



BT Group plc

2016 Annual General Meeting

13 July 2016



BT Group plc

Sir Michael Rake - Chairman



Our investments are delivering for the UK

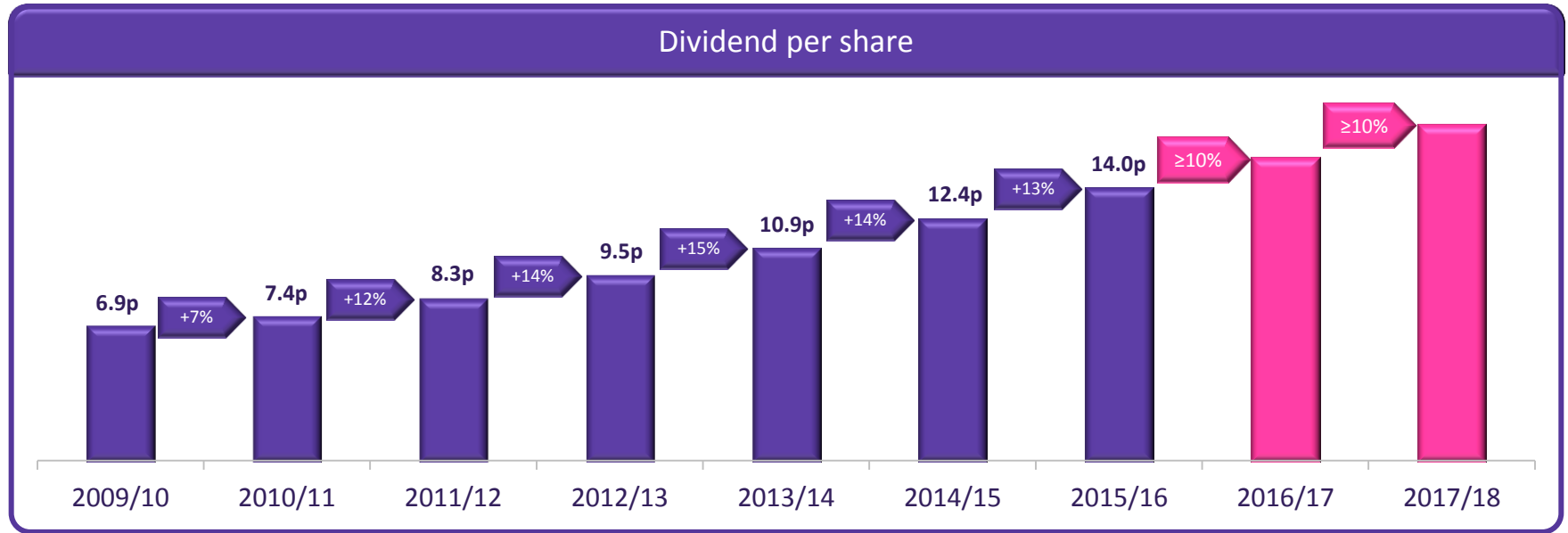


- ▶ 90% of the UK has access to fibre broadband
 - on track to help Government hit its 95% target, and beyond
- ▶ Further investment in UK infrastructure for the rest of this decade
 - ambition for ultrafast broadband to pass 12m premises by 2020
 - mobile 4G geographic coverage to 95% by 2020
- ▶ We're launching new products and services
 - launch of BT Sport Europe in August 2015
 - supporting corporate customers with new cloud-based services
- ▶ We're investing more in the customer experience
 - we need to do better; we have ambitious goals

