



BT Group plc Q1 2017/18 results

28 July 2017

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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: our outlook for 2017/18 including revenue, EBITDA and free cash flow; dividend growth; group restructuring; accelerating cost transformation; investment in customer experience; 4G network coverage; and fibre broadband rollout.

Although BT believes that the expectations reflected in these forward-looking statements are reasonable, it can give no assurance that these expectations will prove to have been correct. Because these statements involve risks and uncertainties, actual results may differ materially from those expressed or implied by these forward-looking statements.

Factors that could cause differences between actual results and those implied by the forward-looking statements include, but are not limited to: material adverse changes in economic conditions in the markets served by BT whether as a result of the uncertainties arising from the UK's exit from the EU or otherwise; future regulatory and legal actions, decisions, outcomes of appeal and conditions or requirements in BT's operating areas, including the universal broadband commitment and the outcome of Ofcom's strategic review of digital communications in the UK, as well as competition from others; responses to Openreach consultations and the results of any future spectrum auctions; selection by BT and its lines of business of the appropriate trading and marketing models for its products and services; fluctuations in foreign currency exchange rates and interest rates; technological innovations, including the cost of developing new products, networks and solutions and the need to increase expenditures for improving the quality of service; prolonged adverse weather conditions resulting in a material increase in overtime, staff or other costs, or impact on customer service; developments in the convergence of technologies; external threats to cyber security, data or resilience; political and geo-political risks; the anticipated benefits and advantages of new technologies, products and services not being realised; the timing of entry and profitability of BT in certain markets; significant changes in market shares for BT and its principal products and services; the underlying assumptions and estimates made in respect of major customer contracts proving unreliable; the anticipated benefits and synergies of the EE integration not being delivered; the aims of and anticipated cost savings from the group's restructuring programmes not being delivered; the improvements to the control environment proposed following the investigations into BT's Italian business not being implemented successfully or effectively; and general financial market conditions affecting BT's performance and ability to raise finance. BT undertakes no obligation to update any forward-looking statements whether as a result of new information, future events or otherwise.

