Pro forma restated historical financial information for BT Group

For the years ended 31 March 2018 and 31 March 2019

Sheet 1	Basis of preparation
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Disclaimer

All pro forma financial information contained in this document is unaudited. The pro forma results are presented to investors and analysts as an indication of trend only.

The financial statements do not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006 and have not been audited by BT's independent auditors.

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1. Basis of preparation

Background

We have adjusted the methodologies which we use to recharge our shared fixed costs, reported within EBITDA, to refine the allocation of costs across our operating units following the recent creation and development of the Consumer and Enterprise units as well as the formation of Openreach Limited as part of the implementation of the Digital Communication Review Commitments. These changes impact operating unit financials only and have no impact on the reported Group financials. The revised methodology better aligns our segmental reporting with the regulatory financial statements. The methodology change took place from 1 April 2019. We have restated the 2017/18 and 2018/19 financial years in this document to reflect how the results for those years would have been presented under the new allocation methodology.

On 1 April 2019, we transferred the Emergency Services Network ("ESN") contract from Consumer to Enterprise. We have restated our 2017/18 and 2018/19 segmental results to reflect this change.

On 1 April 2019 we adopted IFRS 16, the new accounting standard for leases. We have recognised right-of-use assets and lease liabilities for arrangements that meet the IFRS 16 lease definition. EBITDA will increase because operating lease expense has been replaced by interest expense and depreciation. We have adopted the standard on a modified retrospective basis without restating the comparative periods. On the next tabs we have presented pro forma financial information for the period ended 31 March 2019 to show what the impact of IFRS 16 would have been on the 2018/19 financial year.

We have published revised historical financial information to reflect the impact of these changes had they been effective for the period ended 31 March 2019 (for all changes) and the period ended 31 March 2018 (for the change in recharge methodology and transfer of the ESN contract). We have published on our website (https://btplc.com/Sharesandperformance/Financialreportingandnews/Quarterlyresults/index.htm) restated historical financial information to reflect these changes.

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Unaudited

2017/18 pro forma historical financial information KPI 'A' - post recharge changes/ESN transfer and pre IFRS 16

2017/18 revenue and EBITDA £m unless otherwise stated	Previously reported[2]					Change in recharge methodology & transfer of ESN contract					Restated results				
	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY
Adjusted[1] revenue															
Consumer	2,540	2,587	2,680	2,572	**10,379**	(1)	(7)	(27)	(29)	**(64)**	2,539	2,580	2,653	2,543	**10,315**
Enterprise	1,647	1,673	1,654	1,679	**6,653**	1	7	27	29	**64**	1,648	1,680	1,681	1,708	**6,717**
Global	1,246	1,265	1,265	1,243	**5,019**	-	-	-	-	**-**	1,246	1,265	1,265	1,243	**5,019**
Openreach	1,287	1,299	1,379	1,320	**5,285**	-	-	-	-	**-**	1,287	1,299	1,379	1,320	**5,285**
Other	2	4	2	2	**10**	-	-	-	-	**-**	2	4	2	2	**10**
Eliminations	(887)	(893)	(915)	(890)	**(3,585)**	-	-	-	-	**-**	(887)	(893)	(915)	(890)	**(3,585)**
Total Group	**5,835**	**5,935**	**6,065**	**5,926**	**23,761**	**0**	**0**	**0**	**0**	**0**	**5,835**	**5,935**	**6,065**	**5,926**	**23,761**
Adjusted[1] EBITDA															
Consumer	556	575	558	680	**2,369**	(28)	(34)	(54)	(55)	**(171)**	528	541	504	625	**2,198**
Enterprise	493	520	512	535	**2,060**	(35)	(29)	(10)	(8)	**(82)**	458	491	502	527	**1,978**
Global	73	81	141	135	**430**	(15)	(15)	(15)	(15)	**(60)**	58	66	126	120	**370**
Openreach	644	653	747	675	**2,719**	79	79	80	80	**318**	723	732	827	755	**3,037**
Other	19	(9)	(22)	11	**(1)**	(1)	(1)	(1)	(2)	**(5)**	18	(10)	(23)	9	**(6)**
Total Group	**1,785**	**1,820**	**1,936**	**2,036**	**7,577**	**0**	**0**	**0**	**0**	**0**	**1,785**	**1,820**	**1,936**	**2,036**	**7,577**