We aim to be a sustainable and responsible business

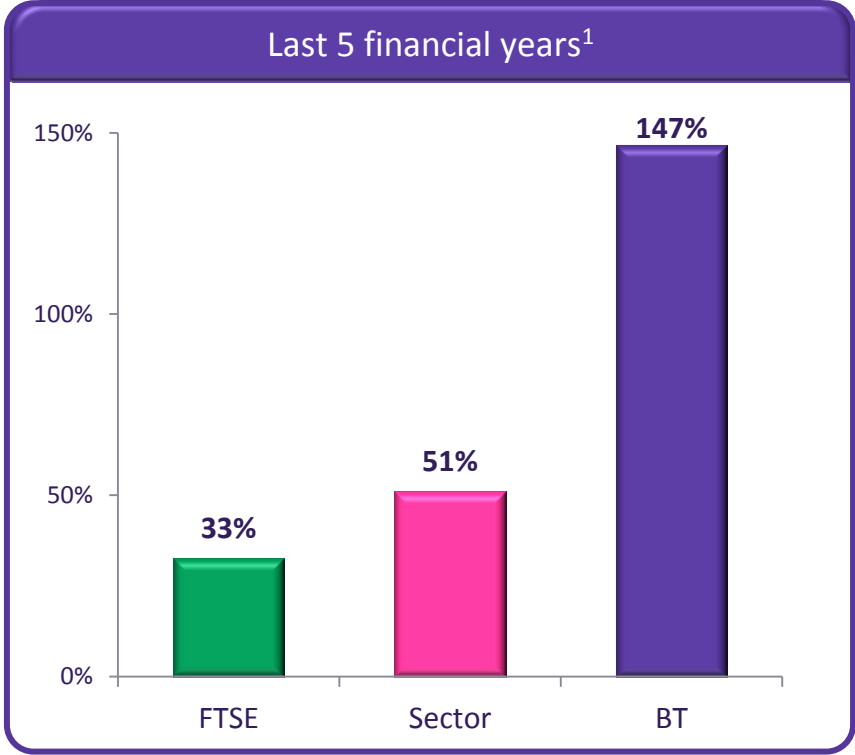
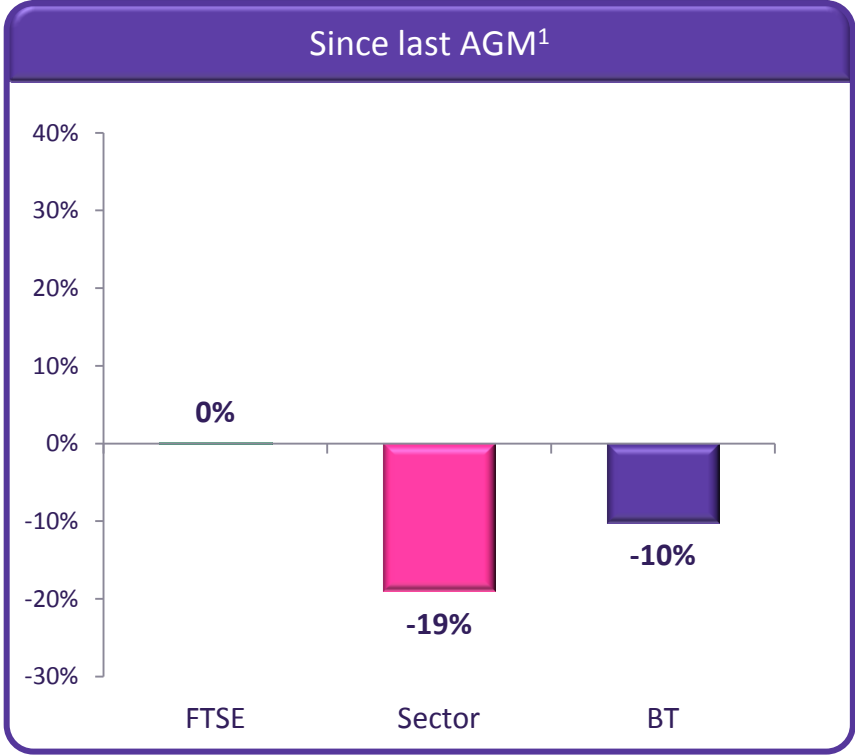
- ▶ Supporting charities and communities
 - £94m raised for good causes this year
 - our people spent 45,000 days volunteering
- ▶ Creating a connected society
 - aim to help 10m people overcome social disadvantage by 2020 through our services
- ▶ Creating a culture of tech literacy
 - aim to improve computer skills teaching for 5m children by 2020
- ▶ Delivering environmental benefits
 - our products reduce customers' carbon emissions by 1.6:1

And providing growing returns for our shareholders



- ▶ 9.6p proposed final dividend, up 12.9%, full year dividend of 14.0p, up 12.9%

