



BT Capital Markets Day

Seizing the convergence opportunity

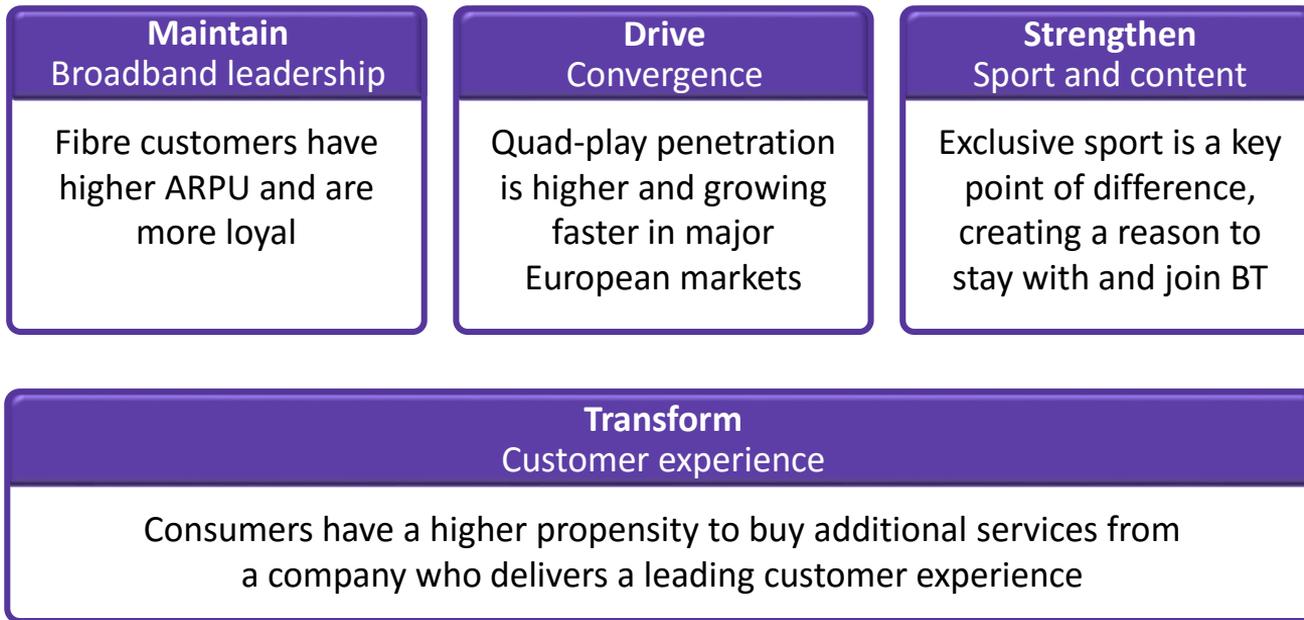
5 May 2016



Consumer
John Petter - CEO



Broadening and deepening our customer relationships is core



Our organisation reflects our multi-brand approach

- Focused on the UK consumer market
- Leader in fixed-lines, voice and broadband in a highly competitive market
- Innovator in TV and number two in pay sports broadcasting
- Large customer base
 - c.10m consumer customers
 - >5m sport customers (incl. wholesale)
 - c.1.5m TV customers
 - >400,000 BT Mobile customers

Multiple brands to target different segments



Premium, high quality
Trustworthy, reliable, credible
British heritage
Family-focused



Honest, straight-talking
Playful
Yorkshire charm
Value for money

Our products and services

Fast broadband



TV



Sport



Mobile



Home phone



Q4/full year
2015/16 results

Group strategy
& Outlook

Cost transformation
& EE integration

TSO

Openreach

Wholesale
& Ventures

Consumer

EE

Global
Services

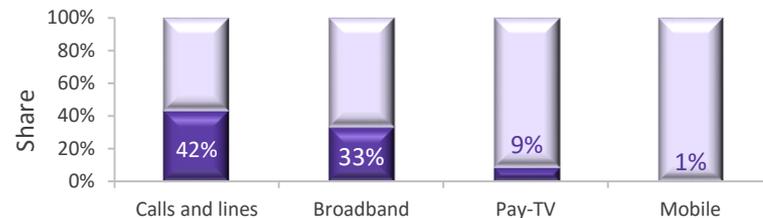
Business
& Public Sector

Strong opportunity to sell bundles to existing customers

- Growing demand for faster data
 - UK is seeing 41% growth in fixed data usage and 64% growth in mobile data¹
- BT opportunity is especially rich in selling more services to existing customers
- Market is increasingly driven by triple-play bundles
- Pay-TV markets continue to be dominated by Sky
- We see an opportunity to sell converged and quad-play bundles on a 'more for more' basis

¹ Ofcom Connected Nations report

BT Consumer share



Source: BT estimates

Opportunity to grow quad-play

2015 quad-play penetration

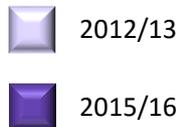


Source: IDC

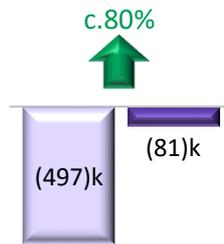
Improving volume trends over the last three years

Core products

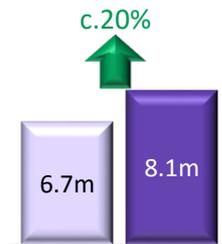
Key



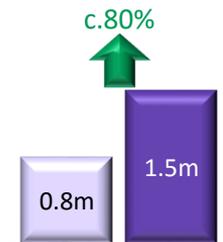
Rate of active line losses



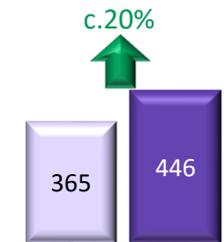
Retail broadband base



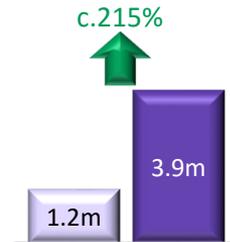
TV base



ARPU (£)



Retail fibre base



New growth areas

BT Sport base¹

(launched August 2013)



¹ Including wholesale

Mobile base²

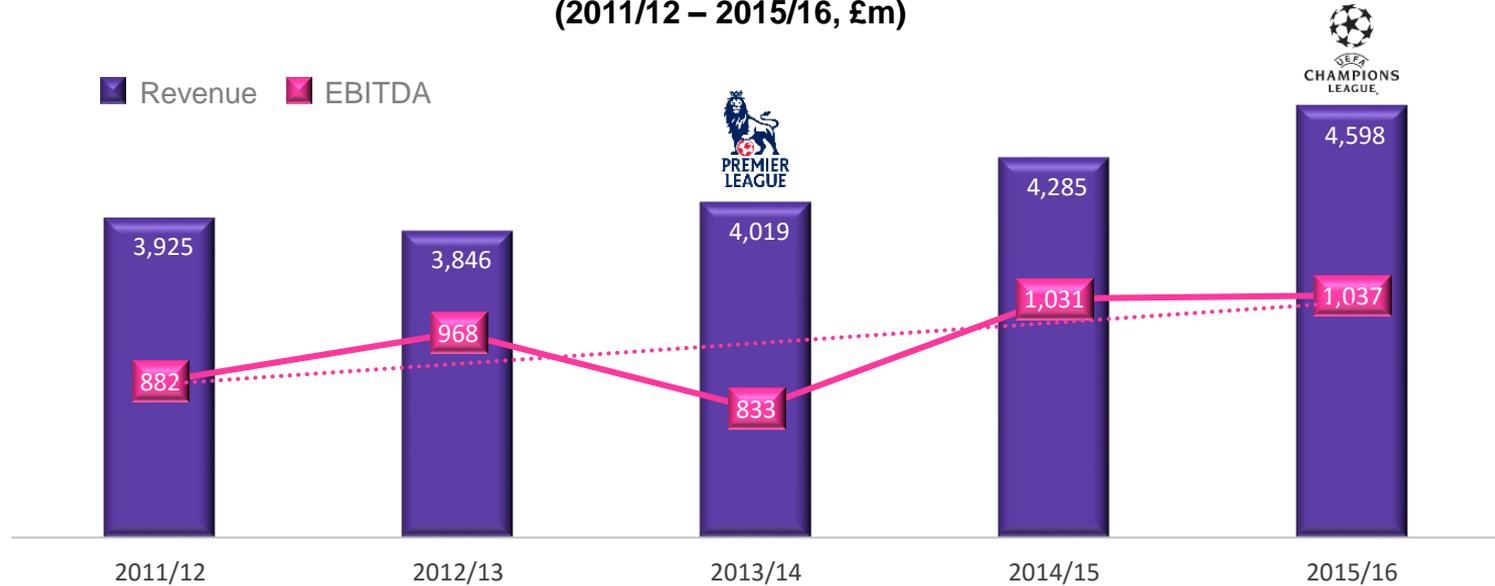
(launched March 2015)



² End of April 2016

Delivering a strong engine for revenue and profit growth

BT Consumer revenue and EBITDA
(2011/12 – 2015/16, £m)



Fibre supports higher ARPU, lower churn and upsell opportunities

- Moving early on fibre created significant upside
 - churn for BT Infinity is about a third lower
 - higher ARPU and attracts new customers
- Investing to maintain broadband leadership
 - superior performance outlined in Ofcom speed report
 - upgrading Infinity 1 homes from 38Mbps to 52Mbps
- Fibre remains key to our future plans
 - 86% of customers say they will never go back to copper
 - 3x more customers take TV with fibre vs. copper

BT Infinity offers the best broadband experience



Better home network with BT Home Hub



Access to >5m public hotspots with BT Wi-fi



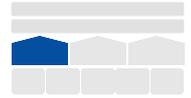
Preferential pricing for mobile and sport

Fibre penetration continues to improve

BT retail broadband subscribers with fibre service



We're investing to improve the experience of our customers



Improvement but more to do

Propensity to call		44%	} Compared to 2012/13
One-contact resolution		19%	
Ofcom complaints		33%	