[1] Before specific items

[2] As reported in published Q4 2018/19 KPIs

Unaudited

2018/19 pro forma historical financial information KPI 'A' - post recharge changes/ESN transfer and pre IFRS16

2018/19 revenue and EBITDA £m unless otherwise stated	Previously reported[2]					Change in recharge methodology & transfer of ESN contract					Restated results - pre IFRS 16				
	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY
Adjusted[1] revenue															
Consumer	2,591	2,681	2,785	2,638	**10,695**	(21)	(27)	(28)	(28)	**(104)**	2,570	2,654	2,757	2,610	**10,591**
Enterprise	1,567	1,606	1,555	1,564	**6,292**	21	27	28	28	**104**	1,588	1,633	1,583	1,592	**6,396**
Global	1,147	1,185	1,202	1,201	**4,735**	-	-	-	-	-	1,147	1,185	1,202	1,201	**4,735**
Openreach	1,255	1,293	1,256	1,271	**5,075**	-	-	-	-	-	1,255	1,293	1,256	1,271	**5,075**
Other	1	1	2	(1)	**3**	-	-	-	-	-	1	1	2	(1)	**3**
Eliminations	(845)	(858)	(818)	(820)	**(3,341)**	-	-	-	-	-	(845)	(858)	(818)	(820)	**(3,341)**
Total Group	**5,716**	**5,908**	**5,982**	**5,853**	**23,459**	**0**	**0**	**0**	**0**	**0**	**5,716**	**5,908**	**5,982**	**5,853**	**23,459**
Adjusted[1] EBITDA															
Consumer	610	611	643	670	**2,534**	(46)	(52)	(53)	(52)	**(203)**	564	559	590	618	**2,331**
Enterprise	480	505	501	504	**1,990**	(25)	(19)	(18)	(18)	**(80)**	455	486	483	486	**1,910**
Global	95	113	147	150	**505**	(15)	(15)	(15)	(16)	**(61)**	80	98	132	134	**444**
Openreach	591	634	603	595	**2,423**	80	80	80	81	**321**	671	714	683	676	**2,744**
Other	24	12	(16)	(80)	**(60)**	6	6	6	5	**23**	30	18	(10)	(75)	**(37)**
Total Group	**1,800**	**1,875**	**1,878**	**1,839**	**7,392**	**0**	**0**	**0**	**0**	**0**	**1,800**	**1,875**	**1,878**	**1,839**	**7,392**

[1] Before specific items

[2] As reported in published Q4 2018/19 KPIs

2018/19 pro forma historical financial information KPI 'B' - post recharge changes/ESN transfer and post IFRS 16

2018/19 revenue and EBITDA £m unless otherwise stated	IFRS 16					Revised pro forma results - post IFRS 16				
	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY
Adjusted[1] revenue										
Consumer						2,570	2,654	2,757	2,610	**10,591**
Enterprise						1,588	1,633	1,583	1,592	**6,396**
Global						1,147	1,185	1,202	1,201	**4,735**
Openreach						1,255	1,293	1,256	1,271	**5,075**
Other						1	1	2	(1)	**3**
Eliminations						(845)	(858)	(818)	(820)	**(3,341)**
Total Group						**5,716**	**5,908**	**5,982**	**5,853**	**23,459**
Adjusted[1] EBITDA										
Consumer	56	58	56	57	**227**	620	617	646	675	**2,558**
Enterprise	31	31	30	30	**122**	486	517	513	516	**2,032**
Global	39	38	41	42	**160**	119	136	173	176	**604**
Openreach	46	47	48	49	**190**	717	761	731	725	**2,934**
Other	8	9	9	9	**35**	38	27	(1)	(66)	**(2)**
Total Group	**180**	**183**	**184**	**187**	**734**	**1,980**	**2,058**	**2,062**	**2,026**	**8,126**

Unaudited

Pro forma historical financial information KPI 'A' - post recharge changes/ESN transfer and pre IFRS 16

