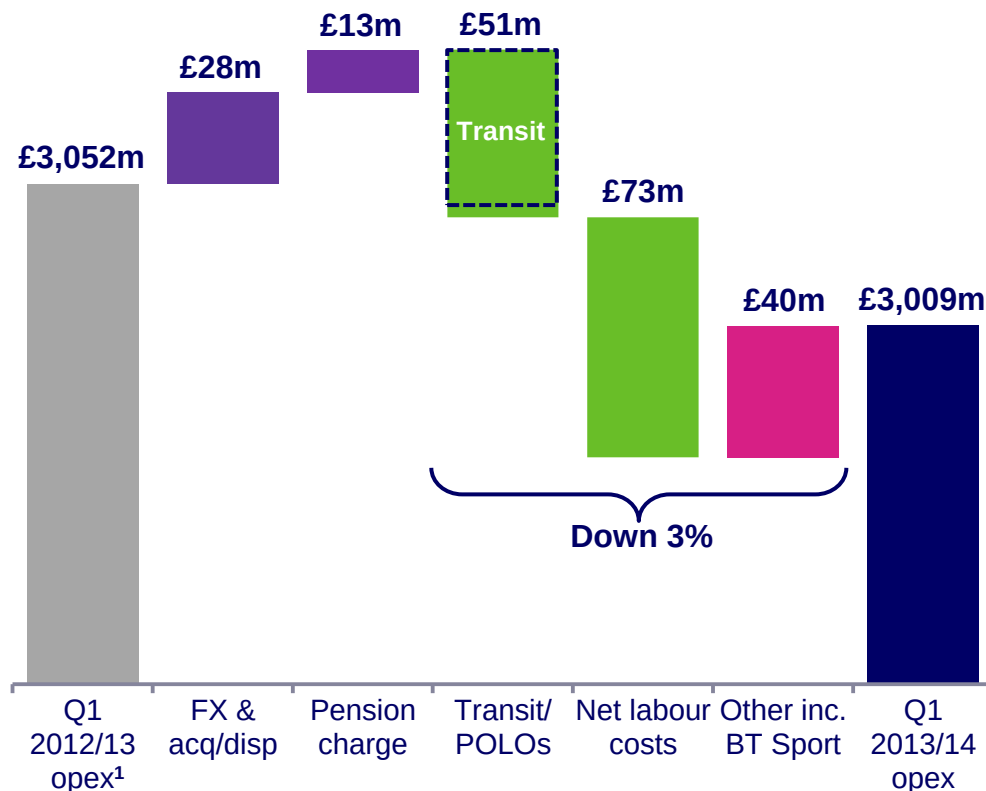
² before specific items

³ before cash tax benefit of pension deficit payments

⁴ before specific items, purchases of telecommunications licences, pension deficit payments & cash tax benefit of pension deficit payments

Q1 2013/14 cost transformation

- ▶ Underlying operating costs ex transit down 1%
- ▶ Cost transformation activities partly offset by
 - c.£40m BT Sport pre-launch costs
 - £13m increase in pension operating charge



£43m opex reduction in Q1

£84m underlying reduction ex pension charge

¹restated

Opex = operating expenditure before specific items and depreciation & amortisation

Regulation

- ▶ LLU & WLR charge control consultation
 - additional costs still to be included
- ▶ Ofcom confirmed no regulation of fibre rental price
- ▶ Wholesale Broadband Access charge control consultation
 - larger de-regulated area

Q1 2013/14 other financial information

► Pension

- IAS 19 deficit £4.0bn net of tax (Q4 2012/13: £4.5bn)
- lower deficit reflects higher discount rate
 - real discount rate 1.26% (Q4 2012/13: 0.87%)

► Share buyback

- 25m shares acquired for £75m

Outlook 2013/14

▶ Group outlook re-iterated

▶ In Q2

- investment in BT Sport to impact BT Retail EBITDA by c.£100m
 - includes programme content costs
- smaller benefit in BT Global Services from contract milestones compared with prior year
 - larger benefit in Q3
- year on year benefit from prior year ladder pricing charge in BT Wholesale

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Ian Livingston, Chief Executive

Q1 2013/14 overview

- ▶ Solid numbers, slightly ahead of expectations
- ▶ Q1 positions us well for the full year
- ▶ Early days, but very pleased with strong start in BT Sport
- ▶ Making progress but more to do