New contact centre attendance patterns to support evening and weekends



New MyBT app launched – 435k total downloads to date

We're investing to go further

Right-shoring



90% of calls to be answered in the UK by March 2017

New operating model

500k hours of training

Better handling and improved training for customer care agents

Consumer.com

95% online

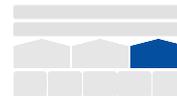
95% customer queries/ journeys will be able to be completed online

Fault fixing

Care level 2

Faster fault fixing with next working day SLA offered by Care level 2

We continue to transform our costs to fund our investments



Procurement savings

Insourcing of core capabilities

Applying best practice

'Digital First' sales and customer care

- Lower cost for BT TV set-top box; handset savings via EE

- Insource production of UK matches in UEFA tournaments

- Extending fibre self-install across the portfolio

- Saving 29k service calls per week through new self-service app

- Joint media purchasing for BT/EE to leverage new scale

- Insource external legal counsel and offshore volume legal work

- Leading broadband diagnostics on router identifies location of faults

- Build out online recontracting for existing customers

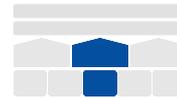
- End-to-end review of BT/EE supplier base

- Develop digital studio capabilities to build future apps

- EE and BT marketing 'dedupe' and reach optimisation

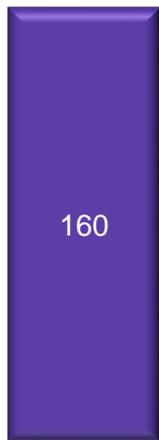
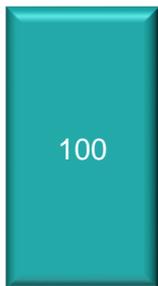
- Enable customers to complete more service interactions online

Investment in mobile to establish leadership in convergence



Higher consideration from two brands

60% higher consideration within
BT base from BT Mobile



Launch handsets to unlock largest segment in the market



- Launch handsets in 2016 under the BT Mobile brand
- Continue to work with EE to optimise pricing to maximise value and accelerate our plans
- Investment has c.£100m impact to EBITDA in 2016/17 but creates significant upside with a fast payback

A clear roadmap to launch and establish leadership in convergence



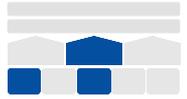
Utilise our existing content assets (particularly BT Sport)

Launch family plans to drive additional SIM card sales



Simple converged bundles of fixed and mobile

BT TV offers a strong foundation for future innovations



Fastest growing TV platform in the UK



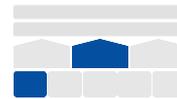
- Clear positioning for two distinct groups
 - Freeview-only households looking at pay-TV
 - Premium pay customers looking at lower-cost option
- Breaking new ground with a number of innovations
 - seven day backwards EPG to grow catch-up
 - support for Ultra HD with BT Sport and Netflix
 - access to 'download to own' content from the BT TV set-top box

Opportunities to drive additional growth



- Improve the TV viewing experience
 - drive engagement and monetisation of pay content
 - offer a complete service in and out of home
- Broaden content offering, including partnerships with third-party channels and content providers
- But Sky's position in the market and absence of regulation remains a key challenge to switching

BT Sport remains a platform for investment and growth



A strong start for BT Sport



- Reaches well over 5m households
- Wholesale access with Virgin Media and Setanta
- Average viewing increased >45% from last season
- Innovative formats, such as 'The Goals Show' using connected red button on BT TV and BT Sport App

Rights secured to 2018/19

Premier League secured to 2018/19



Move to Saturday 5:30pm slot from 2016/17 season



Rational approach to renewals and new opportunities

Key upcoming renewals



Broadening and deepening our customer relationships is core

Key messages

- Fibre remains key to our growth
- Converged propositions with the best of fixed and mobile networks are key to our future plans
- Handsets complete the mobile proposition and unlock significant growth
- A number 2 position in pay sports broadcasting can continue to support growth of our core products
- Customer experience is vital in keeping customers in a slowing market and facilitates cross-sell

Key metrics

Rights portfolio

Customer experience

Revenue Generating Units

Targets

• Maintain rational investment approach to grow sport and content proposition

• 90% of calls to be answered in the UK by March 2017

• Grow the number of RGUs by 2.5m over the next three years

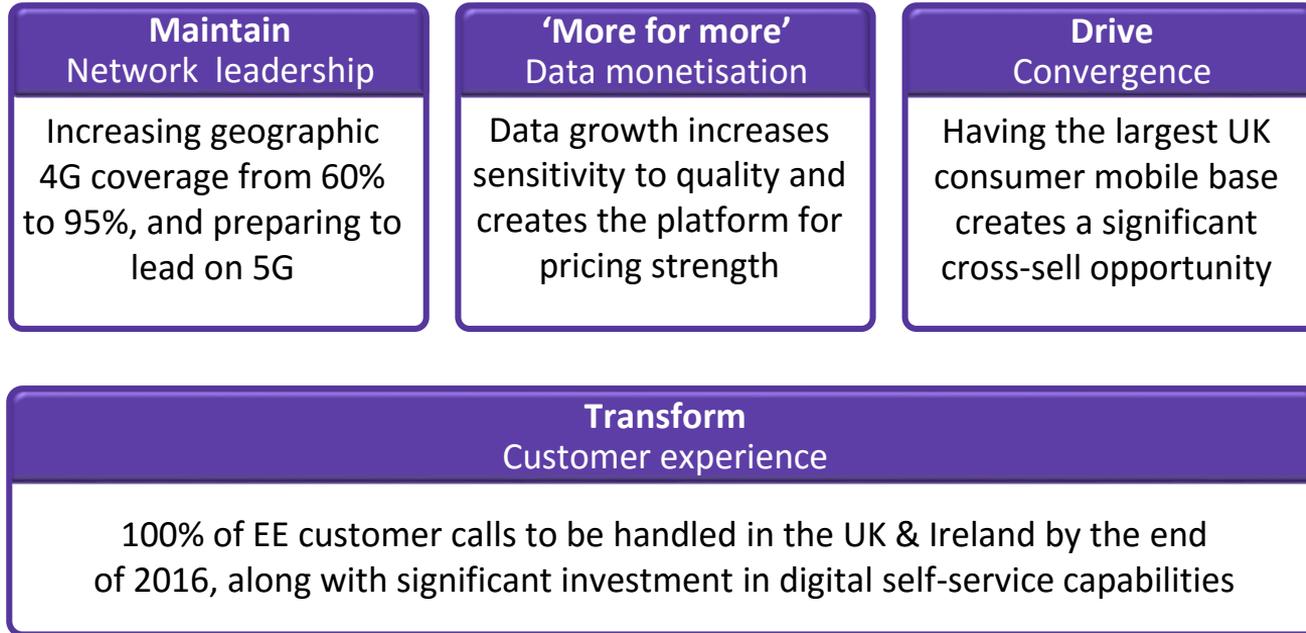


EE

Marc Allera - CEO

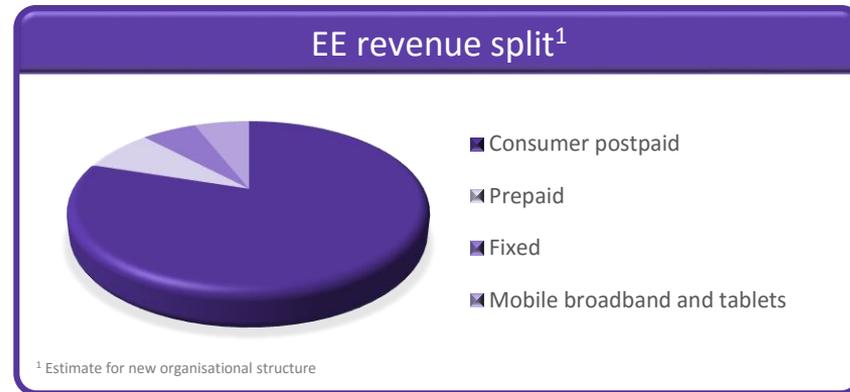
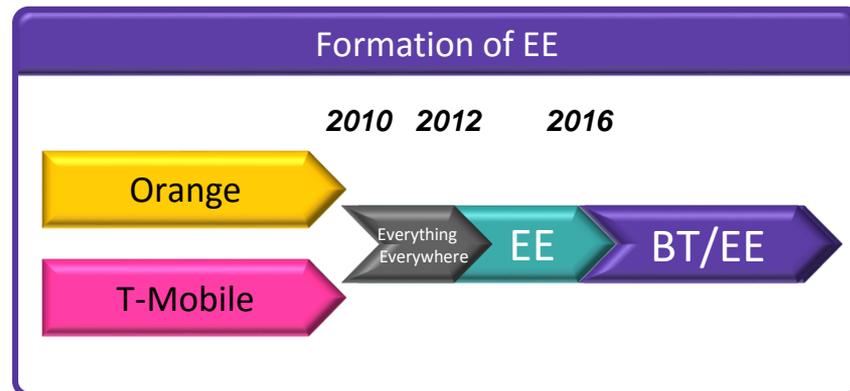


Network leadership and customer experience are core



New organisational structure creates a consumer-focused business

- Leading consumer network operator
 - 32% revenue market share
 - largest consumer customer base with c.21m customers
 - largest 4G customer base in Europe with >13m 4G customers
- Significant direct distribution with >550 stores
- Converged propositions
 - almost 1m broadband customers
 - EE TV
 - growing 4G wi-fi base
- New leadership team in place



The leader in UK mobile

- Mass market mobile player across all segments
 - #1 for postpaid handset acquisitions
 - #1 for iPhone sales
 - #1 for SIM-only acquisitions
 - #1 for mobile broadband acquisitions
 - #1 for prepaid acquisitions
- Leading network brand¹
 - #1 for biggest network
 - #1 for fastest network
 - #1 for most reliable network
 - #1 for first with new ideas
 - #1 for technology leadership

¹Source: IPSOS EE brand tracker

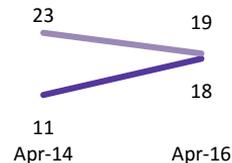
Consumer base comparison



Source: EE estimates. Base as at December 2015.