Gavin Patterson
Group Chief Executive

Q1 2017/18 results

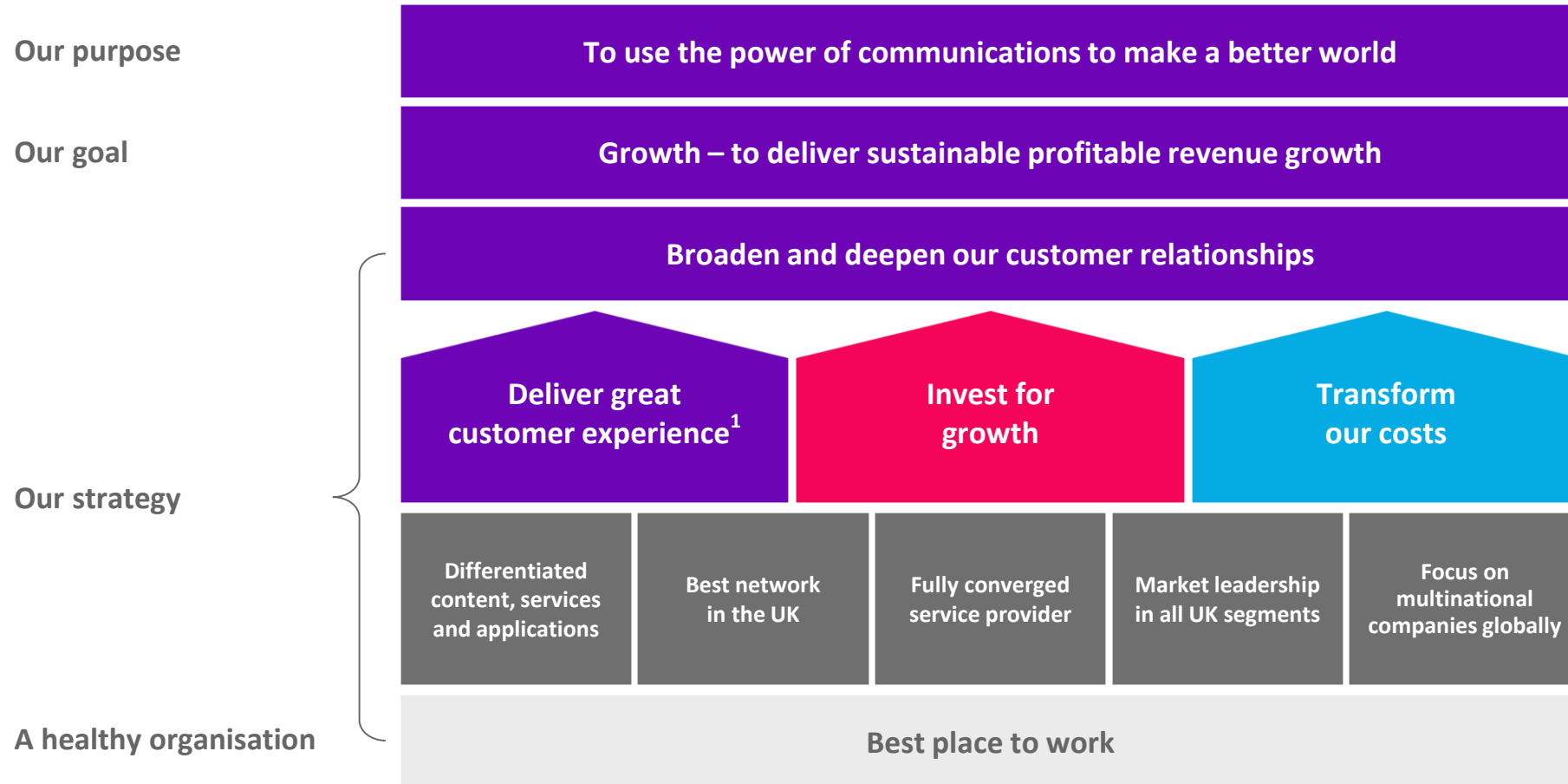
	Q1 2017/18	Q1 2016/17	Change
Revenue¹	£5,849m	£5,775m	1%
– underlying ex transit ²			0.2%
EBITDA¹	£1,785m	£1,818m	(2)%
Normalised free cash flow³	£556m	£448m	up £108m

¹ before specific items

² before specific items, foreign exchange movements and disposals

³ before specific items, pension deficit payments and the cash tax benefit of pension deficit payments

Strategy - positive progress



¹ ee.co.uk/our-company/about-us/customer-service-results-2017
bt.com/help/home/customer-service-performance
homeandwork.openreach.co.uk/OurResponsibilities/our-performance.aspx



Openreach FTTP consultation – supporting digital infrastructure



- Already building our ultrafast network - mix of G.fast and FTTP¹
 - bringing at least 100Mbps broadband speeds to up to 12m premises by 2020
 - 550,000 premises passed to date
- Committed and well placed to support large-scale FTTP deployment in the UK
 - a significant investment - will take time to deliver
 - working with government, Ofcom and other communications providers (CPs)
- Could reach over 1m premises a year, and 10m by mid-2020s
 - subject to customer demand and supportive regulatory framework
- Improving deployment methods
 - experience reduces costs and accelerates delivery
 - estimated £300 - £600 per premises passed²