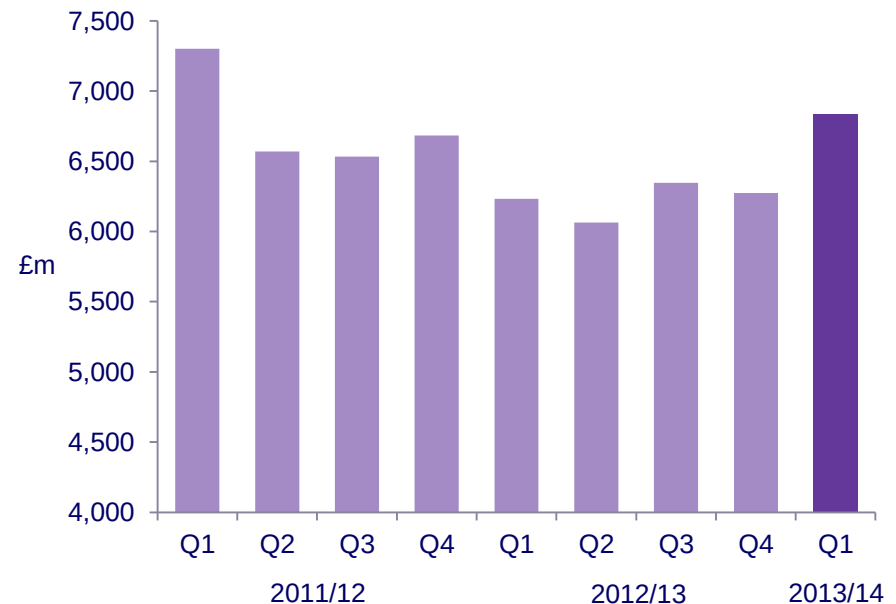
Q1 2013/14 line of business overview

Global Services

	Q1 2013/14	Change ¹
Revenue	£1,696m	(2%)
- underlying revenue ex transit		(3%)
EBITDA	£182m	6%

- ▶ Underlying revenue ex transit down 3%
- ▶ Order intake £1.7bn, up 49%
 - large renewal with Credit Suisse
- ▶ Underlying operating costs ex transit down 4%
- ▶ Underlying EBITDA up 1%
- ▶ Operating profit more than doubled
- ▶ Usual seasonal cash outflow
 - EBITDA less capex up £28m

12 month rolling order intake



Q1 2013/14 line of business overview

Retail

	Q1 2013/14	Change ¹
Revenue	£1,797m	flat
EBITDA	£496m	1%

Financial

- ▶ Consumer revenue down 1%
 - calls & lines down 5%
 - broadband & TV up 9%
- ▶ Business revenue up 1%
 - IT services up 9%
 - Plusnet Business launched
- ▶ Growth in Enterprises & Ireland
- ▶ Operating costs flat
 - impact of BT Sport pre-launch costs
- ▶ Underlying EBITDA flat

Operational

- ▶ Consumer line loss lowest for 5 years
- ▶ 50% market share² of broadband net adds
 - net adds up 12%
- ▶ Retail fibre
 - 197,000 net adds, up c.30%
 - now c.1.5m customers
- ▶ 23,000 BT TV net adds
 - impacted by ceasing Sky Sports on DTT



Now >500,000 homes

Some of our
matches in 1st third
of FAPL season



v



v



v



First picks left

BT: 13

Sky: 12



New four year
FA Cup
contract

And much more
football



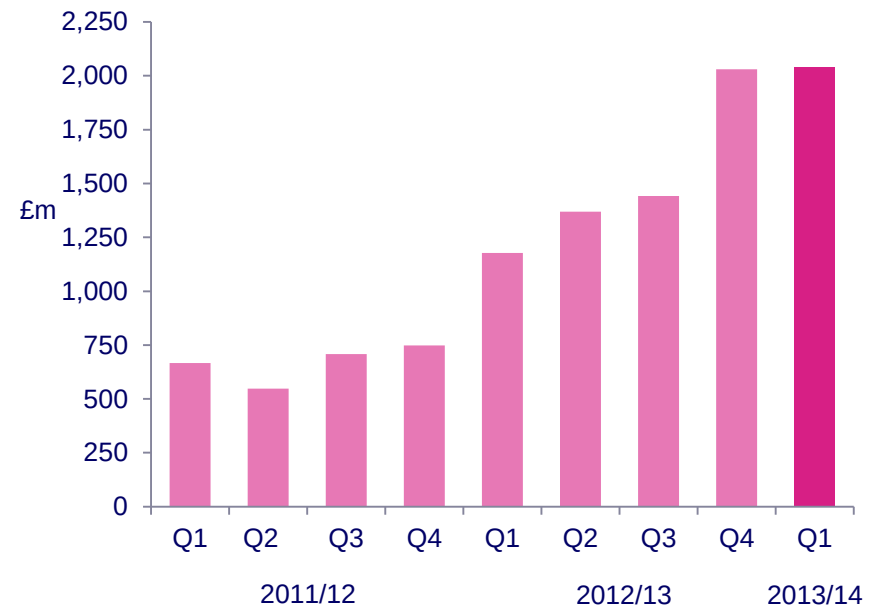
Q1 2013/14 line of business overview

Wholesale

	Q1 2013/14	Change ¹
Revenue	£638m	(6%)
- underlying revenue ex transit		flat
EBITDA	£157m	(4%)

- ▶ Excluding ladder pricing
 - underlying revenue ex transit up 2%
 - EBITDA up 3%
- ▶ Operating costs ex transit up 1%
 - higher cost of sales
- ▶ Order intake £509m