Brand strengths

EE closes gap on first choice purchase intent



Strong visual identity supporting brand momentum

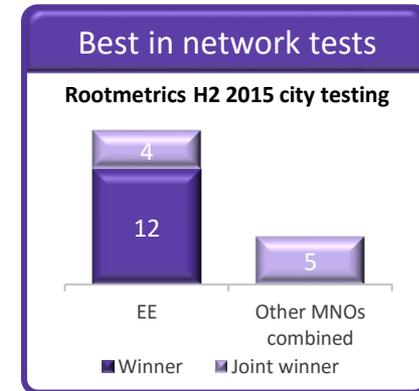
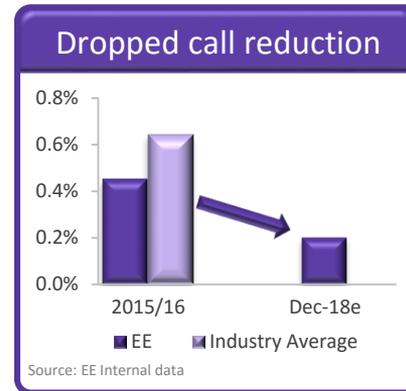
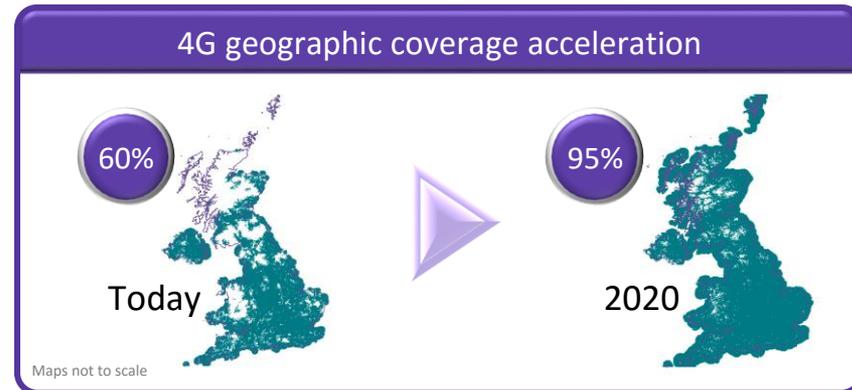


¹Source: IPSOS EE brand tracker

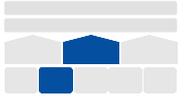
Network leadership - what we are doing



- 4G rollout to take UK geographic coverage from 60% to 95% by 2020
 - major rural boost, equal to 99.8% of UK population
 - 92% geographic coverage by September 2017
 - largest spectrum portfolio in UK
 - consistently ranked number one for speed and reliability: Rootmetrics, Speedtest, Ofcom
- Innovation and speed enhancements
 - ultrafast 4G+ to more than 20 cities by 2017
- Reduce dropped call rate to 0.2% by end of 2018
- Preparing to lead the way on 5G



Network leadership - Emergency Services Network



- 5-year contract won in December 2015
- Programme delivery underway
- Replacing Airwave Tetra Radio system
- 300,000 Emergency Services members
- 92% 4G geographic coverage by September 2017 with upgraded resilience
- Up to £300m capex in 2016/17, with c.£100m in 2017/18

Supporting vital services to the country



Ambulance



Coast Guard

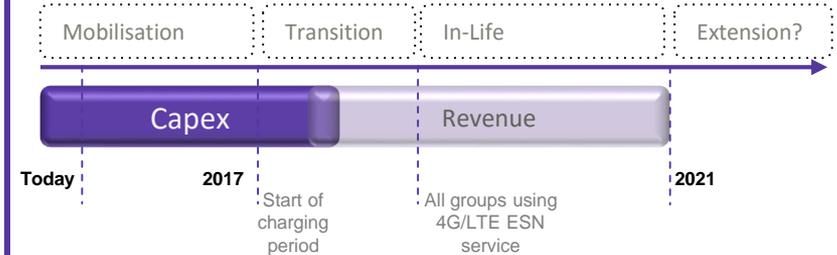


Fire & Rescue

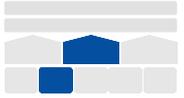


Police

Timeline of activity

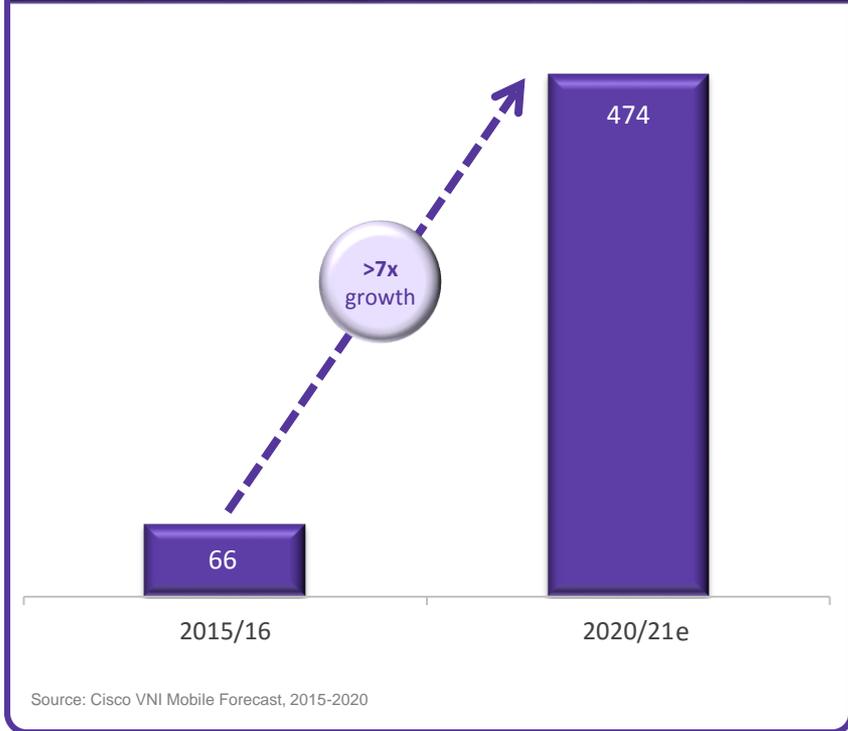


Network leadership - why it's important

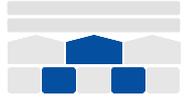


- Customer demand for mobile data is exploding
 - >7x increase expected by 2020/21
- 4G rollout drives increasing data use, with 4G now c.75% of total network traffic
- Network leadership underpins pricing and differentiation strategy

UK consumer mobile data traffic (PB/ month)



'More for more' - monetising our network advantage



'More for more' - data demand driving access fee growth

Postpaid handset to handset upgrades - 2015/16 vs 2014/15



Average postpaid access fee

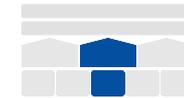


Postpaid base

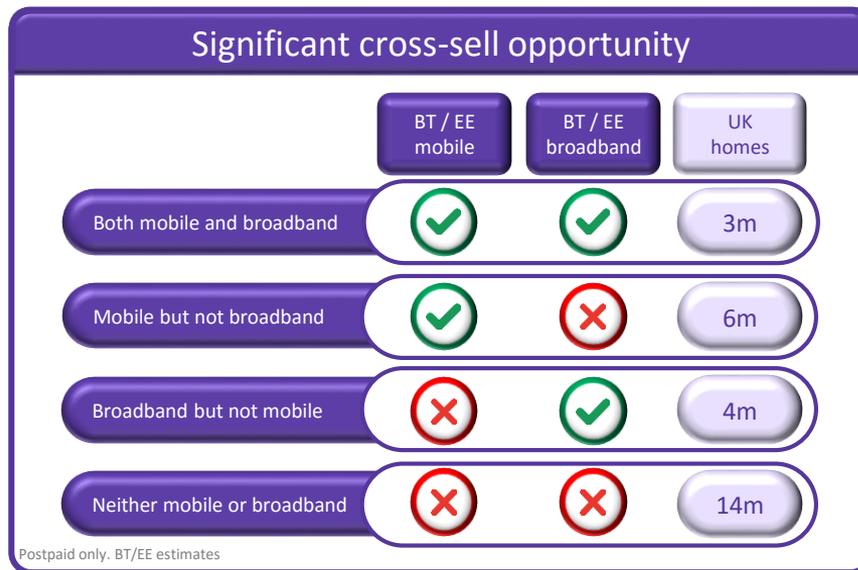
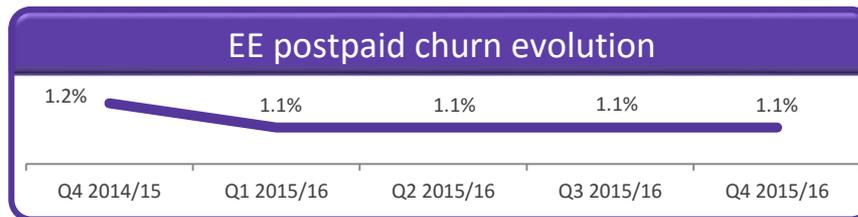


- Focused effort on driving access fee growth with 'more for more' pricing strategy
 - underpinned by usage growth
 - offset by out-of-bundle ARPU declines
- Continued migration strategy for non-4G base

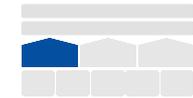
Convergence creates considerable opportunities