Win-win solution for all stakeholders

¹ fibre-to-the-premises

² for first 10m premises passed

New Consumer business created from BT Consumer and EE

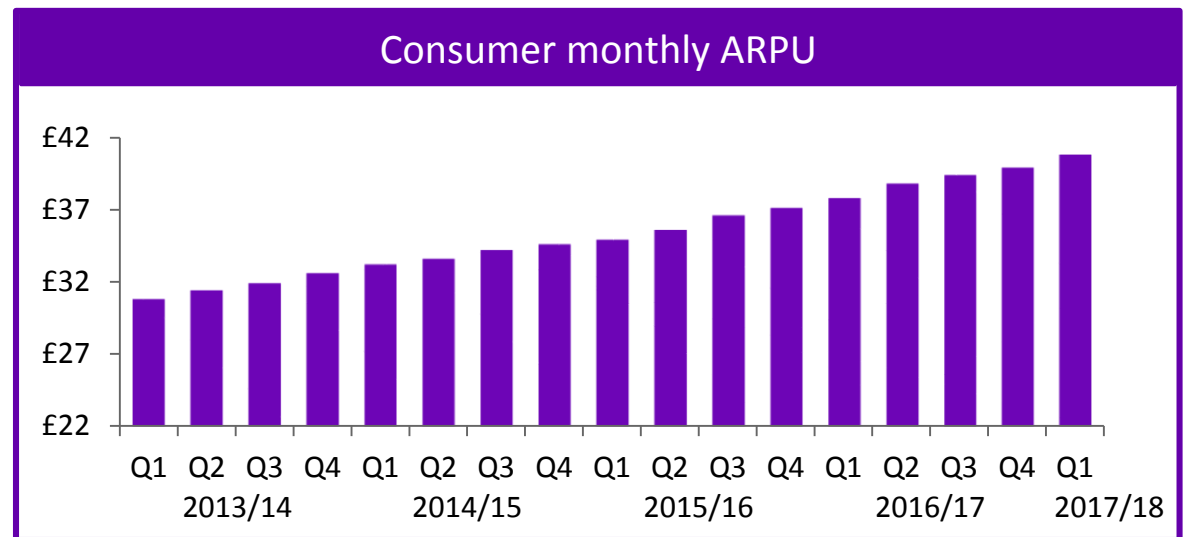
- Bringing together EE and Consumer
- Pro forma c.40% of group revenue, c.32% of EBITDA
- Three distinct brands – BT, EE and Plusnet
- Fixed and mobile networks, consumer products and services and content
- Only fully converged player in the UK market
- Simplify operating model, strengthen accountabilities, accelerate transformation
- Marc Allera, CEO of EE, to lead new division



Consumer – deepening customer relationships

- Revenue up 7% driven by
 - solid fibre adds, broadband churn recovering
 - ARPU¹ up 8% and RGUs² per customer up 4%
 - BT Sport viewing up 9% excluding Showcase and digital channels
- BT Sport strengthened
 - exclusive rights to European Rugby Champions Cup
- Further improvements in customer experience
 - nearly 9 in 10 calls now answered onshore
 - average call waiting time 2 minutes faster than a year ago
- EBITDA down 3%, impacted by higher customer experience and sports rights costs

	Q1 2017/18	Q1 2016/17	Change
Revenue	£1,255m	£1,175m	7%
EBITDA	£233m	£239m	(3)%
Capex	£59m	£58m	2%



¹ average revenue per user

² revenue generating units

EE – improving service to deliver future growth

- Third consecutive quarter of revenue growth
 - postpaid up 5%
 - prepaid down 7%
 - fixed up 19%
- Strong SIM-only performance
 - 210,000 total postpaid adds, group base now 17.0m
 - 385,000 prepaid decline, group base now 6.5m
- Improvements to customer experience and proposition
 - Apple Music, My EE, BT Sport
 - retail expansion through partnership with Sainsbury's
- EBITDA up 19%
 - driven by revenue growth and slower handset market
 - EU roaming cuts to impact fully from Q2
 - smartphone launches to impact Q3 costs
- Investing in our network to give the best experience
 - 4G geographic coverage now 83% of the UK

	Q1 2017/18	Q1 2016/17	Change
Revenue	£1,291m	£1,243m	4%
EBITDA	£335m	£281m	19%
Capex	£173m	£150m	15%