Share price performance



¹Total Shareholder Return which includes dividends; to 30 June 2016

Financial objectives

Deliver sustainable, profitable revenue growth

Grow EBITDA

Grow free cash flow

**Invest in
business**

**Reduce
net debt**

**Support
pension fund**

**Pay progressive
dividends**



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Gavin Patterson – Chief Executive

A landmark year for BT



Delighted with
acquisition of EE



Strong financial results
- best revenue performance
for >7 years



Driven by the
investments
we're making

FY 2015/16 results in line with outlook

	BT excluding EE		
	Outlook ¹	FY 2015/16 results ¹	
Underlying² revenue ex transit	Up 1% - 2%	Up 2.0%	✓
EBITDA³	Modest growth versus £6,271m in 2014/15	£6,319m, up 1%	✓
Normalised free cash flow⁴	Around £2.8bn	£2,837m	✓

¹ excludes the impact of EE

² excludes specific items, foreign exchange movements and the effect of acquisitions and disposals

³ before specific items

⁴ before specific items, pension deficit payments and the cash tax benefit of pension deficit payments

Over the last three years:



Significantly improved revenue¹: from a 3% decline to 2% growth



Taken £3bn out of our gross costs, helping us to fund our investments



Brought fibre to 10m more homes and businesses



Successfully launched BT Sport, bringing it to >5m households



Launched BT Mobile and acquired EE, the UK's leading mobile operator

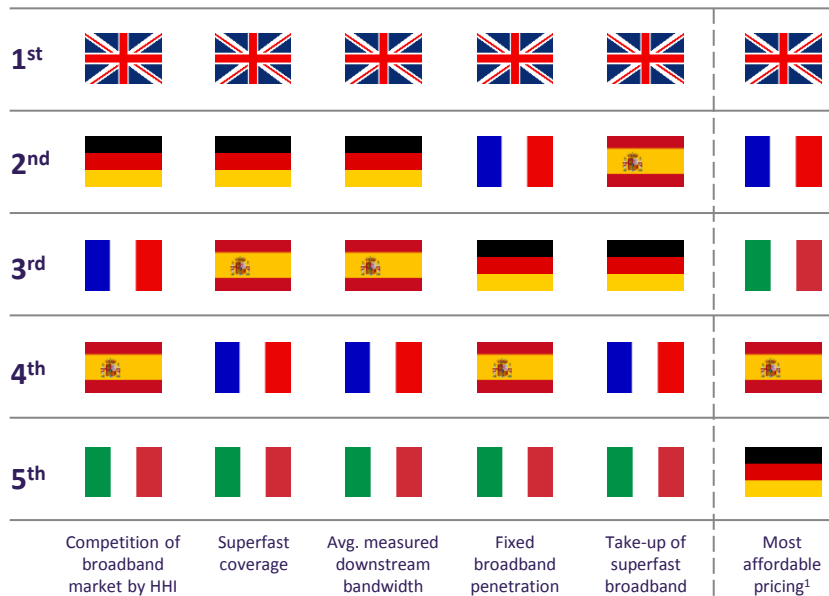
Increased cash
flow² by
>20%

¹ Underlying revenue excluding transit

² Normalised free cash flow, excluding EE

Digital communications is a UK success story

No.1 of major European countries

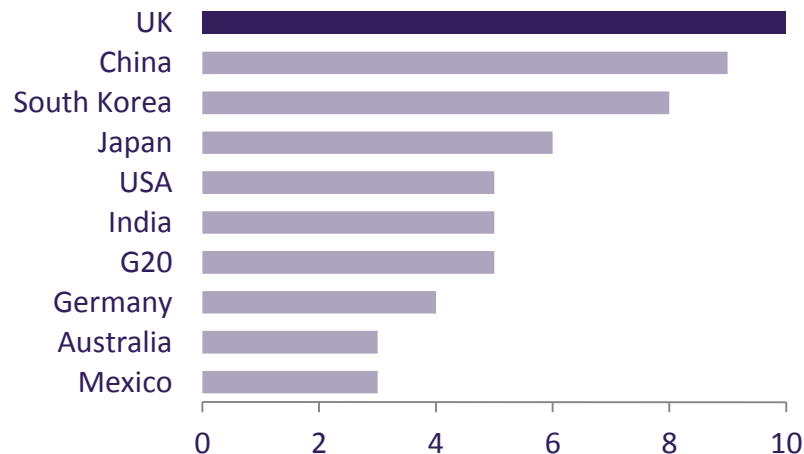


Source: Analysys Mason, International benchmarking report, September 2015

4th

out of 167 countries (ITU Development Index)

