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BT Group plc

Q1 2013/14 results

25 July 2013

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Certain statements in this presentation are forward-looking and are made in reliance on the safe harbour provisions of the US Private Securities Litigation Reform Act of 1995. These statements include, without limitation, those concerning: current year outlook, including revenue trends, EBITDA and normalised free cash flow; BT Global Services' results and continued progress in its business; BT Retail EBITDA; BT Wholesale performance; our investment in BT Sport; our fibre roll-out programme; liquidity and funding; and the impact of regulation.

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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
EBITDA[2]	**1,440**	(1%)	includes BT Sport pre-launch costs
Operating profit[2]	**743**	2%	depreciation down 4%
Profit before tax[2]	**595**	5%	lower depreciation and lower interest
EPS[2]	**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

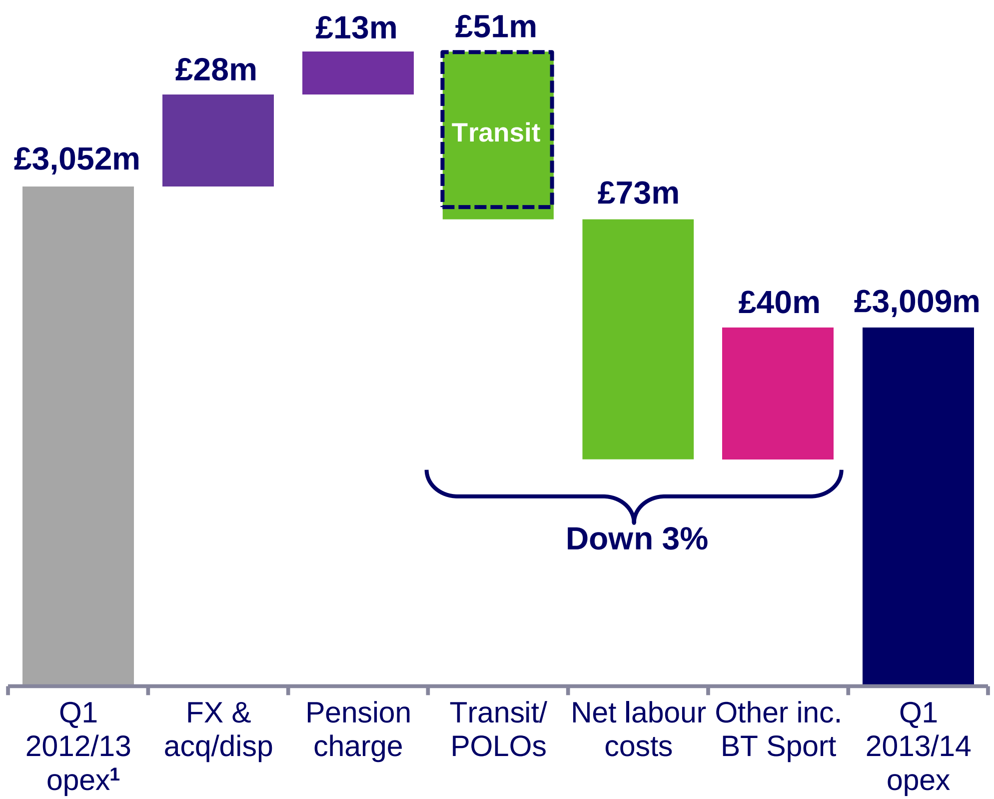
Q1 2013/14 free cash flow

£m	Q1 13/14	Change[1]	Key points
EBITDA[2]	**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 FCF[4]	**(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