- Customers with more RGUs have lower churn
- Focus on selling more broadband and TV to EE customers, as well as other services
- Converged revenue growing 17%
- 6m homes take BT / EE mobile but not broadband
 - Cross-sell opportunity strengthened by working with Consumer
- 4m homes take BT / EE broadband but not mobile
 - Work with Consumer to optimise mobile pricing to maximise value and accelerate plans



Transforming customer experience



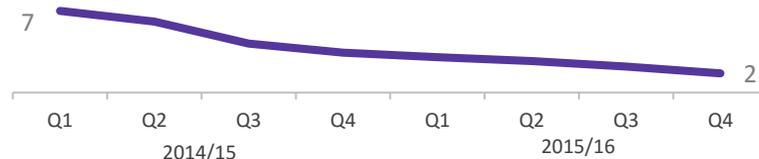
- Ambition to become the best mobile operator for customer experience

- onshoring 100% of EE customer calls to UK & Ireland call centres by end of 2016, creating 600 jobs

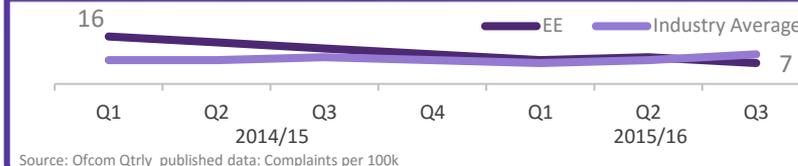
- investment in digital transformation initiatives driving online customer experience improvements

- targeting to almost double cumulative My EE app downloads to 10m

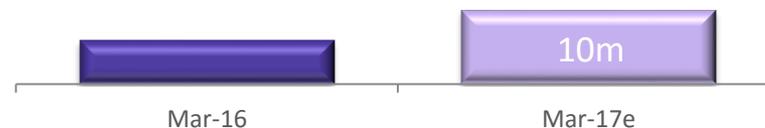
Postpaid propensity to call reducing (per year)



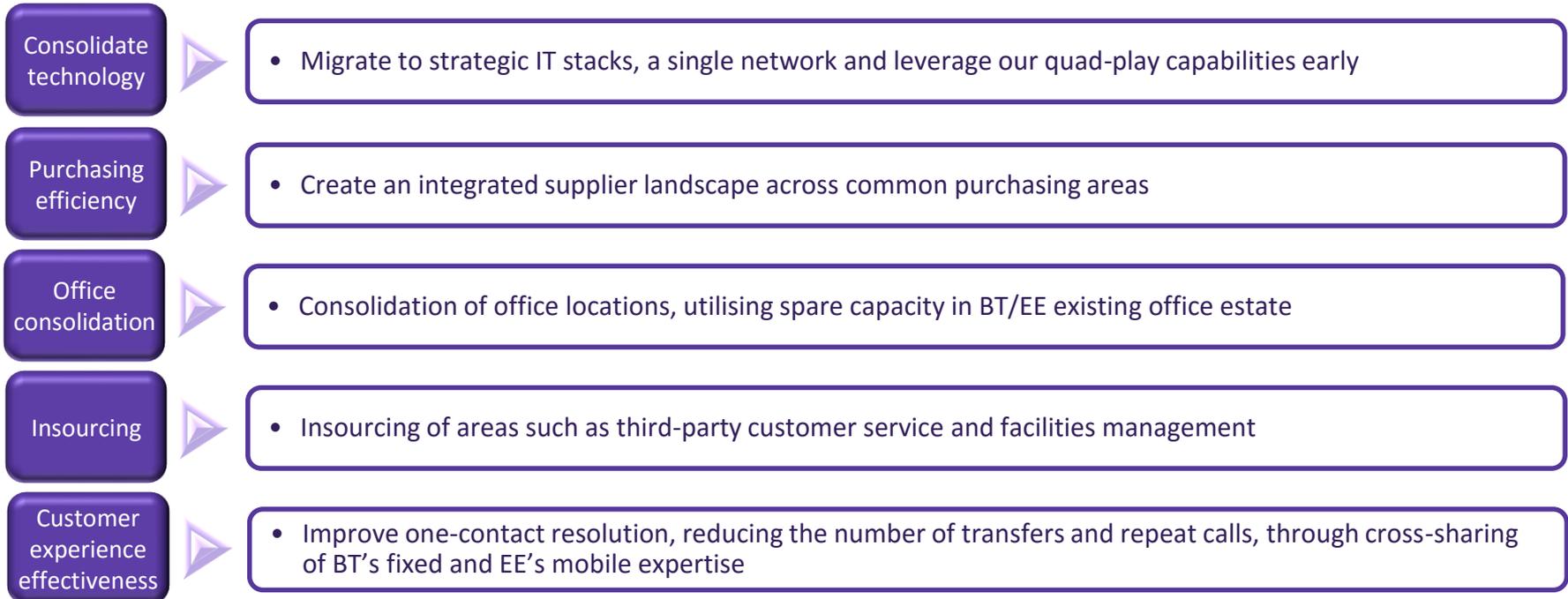
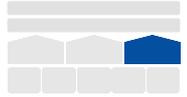
Steady improvements in Ofcom complaints data



My EE cumulative downloads



Integration synergies are well underpinned



Network leadership and customer experience are core

Key messages

- Best for network
 - 95% 4G geographic coverage by 2020
 - dropped call rate 0.2% by end of 2018
 - preparing to lead on 5G
- Data monetisation through ‘more for more’ strategy
- Best for customer experience, with 100% of EE calls onshore by end of 2016 and digital service investment
- Cross-sell and convergence growth via increased broadband and TV penetration in EE households

Key metrics

Coverage

Reliability

Customer experience

Targets

- 92% 4G geographic coverage by September 2017
- 95% 4G geographic coverage by 2020
- 0.2% dropped call rate by the end of 2018
- 100% of customer calls to be handled in UK and Ireland by end of 2016



Global Services

Luis Alvarez - CEO



We aim to be a trusted partner, supporting MNCs as they globalise

MNC globalisation

We serve the **leading multinational companies globally**

Focused business

Our new structure gives us a **sharper customer focus** and a **simpler operating model**. We are **EBITDA** and **cash flow positive** and **grew revenue in 2015/16¹**

Trusted partner

We are well placed to be our customers' **trusted partner** as they **digitally transform** their businesses

Cloud of Clouds

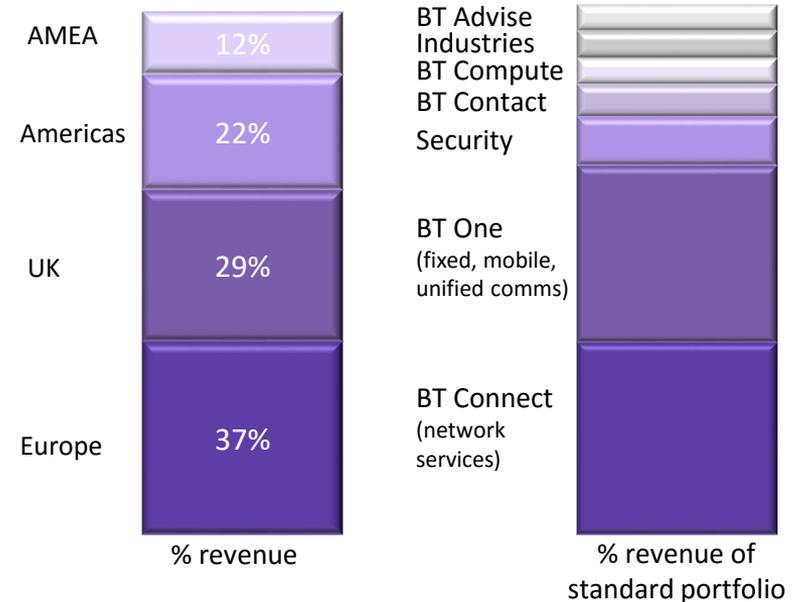
We are **winning more** in the marketplace and have **opportunity for growth** through **cross-selling**, based on our Cloud of Clouds strategy. We will continue transforming our costs, invest in our products and improve customer experience

¹ Estimate for new organisational structure

We are a leading global business communications provider

- We supply ICT services to 5,500 organisations worldwide through 17,000 employees
- Focused on MNCs globally in our new structure
 - UK Public Sector and some UK Corporates now served by 'Business and Public Sector'
- Our new structure
 - provides a sharper focus on our customers
 - simplifies how we work
- We are now a £5bn revenue business
 - balanced mix across geographies and products
 - underlying revenue¹ growth of 1%²
 - >10% EBITDA margin²

Revenue mix by geography and by portfolio²

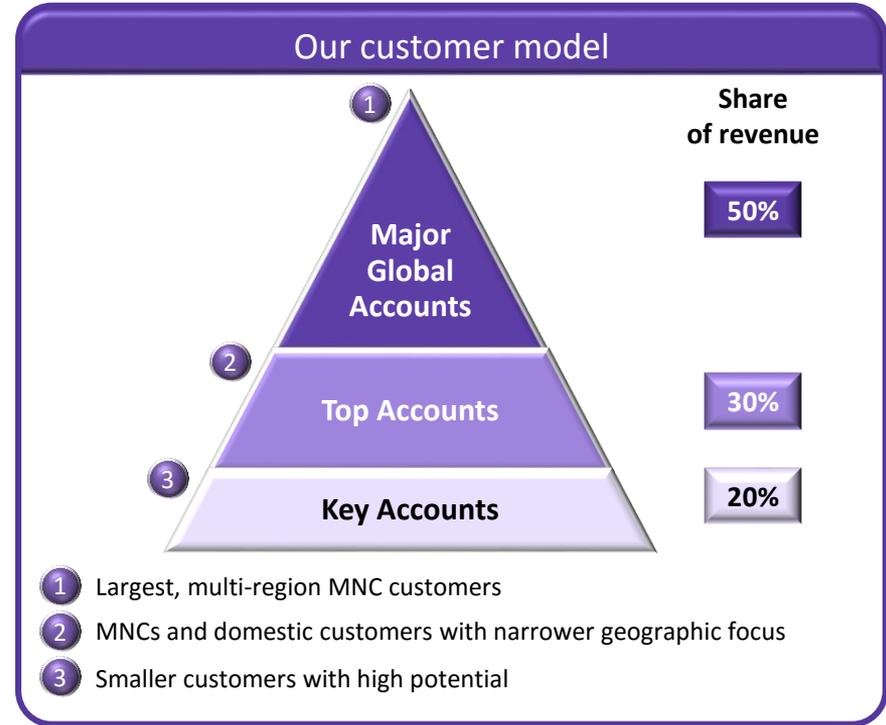


¹ Underlying revenue ex transit

² Estimate for new organisational structure

We have the global scale to support our multi-country customers

- MNCs and financial services organisations globally, public and private sector customers outside the UK
 - c.70% of revenue from MNCs
 - c.70% of revenue from customers served in multiple regions
- Multi-country model combined with global account management
 - our 20 highest priority countries generate >90% of revenue
 - partners extend geographic reach in sales and service in smaller country markets