2017/18 and 2018/19 capex and normalised free cash flow £m unless otherwise stated All numbers are stated before specific items.	Previously reported[1]						Change in recharge methodology & transfer of ESN contract						Restated results					
	17/18 H1	17/18 H2	17/18 Full year	18/19 H1	18/19 H2	18/19 Full year	17/18 H1	17/18 H2	17/18 Full year	18/19 H1	18/19 H2	18/19 Full year	17/18 H1	17/18 H2	17/18 Full year	18/19 H1	18/19 H2	18/19 Full year
Capex																		
Consumer	461	458	919	401	593	**994**	(61)	(44)	(105)	(28)	(22)	**(50)**	400	414	814	373	571	**944**
Enterprise	237	255	492	218	283	**501**	61	44	105	28	22	**50**	298	299	597	246	305	**551**
Global	128	150	278	99	146	**245**	-	-	-	-	-	**-**	128	150	278	99	146	**245**
Openreach	808	891	1,699	1,055	1,026	**2,081**	-	-	-	-	-	**-**	808	891	1,699	1,055	1,026	**2,081**
Other	59	75	134	60	82	**142**	-	-	-	-	-	**-**	59	75	134	60	82	**142**
Total Group	**1,693**	**1,829**	**3,522**	**1,833**	**2,130**	**3,963**	**0**	**0**	**0**	**0**	**0**	**0**	**1,693**	**1,829**	**3,522**	**1,833**	**2,130**	**3,963**
Normalised free cash flow																		
Consumer	663	691	1,354	677	646	**1,323**	8	(75)	(67)	(60)	(97)	**(157)**	671	616	1,287	617	549	**1,166**
Enterprise	669	900	1,569	646	837	**1,483**	(134)	(52)	(186)	(82)	(45)	**(127)**	535	848	1,383	564	792	**1,356**
Global	(133)	248	115	(44)	340	**296**	(30)	(30)	(60)	(30)	(31)	**(61)**	(163)	218	55	(74)	309	**235**
Openreach	523	639	1,162	287	398	**685**	159	159	318	161	160	**321**	682	798	1,480	448	558	**1,006**
Other	(477)	(750)	(1,227)	(592)	(755)	**(1,347)**	(3)	(2)	(5)	11	13	**24**	(480)	(752)	(1,232)	(581)	(742)	**(1,323)**
Total Group	**1,245**	**1,728**	**2,973**	**974**	**1,466**	**2,440**	**0**	**0**	**0**	**0**	**0**	**0**	**1,245**	**1,728**	**2,973**	**974**	**1,466**	**2,440**

Pro forma historical financial information KPI 'B' - post recharge changes/ESN transfer and post IFRS 16

2017/18 and 2018/19 capex and normalised free cash flow £m unless otherwise stated All numbers are stated before specific items.	IFRS 16						Revised pro forma results - post IFRS 16					
	17/18 H1	17/18 H2	17/18 Full year	18/19 H1	18/19 H2	18/19 Full year	17/18 H1	17/18 H2	17/18 Full year	18/19 H1	18/19 H2	18/19 Full year
Capex												
Consumer	-	-	-	-	-	-	400	414	814	373	571	**944**
Enterprise	-	-	-	-	-	-	298	299	597	246	305	**551**
Global	-	-	-	-	-	-	128	150	278	99	146	**245**
Openreach	-	-	-	-	-	-	808	891	1,699	1,055	1,026	**2,081**
Other	-	-	-	-	-	-	59	75	134	60	82	**142**
Total Group	**0**	**0**	**0**	**0**	**0**	**0**	**1,693**	**1,829**	**3,522**	**1,833**	**2,130**	**3,963**
Normalised free cash flow												
Consumer	-	-	-	-	-	-	671	616	1,287	617	549	**1,166**
Enterprise	-	-	-	-	-	-	535	848	1,383	564	792	**1,356**
Global	-	-	-	-	-	-	(163)	218	55	(74)	309	**235**
Openreach	-	-	-	-	-	-	682	798	1,480	448	558	**1,006**
Other	-	-	-	-	-	-	(480)	(752)	(1,232)	(581)	(742)	**(1,323)**
Total Group	**0**	**0**	**0**	**0**	**0**	**0**	**1,245**	**1,728**	**2,973**	**974**	**1,466**	**2,440**

[1] As reported in published Q4 2018/19 KPIs.