



BT Group plc 2017 Annual General Meeting

12 July 2017



BT Group plc

Sir Michael Rake - Chairman

Ongoing transformation: progress since 2008

Annual revenue

+16%

Underlying EBITDA

+32%

Dividend payments have returned more than **£1 per share**

BT is a stronger, more efficient and higher-growth company

2016/17: satisfactory financial performance despite significant challenges

Challenges

- Financial misconduct in our Italian operations
 - Zero tolerance for misconduct that took place
- Historical Openreach practices
 - Deemed Consent investigation
- Weaker demand in business markets
 - UK public sector and international corporate markets

Actions taken



- Management team in Italy changed
- Review of processes and practices
- Improvements implemented in controls, governance and compliance
- Appropriate and proportionate actions on remuneration

Major achievements delivered in other parts of the business and a formidable set of assets

Openreach: new governance framework agreed with Ofcom

An enduring agreement

- Providing greater certainty
- Better, broader, faster connectivity is critical for the UK
 - we are committed to make the investments and service improvements necessary
- Independent Chairman appointed to strengthened board
- Openreach to remain a wholly-owned subsidiary



Investing for the future



Customer experience



Fibre rollout



Ultrafast



4G

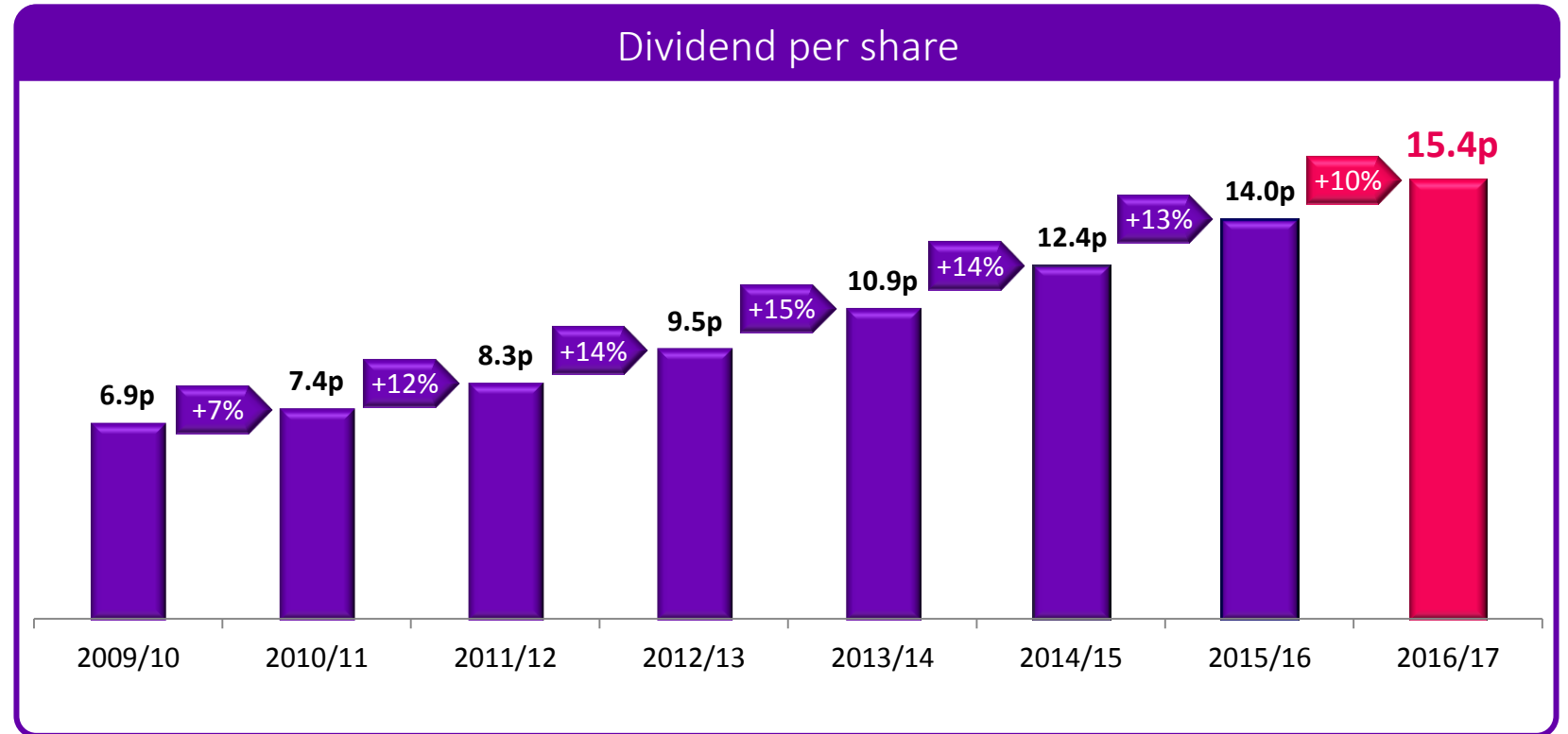


5G

Investments coupled to increased operating efficiency and ongoing cost transformation

Progressive shareholder returns

- Proposed final dividend of 10.55p, up 10%
- Full-year dividend of 15.40p, up 10%



Summary: good progress since 2008 – BT is well placed for the future

- Fibre rollout ranks among the fastest in the OECD
- Acquisition of EE has created market leading position in wireless
- Successfully launched competitive sports offering in TV
- Strong balance sheet

We have the strength and depth to deliver growth and profitability



BT Group plc

Gavin Patterson - Chief Executive

A national asset: a world-leading converged telecommunications group



BT is an engine of the digital economy ... providing vital connectivity that people rely on

Financial strength: investing in networks, people and customer experience



While meeting our pension obligations, reducing debt and paying progressive dividends

Our wider return on investment



Connecting communities



Creating jobs



Supporting skills training



Enhancing tech literacy