% of GDP driven by internet (eGDP)



Source: BCG UK eGDP, May 2015

¹ 'Weighted average' bundled service pricing for a family household with multiple needs

BT's investments in Wales

£575m

Total Gross Value Add impact (including indirect and induced effects)

£94m

Total income of BT employees working in the nation

£700k

Invested in sustainable and responsible business activities In Wales

Across Wales

- ▶ 87% superfast broadband coverage
- ▶ Ultrafast G.fast trial now in Swansea
- ▶ Every school has opportunity to get fibre broadband through Public Service Broadband Aggregation programme
- ▶ BT employs 1 in every 6 employees working in the IT and communications sectors



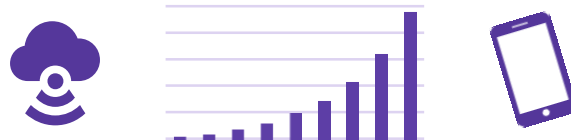
It means we're in a stronger position to drive, and benefit from, key market trends

1



Our markets are converging

2



Data volumes are accelerating

3



Businesses are moving to the cloud

4



Multinational companies globalisation

Our purpose, goal, strategy and culture

Our purpose

To use the power of communications to make a better world

Our goal

Growth – to deliver sustainable profitable revenue growth

Our strategy

Broaden and deepen our customer relationships

Deliver great
customer experience

Invest for
growth

Transform
our costs

Differentiated
content, services
and applications

Best network
in the UK

Fully converged
service provider

Market
leadership in all
UK segments

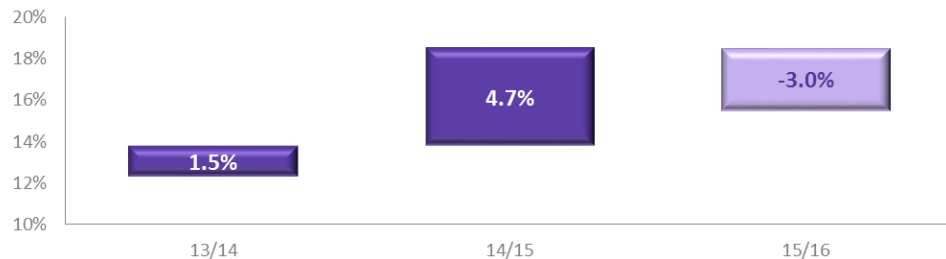
Focus on
multinational
companies
globally

A healthy
organisation

Best place to work

A challenging year for customer service

Right First Time improvement*



* Based on cumulative improvement in Right First Time measure from 12/13 base year

Minimum Service Level (MSL) set by Ofcom

- ▶ 60/60 targets met or exceeded for the last two years
- ▶ Provision improvement
 - 14/15 4.5% better than MSL
 - 15/16 4.3% better than MSL
- ▶ Repair improvement
 - 14/15 8.5% better than MSL
 - 15/16 3.4% better than MSL



We will focus on great customer experience



Improving our network

- ▶ Rolling out more fibre
- ▶ Fewer faults
- ▶ Recruiting more engineers



Doing more things right first time

- ▶ Reducing the need for customers to call us
- ▶ Investing in training
- ▶ Halving missed engineer appointments
- ▶ Reducing repair rate from 48 to 24 hours