12 month rolling order intake



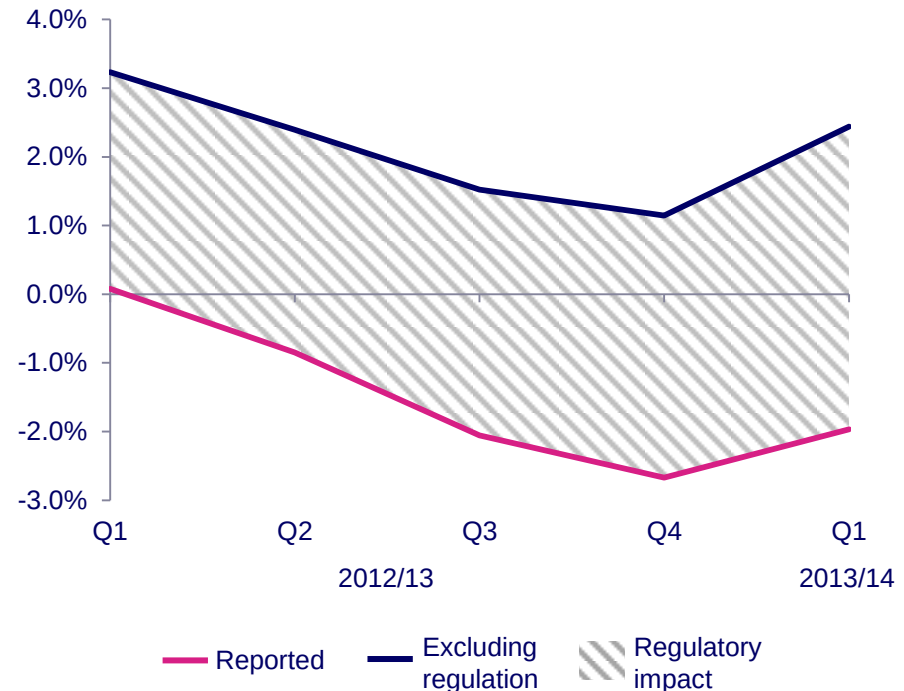
Q1 2013/14 line of business overview

Openreach

	Q1 2013/14	Change ¹
Revenue	£1,245m	(2%)
EBITDA	£605m	(4%)

- ▶ Revenue down 2%
 - c.£60m regulatory impact
- ▶ Fibre revenue more than doubled
- ▶ Ethernet revenue up 5% driven by higher volumes
- ▶ Operating costs flat
 - impact of additional engineering resource
- ▶ EBITDA down 4%
- ▶ 12,000 increase in physical lines
 - up 110,000 over 12 months

YoY revenue growth

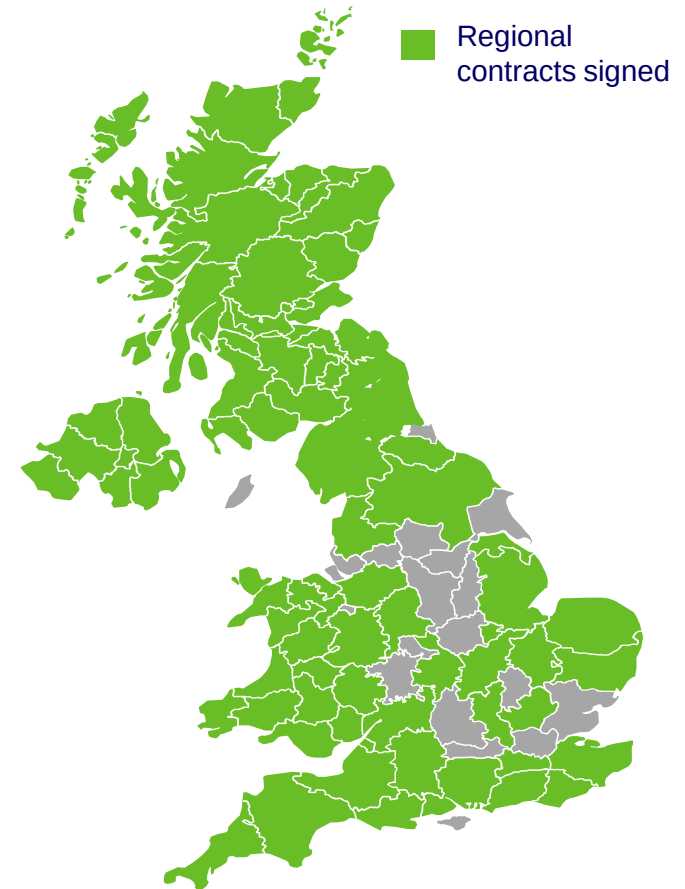


Q1 2013/14 line of business overview

Fibre

Fibre in the 'final third'

- ▶ Now >16m premises passed
- ▶ >1.7m premises now connected
- ▶ 265,000 net connections in Q1, up 56%
 - external net adds >3x prior year
- ▶ BDUK progress
 - 29 bids won to date
 - 9 contracts signed in Q1



Summary

BT continues to make good progress

Fibre



TV & Sport



IT services



Mobility



High-growth regions



Foundations in place for an exciting future

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Gavin Patterson, CEO, BT Retail

Building a better future

- ▶ 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



More to do

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Q&A