Our customers are globalising and transforming their business

- Our customers use more and more services from the cloud
- Customers increasingly have a global approach to ICT. They want:
 - a greater choice of cloud service providers
 - high performance in their network and IT services
 - flexible, end-to-end and secure service
 - a trusted partner to provide managed ICT services
- Cloud platforms and software-defined networks are key to a more efficient and agile service
- Price models are changing, driven by technology, particularly impacting our traditional products

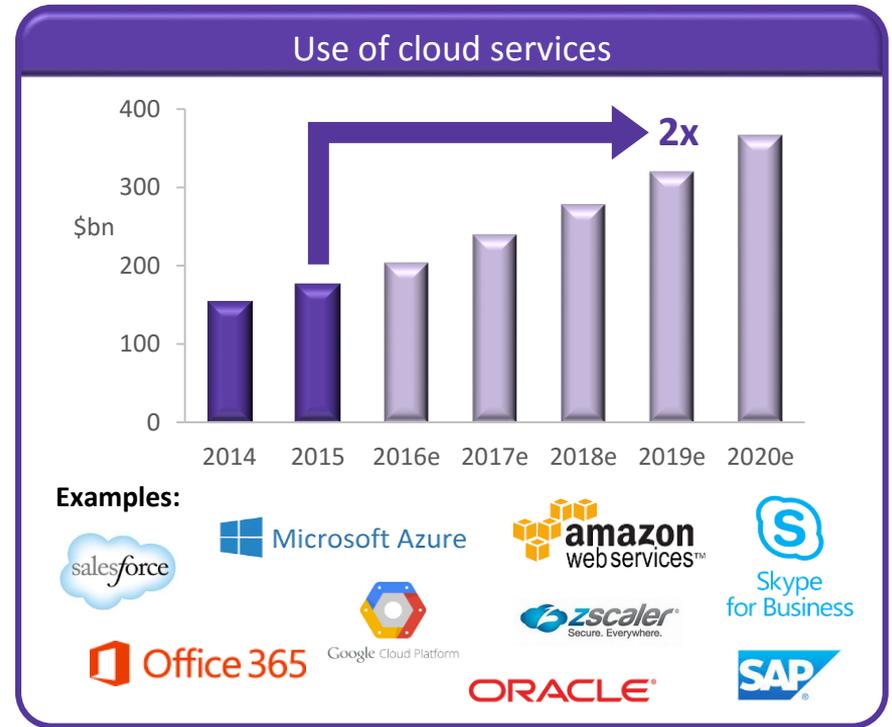


Chart created by BT based on Gartner research: Public cloud growth forecasts (USD) worldwide CAGR 2015-2020
Gartner, Forecast: Public Cloud Services, Worldwide, 2014-2020, 1Q 16 Update, 01 April 2016

We are clear on where we will compete, and where we won't

- Our major competitors are the large global telcos

Global



verizon



NTT



Telefonica



Systems

Embratel



Telecom Italia

Regional

Areas that we focus on

Applications



We deliver 3rd party Software as a Service (SaaS) through our Cloud of Clouds infrastructure and App store



We do not develop or maintain software

IT infrastructure



We provide BT's own Infrastructure as a Service (IaaS)



We integrate customers' and 3rd party clouds into our network



We do not do standalone, full outsourcing of datacentres

Network



We provide network services on our global network



We run customers' networks, managing performance, integrating 3rd party network services

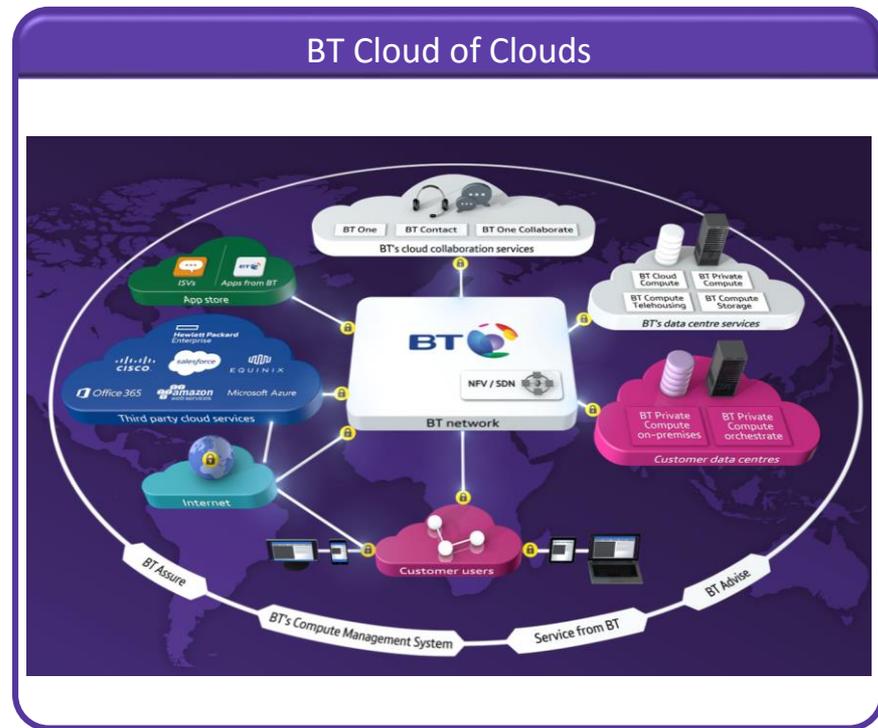


Security

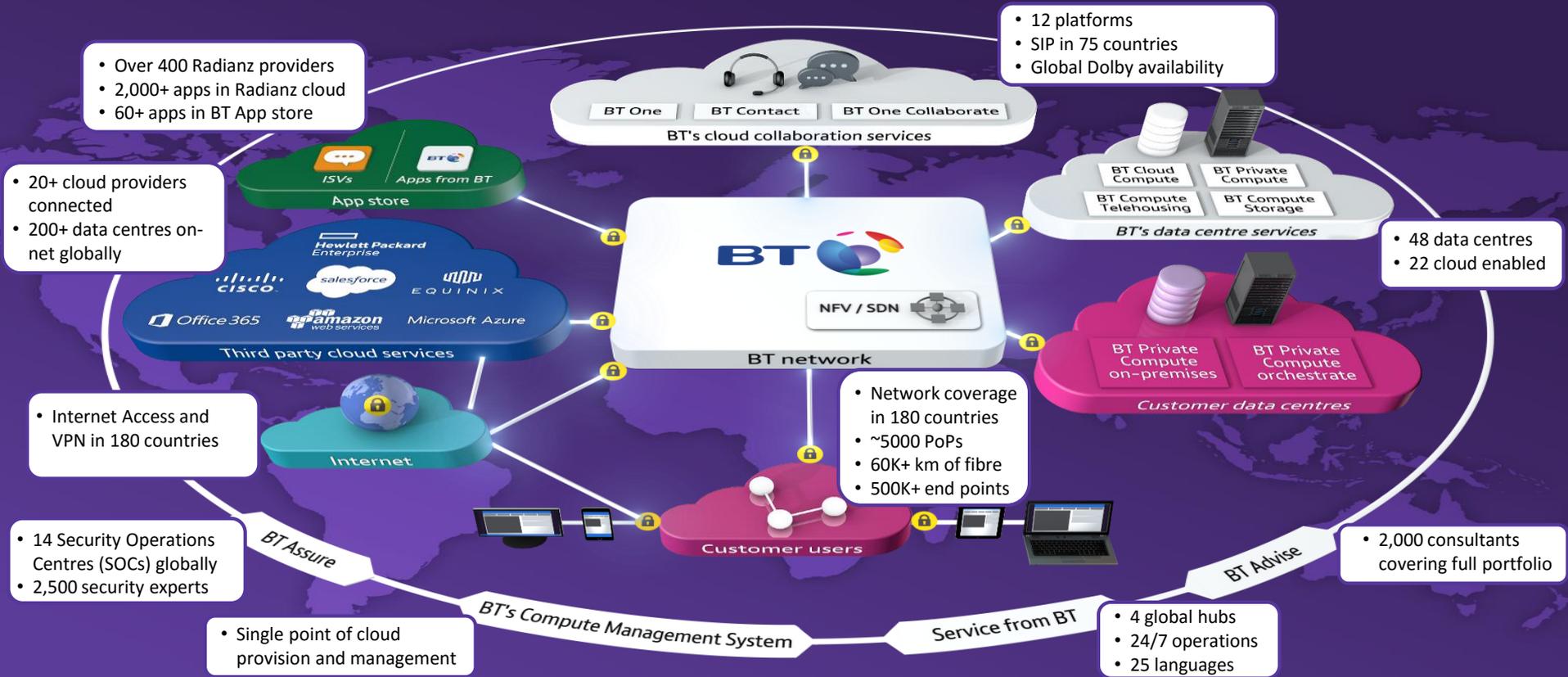
Professional Services

Our competitive advantages underpin our Cloud of Clouds strategy

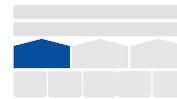
- We are a leading cloud services integrator ('Cloud of Clouds' portfolio strategy)
 - we connect cloud providers globally, securely and seamlessly, with our network at the core
- Our strengths lie in our:
 - global reach and performance of our network
 - portfolio capabilities, including security
 - ability to manage complex, multi-service environments for our customers, 24/7
 - global BT Advise professional services capabilities
- Our differentiated proposition helps our customers as they digitise their businesses