Bringing personal service to more customers

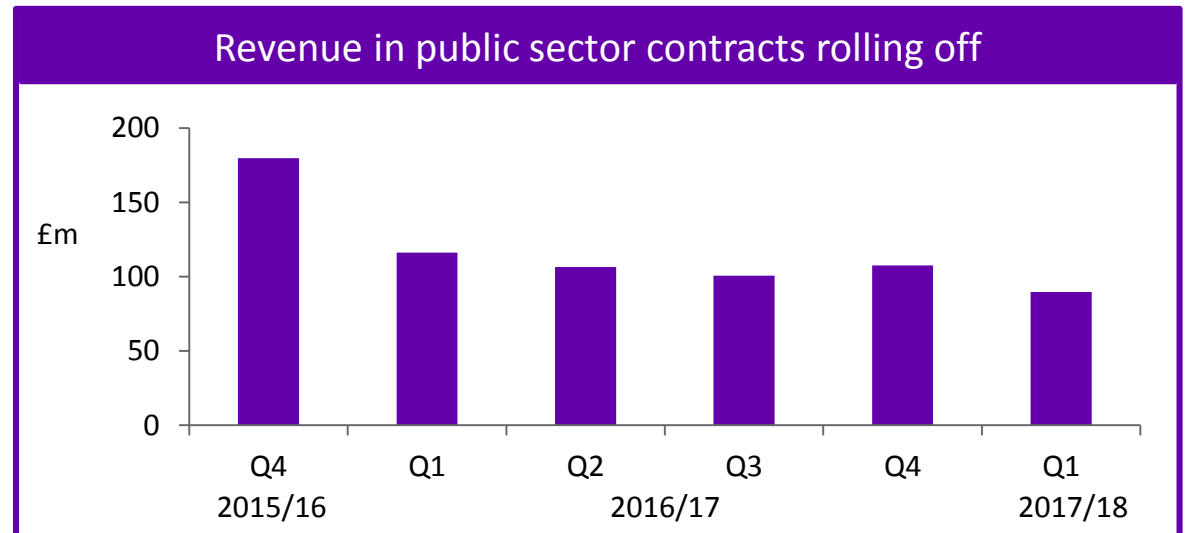
- 100 new stores by end of 2019
- 400 new jobs
- new store formats
- Sainsbury's and Argos



Business and Public Sector – continued strong order intake

- Revenue down 4%
 - SME up 1% with growth in mobile, VoIP and networking
 - Corporate down 6%, mainly due to higher equipment sales last year
 - Public Sector and Major Business down 8%
- Investment in regional sales coverage continues to create traction and drive improved order intake
- EBITDA down 6%
 - public sector headwinds
 - mobile acquisition costs
- Order intake up 81%
 - 12-month rolling up 21%

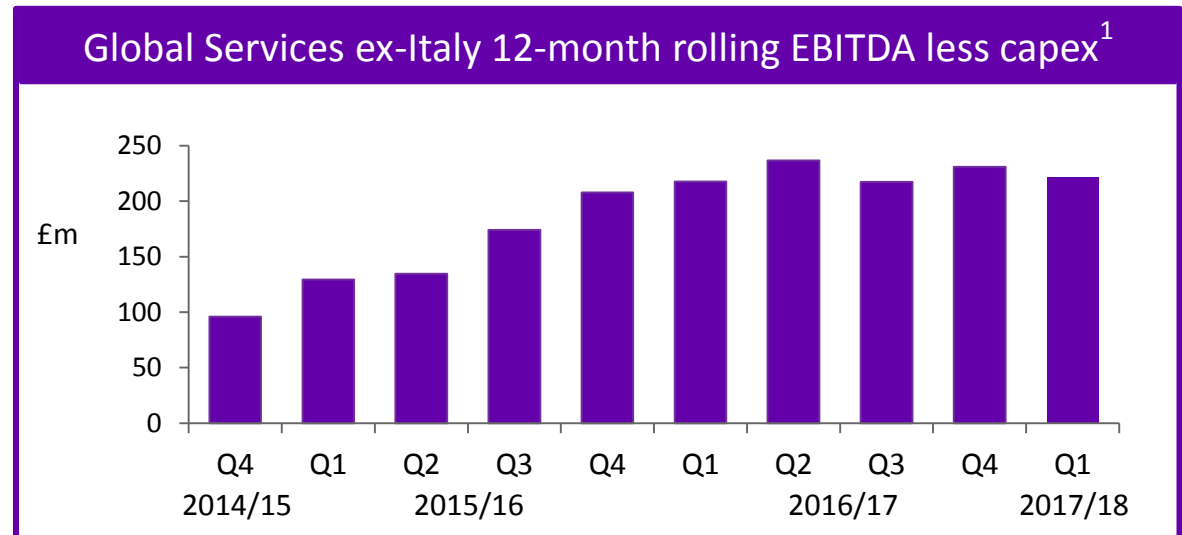
	Q1 2017/18	Q1 2016/17	Change
Revenue	£1,128m	£1,169m	(4)%
– u/l ex transit			(3)%
EBITDA	£336m	£357m	(6)%
Capex	£69m	£56m	23%