A powerful force in digital communications with potential for sustained and steady growth

2016/17: a challenging year

Wrong-doing in Italian operations

- Management team in Italy changed ✓
- Assurance testing and strengthened controls in Global Services ✓

Our Italian business accounts for 1% of our profit

Deemed Consent practices

- Systems and processes strengthened in Openreach ✓

Relates to an 18-month period that ended in December 2014

Slowdown in UK public sector

- Reconfiguring parts of public-sector business ✓

Order intake in Business and Public Sector was up 18% last year

We're determined that these issues will not recur

Ongoing transformation: focused and disciplined approach



Streamlining the business will
save £300m over two years



Enabling us to recruit
more engineers



Creating 1,700 new apprentice
and graduate roles this year



And further improve
customer experience

Customer experience improvements in every part of the business; more to come this year

Customer experience: building on underlying strengths of the business

Consumer

- Average revenue per user

+8%

- BT Sport strengthened



EE

- The UK's leading mobile network

- 4G UK geographic coverage

80%

Openreach

- A fair regulatory settlement that will benefit all stakeholders and promote investment
- Customer service improvements
- Record fibre growth

Wholesale and Ventures

- Good growth in fibre broadband and Ethernet
- Order intake

+38%

Digital future: our investments will underpin UK infrastructure

We're committed to investing £6bn in our fixed and mobile networks over three years



G.fast



Fibre to the Premises



4G & 5G



Research and Development
(c£500m annual spend)

We're also investing in our people and prioritising the customer experience

Wider purpose: investing and contributing in a connected society

Our purpose is to use the power of communications to make a better world



130 community fibre
partnerships now delivered



Tech literacy
programme



Work Ready
programme



More than 30% of our people
volunteered in the year

Contributing to digital literacy and connectivity of the UK while delivering our strategy

Summary: confident outlook after a challenging year



The best digital infrastructure



The best people



The best innovation

- Investing in differentiated content, services and applications...
- ... while maintaining financial discipline and operating efficiency

Realising our full potential while having a positive impact on society