Cloud of Clouds – Bringing together our leading capabilities



We are improving the experience of our customers



Single, end-to-end global service model

- Global hubs in 4 countries with 7 regional locations
- 15 satellite offices
- 24/7 global operating model
- Support in 25 languages
- Investing in pre-emptive, integrated monitoring of network, IT and applications

○ Global service hubs ● Satellite service centres

More predictable and faster service delivery

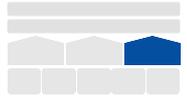
- Product cycle time reduced by 47% over past 2 years
- Programme to deliver services within or before target time
- Upgrading Major Contract delivery systems to improve milestone delivery times



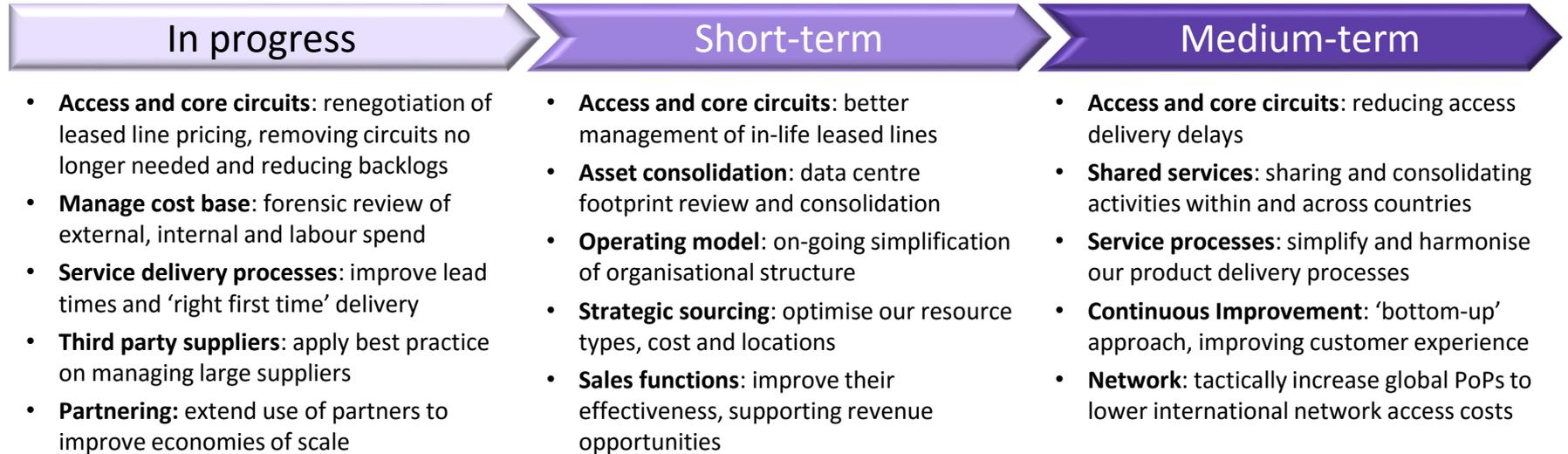
Customer-centric approach

- 2016/17 roll out of Net Promoter Score tracking system
- Capture customer feedback near real-time - voice of the customer increasingly driving our business

We can take further costs out of the business...

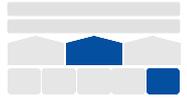


- We treat cost transformation as an area of competitive advantage
- Over last 3 years >£100m saved in access costs cumulatively; total labour cost reduced by £200m since 2013/14¹



¹ Estimated cost savings under new structure

...to fund the investments we're making for growth



Network – selectively expanding our footprint, improving performance and reducing unit cost

- bandwidth growth and performance enhancements
- software defined network (SDN) and cloud nodes for remote deployment
- single global IP voice and media network
- dark fibre



Vertical propositions – exploiting vertical knowledge with integrated solutions

- Radianz (global trading ecosystem)
- Industrial Wireless
- Digital Retail Store
- Internet of Things (IOT) in specific sectors (eg connected cars)



Collaboration, Communication & Contact

Centres – supporting productivity improvements

- more complete customer experience
- integration of mobile



Security – increasing scope of services and tools to protect key customer assets

- deeper integration of security across portfolio
- predictive cyber intelligence



Compute – leverage BT data centres and cloud provider ecosystems

- integrating hyper-scale cloud providers (eg Microsoft Azure) into our self-service management portal
- connecting more cloud services partners
- next generation App Store and App migration services

The mix of business we are winning is improving...

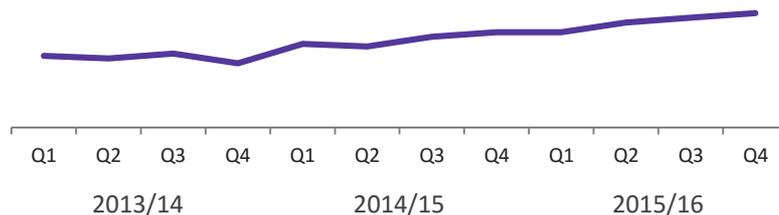
- We are driving more 'New' and 'Growth' business. Over the past 3 years:
 - 1.3x increase in New and Growth business mix
 - 1.4x improvement in New and Growth win rate

Examples of large deals won



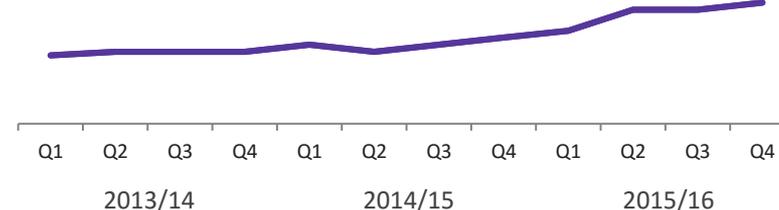
'New' and 'Growth' business mix

Mix, % total order intake



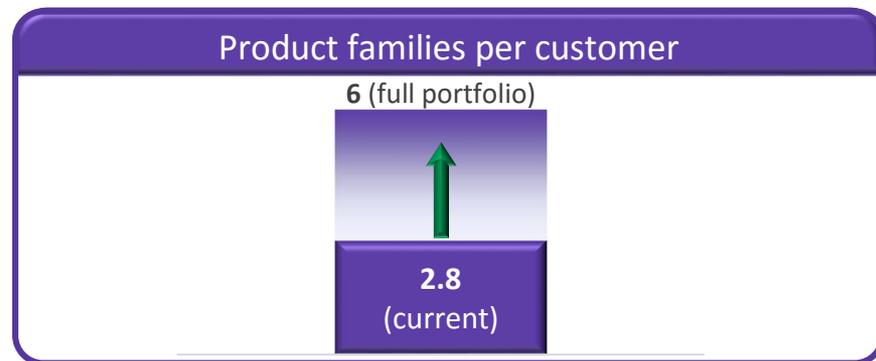
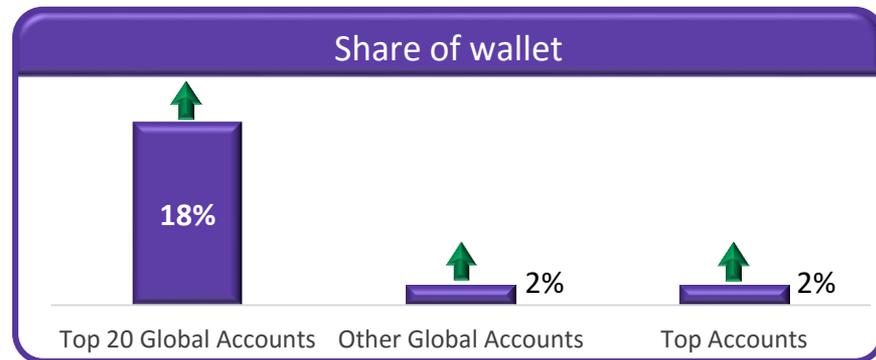
'New' and 'Growth' business win rate

Win rate, % deal value



...and we have the potential to grow our share of wallet

- Opportunity to grow 'share of wallet' by cross-selling based on our Cloud of Clouds strategy
- Growing in key strategic portfolio areas:
 - **Security:** 24% YoY growth; all large network deals sold with security products
 - **Unified Communications (UC):** 20% YoY growth in Cloud UC; 600k One Cloud seats sold or deployed in past 15 months; new mobile capabilities added (eg global data roaming) with EE
 - **Cloud Compute:** >100% YoY growth; 3x increase in average size of major deals
- As strategic portfolio areas grow, we capture further scale-based margin expansion



We aim to be a trusted partner, supporting MNCs as they globalise

Key messages

- We serve **the leading multinational companies globally**
- We have a **sharper customer focus** and a **simpler operating model**. We are **EBITDA** and **cash flow positive**, and **grew revenue in 2015/16¹**
- We are well placed to be our customers' **trusted partner** as they digitally transform their businesses
- We are **winning more and have opportunity for growth** through **cross-selling**. We will **continue to invest** in our products and customer experience

Key metrics

Global Accounts share of wallet

Strategic portfolio growth

Customer experience

3-year ambition

- 10% increase

- Double-digit growth rates in Security, Cloud UC and Cloud Compute

- At least 10-point increase in Net Promoter Score

¹ Estimate for new organisational structure



Business & Public Sector

Graham Sutherland - CEO



Uniquely placed to provide converged services over best network

Convergence

Uniquely placed in market with brand, scale and breadth of capabilities to benefit from convergence