[1] restated

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

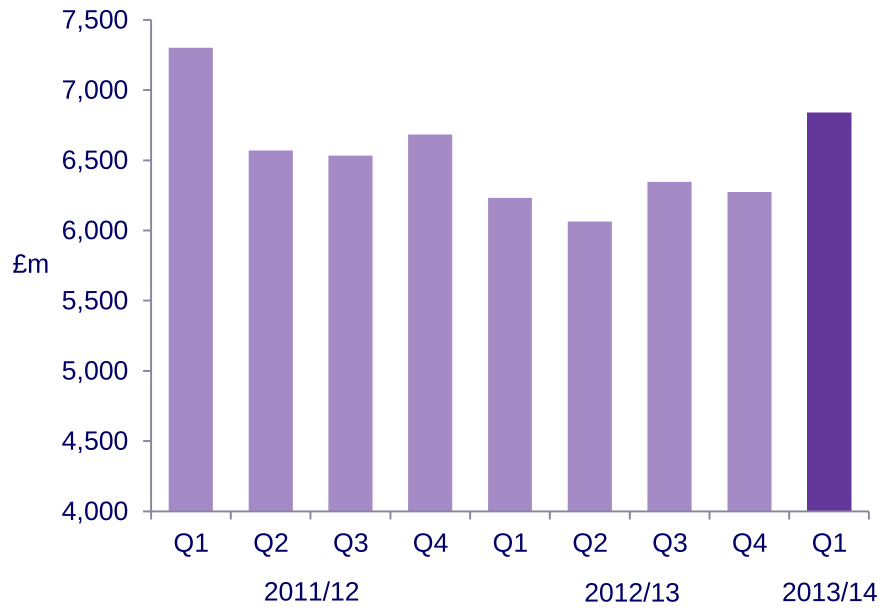
Q1 2013/14 line of business overview

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



[1] prior year restated

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 share[2] 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