Making it easier to contact us if you need to

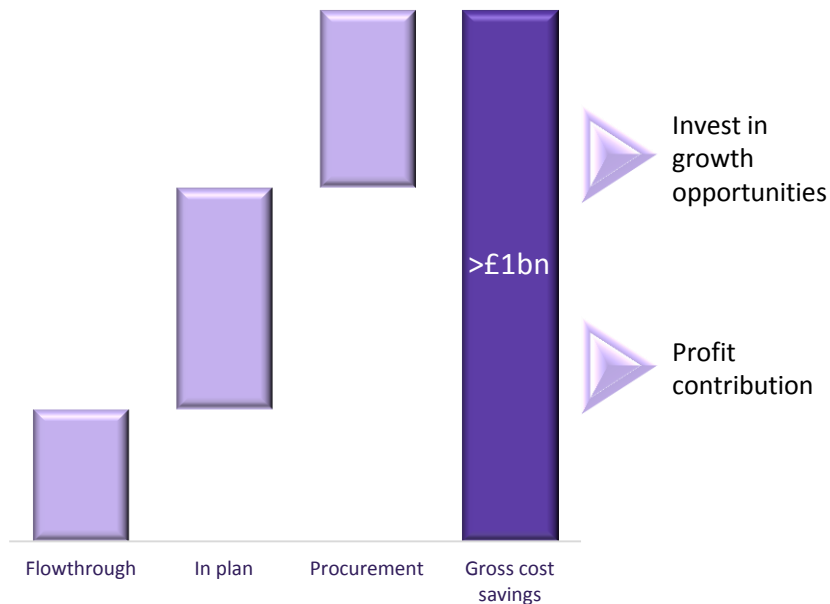
- ▶ More calls handled in the UK
- ▶ Recruiting more customer care advisors
- ▶ Improving digital capability

We will continue to drive cost transformation to support investment in service

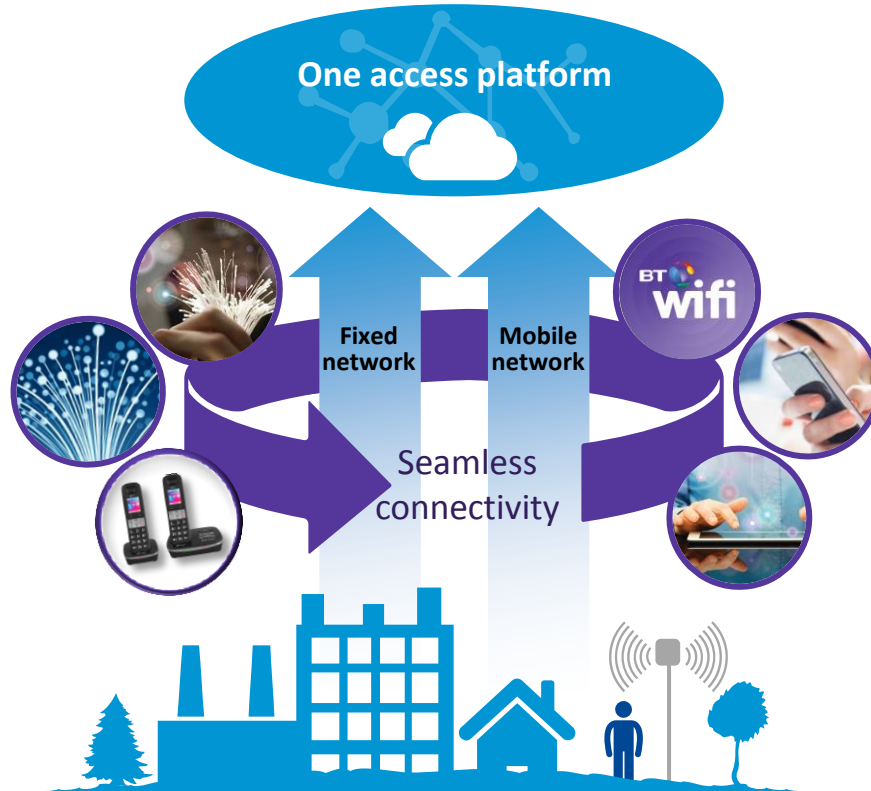
Cost saving opportunities

- ▶ Insourcing saves money, protects BT jobs, improves service
 - nearly 15,000 jobs insourced since 2008/09
- ▶ Improving back-office efficiency
 - c.6,000 jobs created in Central Business Services unit in UK and overseas
- ▶ Investing in customer service
 - >900 new UK contact centre staff, hiring 1,600 more in Consumer and EE
 - c.3,000 Openreach engineers hired in last 2 years