Cross-selling

We'll use our expanded sales reach and customer base to drive acquisition and cross-sell

Best network

We'll differentiate through an integrated experience delivered on the best network

Public Sector

Adapting to market changes to turn around the Public Sector business.
But it will take time

Cost transformation

Substantial opportunity for further cost transformation

New organisation provides focus on customer and market

- We address the Public Sector, Corporate customers and SMEs, in the UK and Ireland
- Revenue c.£5bn, EBITDA c.£1.6bn¹
 - c.1.2m customers
 - 12,000 employees
- Combining BT's and EE's business units creates a scale organisation with major cross-sell opportunities
- Combining UK Public Sector and Major accounts allows us to better focus resources on customers

Structure		
Unit	Customers	Created from
Major Accounts & Public Sector	<ul style="list-style-type: none"> • Public Sector • Businesses in UK with addressable spend of £3m+ • MNCs where majority of BT business is in UK • Ireland 	<ul style="list-style-type: none"> • BT Global Services • BTB Corporate • BT IT Services • BT Expedite • EE Business
Corporate	<ul style="list-style-type: none"> • Businesses in UK with addressable spend of £50k to £3m 	<ul style="list-style-type: none"> • BTB Corporate • BT Business Direct • EE Business
Small & Medium Enterprises	<ul style="list-style-type: none"> • Businesses in UK with addressable spend <£50k 	<ul style="list-style-type: none"> • BTB SME • EE Business

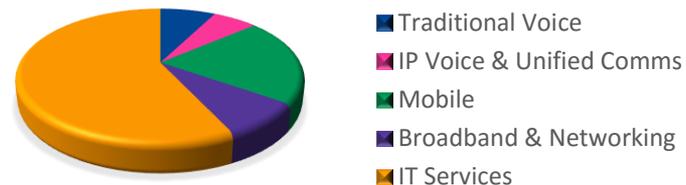
¹ Estimate for new organisational structure

Overall market growing, moving to new IP and cloud services

- Our addressable market for core telecoms and IT services is £23bn¹
- Market profile is changing, driven by move to new products and services¹
 - traditional PSTN lines declining (10% pa) whilst IP lines growing (26% pa)
 - growth in mobile data and services (11% pa)
 - growth in IT services from move to the cloud (2% pa)

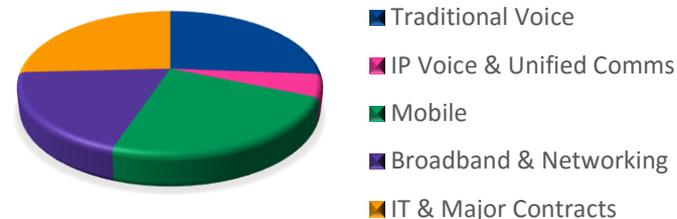
We operate in a market worth £23bn¹

B&PS addressable market size



Our revenues are derived from voice & data services

Revenue split by products²



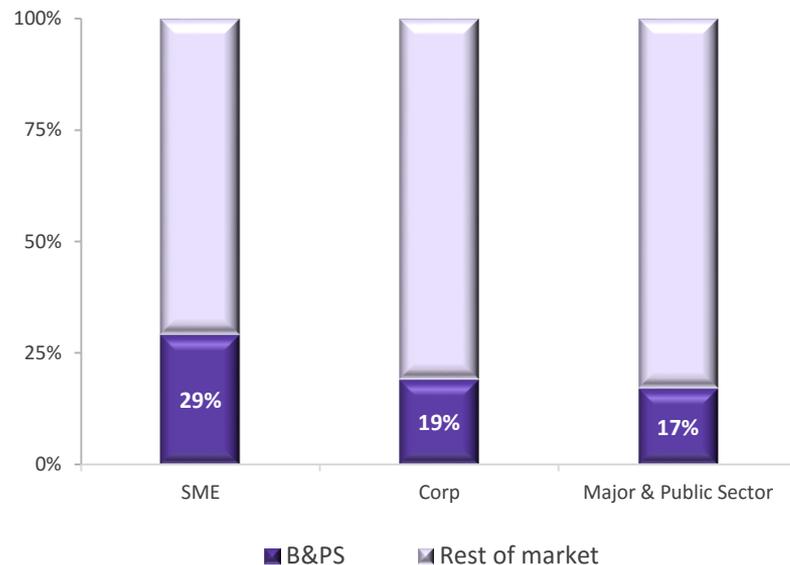
¹ IDC 2014/15 – 2015/16, ² Estimated Business & Public Sector revenue split

Market is fragmented, creates opportunities to grow share

- Market is fragmented - 100s of competitors but few compete across the whole market
- Opportunity for growth as <30% market share in our three channels
- Our opportunity is to extend coverage and build on our extensive distribution
- Will leverage our customer relationships to lead in providing converged services as our customers benefit from move to the cloud

There is opportunity to grow in all our markets

Business & Public Sector market share



Turnaround in Public Sector will be challenging and take time

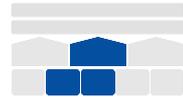
Public Sector market has undergone major changes

- Core telecoms and IT market of c.£10bn, with further c.£8bn in IT and other outsourcing contracts
- Larger integrated contracts are being replaced by smaller individual product deals
- BT's legacy major deals are ending and impact is still working through the business
- Growth in new areas will take time to offset declines in legacy contracts
- Public Sector spend is increasingly devolved and being consolidated locally

We are adapting the business to respond

- Investing in regional sales and business development
- Driving core portfolio of fixed voice and networking
- Expanding share in mobility and IT services
- Enhancing and scaling our Managed Service capability
- Investing to strengthen our capabilities eg security

Differentiation will come from scale and scope of capabilities

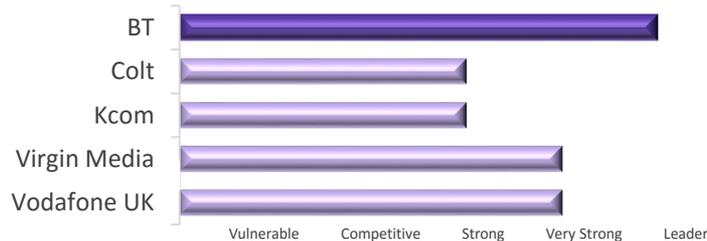


We have clear areas of strength today

- Largest customer base
- Best fixed and mobile network
- Breadth, depth and global dimension of portfolio
- Trusted brand

Recognised as market leader

Collaboration and Communications (UK) product ratings¹



¹ Source: Current Analysis, April 2016

We will build on these to differentiate in future

- Fully integrate fixed and mobile networks
- Create converged propositions to upsell services
- Extend regional sales coverage to exploit local commercial and public sector opportunities
- Deliver a superior service experience
- Drive efficiency and margin through scale

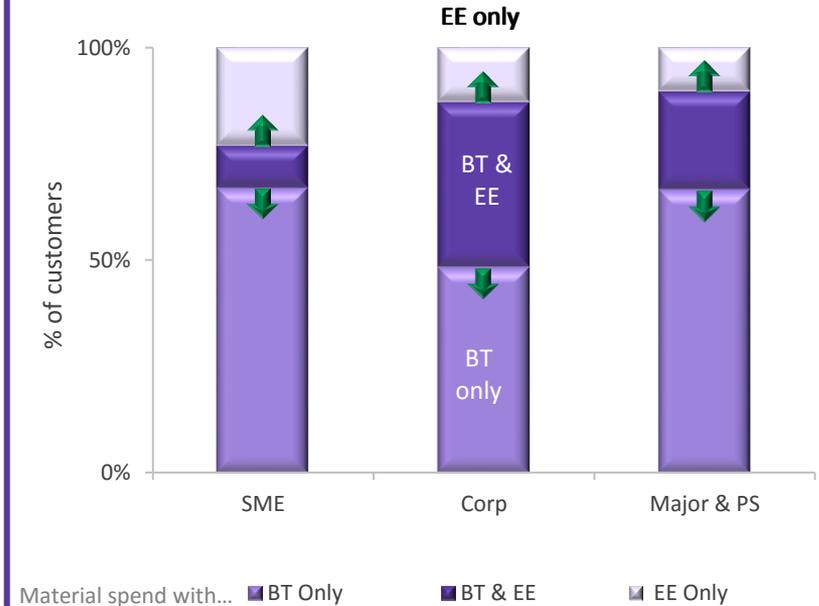
We have immediate opportunities to drive product sales

New organisation gives broader sales coverage

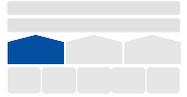
- Larger acquisition teams and improved account manager ratios
- Strengthened and enlarged regional teams in Public Sector to be closer to decision making
- We're contacting entire base and have launched targeted cross-sell campaigns to both EE and BT customers

Significant cross-sell opportunity for mobile and fixed

Opportunity to increase overlap in customer base



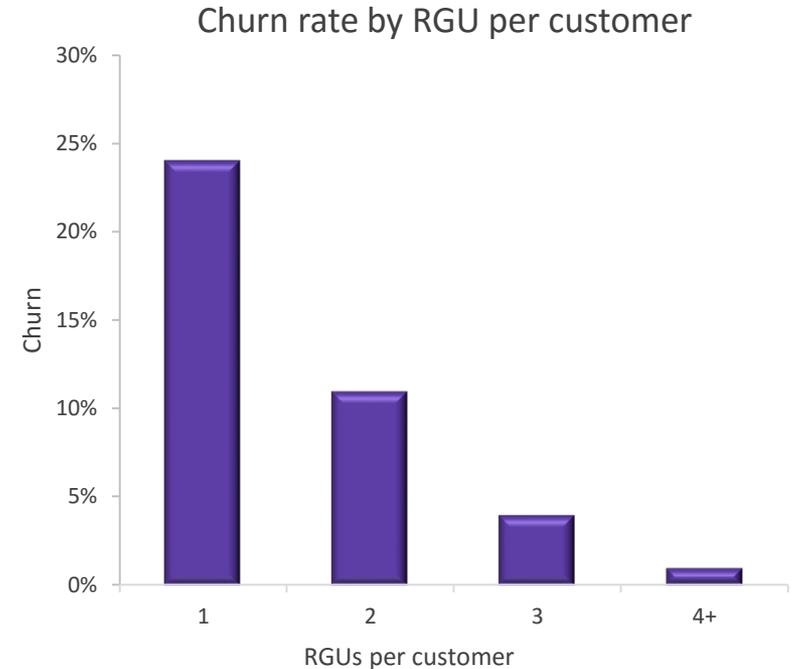
Clearer proposition focus will drive upselling and reduce churn