[1] prior year restated

[2] DSL and fibre, excluding cable

BT Sport

Some of our matches in 1st third of FAPL season

Chelsea Football Club v Tottenham Hotspur

Everton v Liverpool Football Club

Tottenham Hotspur v Manchester United

First picks left

BT: 13

Sky: 12

Now >500,000 homes

New four year FA Cup contract

And much more football

SPFL Scottish Professional Football League

UEFA Europa League

Serie A TIM

Bundesliga

Football Conference

MLS Major League Soccer

Ligue 1

Brasileirão

Hyundai A-League

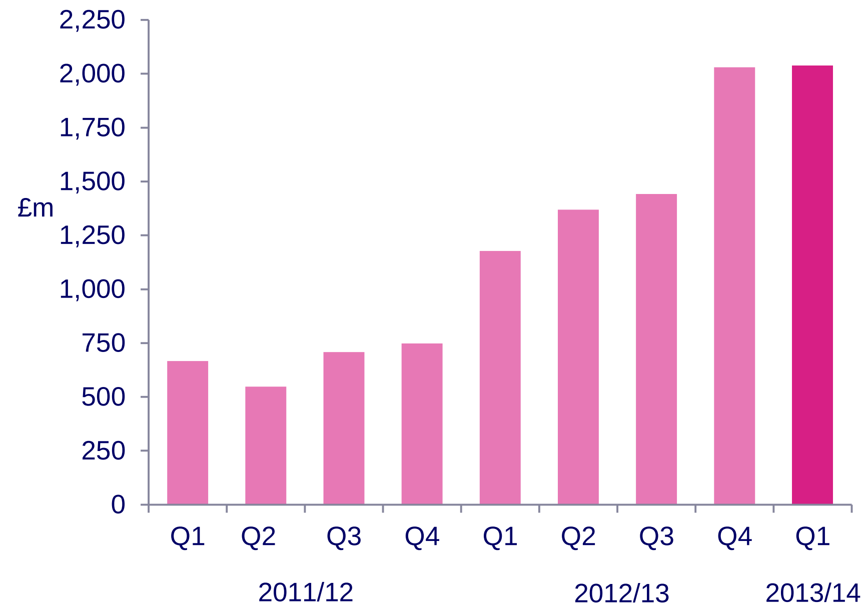
Q1 2013/14 line of business overview

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



[1] prior year restated

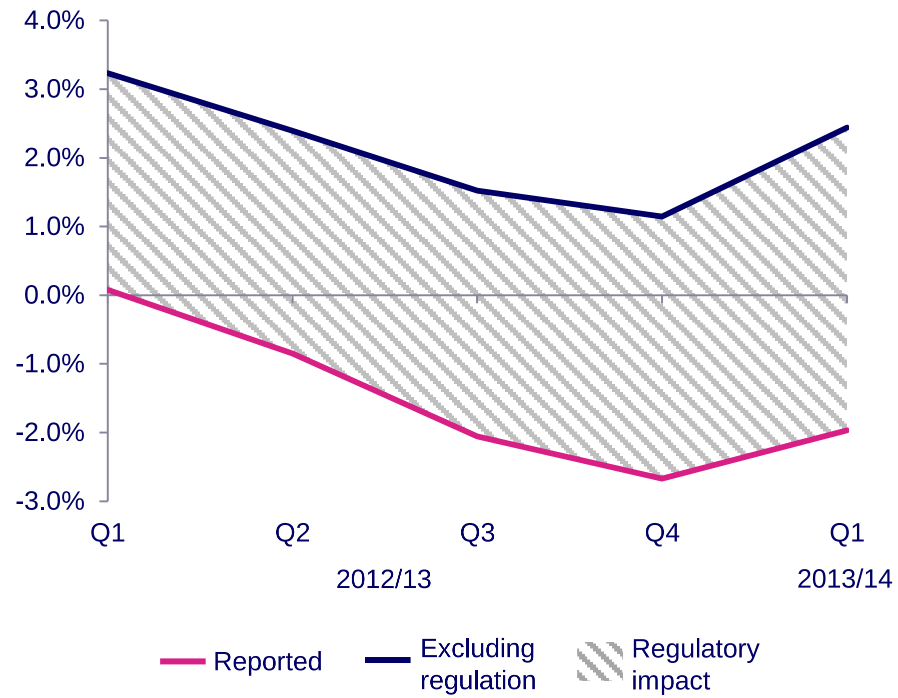
Q1 2013/14 line of business overview

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



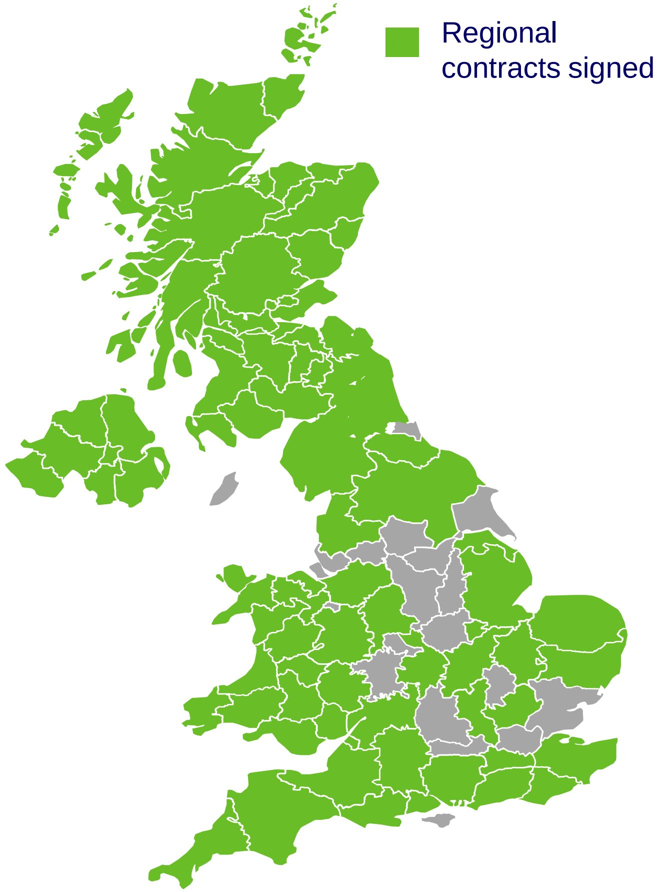
[1] prior year restated

Q1 2013/14 line of business overview

Fibre

- 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

Fibre in the 'final third'



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

A better future

Customer service delivery → **Cost transformation** → **Investing for the future** → **A better business**

More to do

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Q&A