Still > £1bn gross cost savings in next 2 years



We will become a fully converged service provider



We will have the best network in the UK

95%

Superfast availability by end-2017

- we want to go further

10m

Ultrafast homes by end-2020

- with an ambition to reach 12m

95%

4G geographic coverage by end-2020

- from an industry-leading 60% today

300k

Emergency Services Network

- we'll be supporting 300k Emergency Services users

Moving from superfast to ultrafast

Superfast

90%

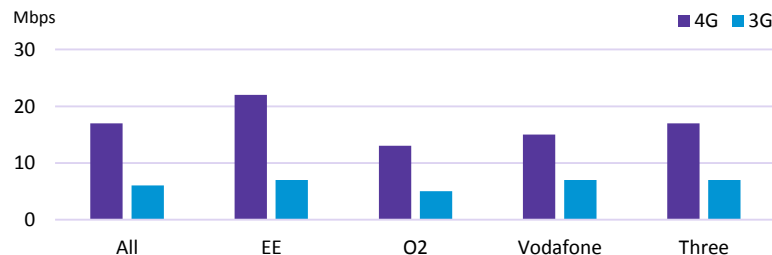
95%

Ultrafast

12m



Average download speed 4G v 3G, by operator



Source: Ofcom mobile broadband measurements, fieldwork November and December 2015.



We will have differentiated content, services and applications

BT Sport



BT TV



New BT Smart Hub



Emergency Services Network



Cloud of clouds



Converged communication services



Cybersecurity



We will have a geographical focus



How we plan to achieve sustainable profitable revenue growth

The investments we've made are fueling growth today

- ▶ We'll continue to invest with discipline
- ▶ Supported by cost transformation, our cash generation and a strong balance sheet

We have products that our customers want

- ▶ Multiple brands; relationships with many UK homes / businesses
- ▶ Growing our share of wallet
- ▶ Using customer experience as a competitive advantage

With the best network assets

- ▶ Largest superfast fixed network and best 4G mobile network

We're already growing overseas

- ▶ With strong growth in areas like security, cloud and IP

And our markets can grow

- ▶ As customers consume more digital services, and
- ▶ Increasingly focus on value, reliability and consistency of service





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Resolution	Description
1	Report and accounts
2	Remuneration report
3	Final Dividend
4-11	Re-election of directors
12-14	Elect Mike Inglis, Tim Höttges and Simon Lowth
15	Reappointment of auditors
16	Remuneration of auditors
17	Authority to allot shares
18	Authority to allot shares for cash*
19	Authority to purchase own shares*
20	14 days' notice of meetings*
21	Authority for political donations

* Special Resolutions

		For & Discretion		Against		Vote Withheld		Overall
Res No.	Description	Total	%	Total	%	Total	%	Total
12	Elect Mike Inglis	6,970,212,655	99.81	9,514,834	0.14	3,975,961	0.06	6,983,703,450
13	Elect Tim Höttges	6,719,199,815	96.21	121,440,236	1.74	143,063,708	2.05	6,983,703,759
14	Elect Simon Lowth	6,960,814,321	99.67	18,768,737	0.27	4,117,957	0.06	6,983,701,015
15	Reappointment of auditors	6,790,960,459	97.24	190,448,066	2.73	2,294,506	0.03	6,983,703,031
16	Remuneration of auditors	6,893,709,960	98.71	86,965,886	1.25	3,035,239	0.04	6,983,711,085
17	Authority to allot shares	6,744,391,944	96.57	225,684,839	3.23	13,623,778	0.20	6,983,700,561
18	Authority to allot shares for cash*	6,926,765,559	99.18	13,595,031	0.19	43,339,981	0.62	6,983,700,571
19	Authority to purchase own shares*	6,860,318,779	98.23	80,909,016	1.16	42,483,346	0.61	6,983,711,141
20	14 days' notice of meetings*	6,462,659,128	92.54	479,142,009	6.86	41,906,284	0.60	6,983,707,421
21	Authority for political donations	6,782,476,107	97.12	104,971,831	1.50	96,254,879	1.38	6,983,702,817

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Poll on all Resolutions

Using your Admission Card/Proxy Card:

- If voting all shares “for”, place a cross (X) in “For” box
- If voting all shares “against”, place a cross (X) in “Against” box
- If withholding vote, place (X) in “Vote withheld” box
- If splitting vote, indicate the number of shares voting “for” “against” and “Vote withheld”
- Please sign the card
- Place completed card in ballot box as you leave
- Please ask a marshal if you have any questions

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