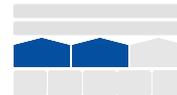
Launching new propositions and bundles

- New organisation has stronger segment focus on propositions and marketing
- Selling converged propositions increases RGUs per customer, improves churn and enhances lifetime value
- Simplifying and standardising the portfolio
- Recently launched bundling capability for SME customers
- Extending our capability to deliver solutions that integrate multiple products

Increasing RGU per customer reduces churn



We are investing to create a more integrated portfolio



Service has improved significantly over last 4 years¹

Contact volumes	↓ 20%
Repeat calls	↓ 34%
Call transfers	↓ 37%
Complaint volumes	↓ 21%
Transactional Net Promoter Score (NPS)	↑ 15 pts

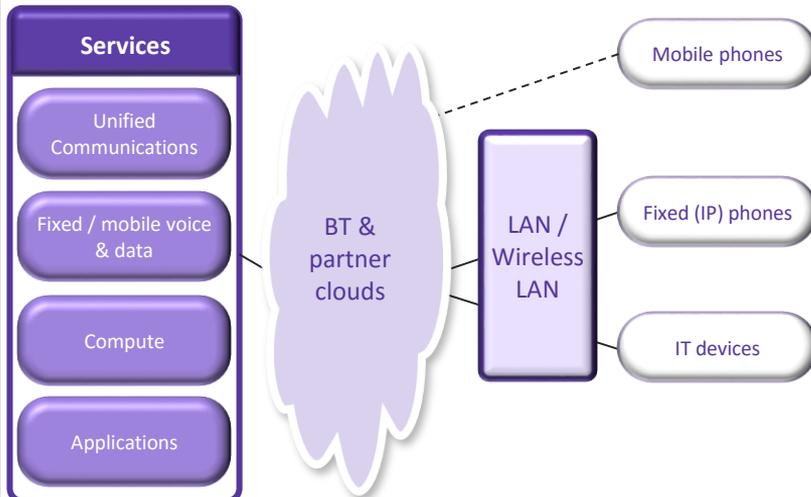
¹ Former BT Business

We have built a strong core portfolio

-  IP and Unified Communications
-  Mobile
-  Networking
-  Broadband
-  IT & Managed Services

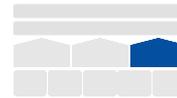
Now investing to integrate and improve experience

Single contract, single bill, single relationship, single portal



Seamless and secure connectivity
(2G, 3G, 4G, superfast broadband, BTnet, WAN)

Track record and further opportunities in cost transformation



>£200m reduction in operating costs, and 20% reduction in headcount over last 3 years¹



¹ Former BT Business

Key messages and operational targets

Key messages

- We are uniquely positioned with the scale, brand and breadth of capabilities to benefit from convergence
- We will drive growth from greater sales coverage, acquiring and cross-selling to customers
- We will differentiate through an integrated experience and portfolio delivered on the best network
- We are adapting to changes in the Public Sector market and will turn around the business but it will take time
- We have a substantial opportunity for further cost transformation

Key metrics

Increase RGUs

Strategic portfolio growth

Customer experience

3-year ambition

- 15% increase in total RGUs

- Double-digit growth in IP Voice, Mobile, Networking and IT Services

- 20-point improvement in Net Promoter Score



Q&A



Concluding remarks

Gavin Patterson – Chief Executive



Purpose of our Capital Markets Day

1

Our strengths and competitive advantages

2

How we will capture growth opportunities

3

And grow the value of our business

Seizing the convergence opportunity

Delivering sustainable profitable revenue growth

- Creating the UK's leading converged operator
- Using our people, network and customer experience as a competitive advantage
- With significant further cost transformation
- Which will help fund our investments in growth





BT Capital Markets Day

Seizing the convergence opportunity

5 May 2016

Glossary

Access fee: base fee for postpaid mobile contracts.

ADSL: Asymmetric Digital Subscriber Line – first generation copper broadband technology, offering speeds up to 24Mbps.

BDUK: Broadband Delivery UK – the UK Government body charged with helping to oversee the use of public money for rolling out fibre broadband in hard-to-reach parts of the country.

BTPS: BT Pension Scheme – the defined benefit pension scheme which was closed to new members on 1 April 2001.

CP: Communications Provider – a provider of communication services – fixed mobile, telephony, broadband, video and other services.

EPG: Electronic Programme Guide - an application used to list past, current and scheduled programmes available on TV.

G.fast: An innovative technology that uses higher frequencies than VDSL to provide faster broadband speeds over copper.

GEA: Generic Ethernet Access – Openreach’s active wholesale fibre broadband product. Must be ordered alongside MPF or WLR.

IaaS: Infrastructure as a Service – a form of cloud computing that provides virtualised computing resources over the Internet.

IPX: IP Exchange – a telecommunication interconnection model to exchange IP-based traffic between customers of different mobile and fixed operators.

ISDN: Integrated Services Digital Network – a digital telephone system network, which integrates voice and data on the same lines.

Ladder Pricing: links the amounts that BT charges mobile operators for mobile calls to 0800, 0845 and 0870 numbers terminating on our network to the retail price charged by mobile operators to their customers.

LLU: Local Loop Unbundling – the process by which CPs can rent the copper lines between BT’s exchanges and customer premises from Openreach to provide broadband and voice services using their own equipment. (see MPF and SMPF)

Managed Ethernet Access Service – a wholesale product that provides a managed service wrap to the connections which carry mobile voice and data traffic to and from mobile operators’ transmission masts, using a mix of copper, fibre and radio technologies.

MBNL: Mobile Broadband Network Limited – a joint venture between Hutchison 3G UK (H3G UK) and EE (previously T-Mobile) primarily to share mobile infrastructure.

NFV: Network Functions Virtualisation – an initiative to virtualise the network services that are currently being delivered using proprietary, dedicated hardware.

MPF: Metallic Path Facility – an LLU product supplied by Openreach that enables CPs to offer both phone and broadband services using just their equipment.

MPLS: Multi-Protocol Label Switching – supports the rapid transmission of data across network routers, enabling modern networks to achieve high quality of service.

NGA: Next Generation Access – a significant upgrade to the broadband available based on ADSL. Typically VDSL, and requiring fibre optic cable being laid to the cabinet, it usually provides speeds of more than 24Mbps.

PIA: Passive Infrastructure Access – a product suite offered by Openreach since 2011 that gives CPs access to Openreach’s ducts and poles.

Glossary

POLOs: Payments To Other Licensed Operators – typically refers to payments by one CP to another CP for the termination or carriage of traffic on or across their network to complete a connection between end customers.

PoPs: Points of Presence – this refers to the location, typically in a city, where a CP has the ability to connect customers to one of its networks.

PSTN: Public Switched Telephone Network – circuit-switched telephone networks that are operated by national, regional, or local telcos.

RFT: Right First Time – the internal measure of whether we are keeping our promises to our customers.

RGU: Revenue Generating Unit – broadly equivalent to a single product taken by a customer.

SDN: Software Defined Networking – an approach to networking that allows network engineers to flex networks and shape traffic from a central console without having to touch individual switches.

SIP: Session Initiation Protocol – a method for signalling and controlling multimedia communication sessions. These could include VoIP calls, instant messaging and multimedia conferences.

SMP: Significant Market Power – a measure of market dominance, determined by a regulatory market review which in the UK is conducted by Ofcom under the relevant provisions of the Communications Act.

SMPF: Shared Metallic Path Facility – an LLU product supplied by Openreach that CPs can use to offer broadband over using their own equipment. Must be ordered alongside a WLR line.

SOGEA: Single Order Generic Ethernet Access is a proposed new Openreach product which would allow CPs to order a fibre broadband service (via the Openreach GEA) with the underlying copper line included, but as a single order.

The Undertakings: legally-binding commitments BT made to Ofcom, designed to bring greater transparency and certainty to the regulation of the telecommunications industry in the UK. They led to the formation of Openreach in 2006.

USO: Universal Service Obligation – a requirement to reasonably provide an agreed set of communications services to all households.

VDSL: Very-high-bit-rate Digital Subscriber Line – a ‘next generation’ broadband technology, utilising fibre optic cable between exchange and cabinet, with copper between cabinet and end user. Offers speeds up to 80Mbps on Openreach’s network.

VoIP: Voice over Internet Protocol – a method of transporting voice calls over the internet.

VPN: Virtual Private Network – a secure way to create an apparent dedicated network between nodes over network infrastructure, which is in reality shared with other services.

WAN: Wide Area Network – a computer network that exists over a relatively large geographical area that connects two or more smaller networks. This enables computers and users in one location to communicate with computers and users in other locations.

WBC: Wholesale Broadband Connect – a product supplied by BT Wholesale to allow CPs to offer end to end broadband services to end customers.

WLR: Wholesale Line Rental – a product supplied by Openreach which is used by other CPs to offer telephony services using their own brand, pricing structure and billing, but using BT’s network.

YouView: a service which combines free digital TV channels with free and paid for on-demand content from public service broadcasters and ISPs delivered over broadband and over the air.



BT Capital Markets Day

Seizing the convergence opportunity

5 May 2016