Global Services – challenging market conditions

- Underlying revenue ex transit down 7%
 - down 3% excl. Italian impact
- EBITDA down 39%
 - impact of Italy, £21m, and contracts ending
- Restructuring continues
 - towards a more digital, cloud-based offering
 - streamlining accounts to core multinationals
 - reducing focus on local network assets
 - taking action in Italy to improve efficiency
- Order intake down 16% to £0.8bn
 - 12-month rolling down 11%
 - reflecting international corporate market conditions
 - smaller deal size

	Q1 2017/18	Q1 2016/17	Change
Revenue – u/l ex transit	£1,244m	£1,250m	flat (7)%
EBITDA	£73m	£119m	(39)%
Capex	£69m	£91m	(24)%



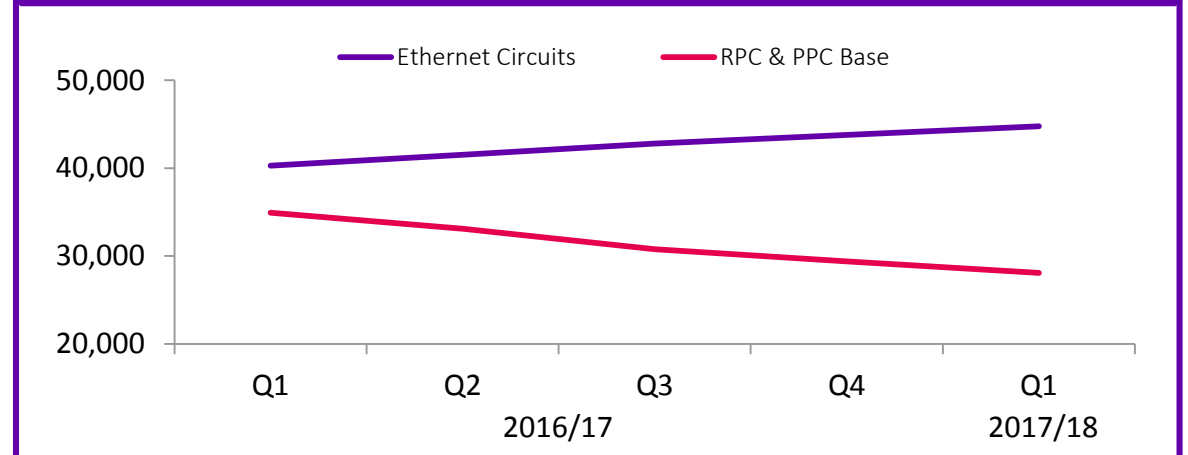
¹pro forma, calculated as though EE had always been part of the group

Wholesale and Ventures – wholesale market headwinds continue

- Underlying revenue ex transit down 4%
 - reductions in Managed Solutions, Data and Broadband and Voice
 - increase in Mobile
 - Ventures revenue broadly flat
- EBITDA down 13%
 - reflecting legacy decline and revenue mix
- Innovation in Ventures business
 - new InLinkUK from BT digital street units
- Order intake down 49% to £171m
 - reflecting slippage of some deals to Q2

	Q1 2017/18	Q1 2016/17	Change
Revenue	£492m	£518m	(5)%
– u/l ex transit			(4)%
EBITDA	£174m	£199m	(13)%
Capex	£51m	£50m	2%

Ethernet growth versus decline in retail & partial private circuits



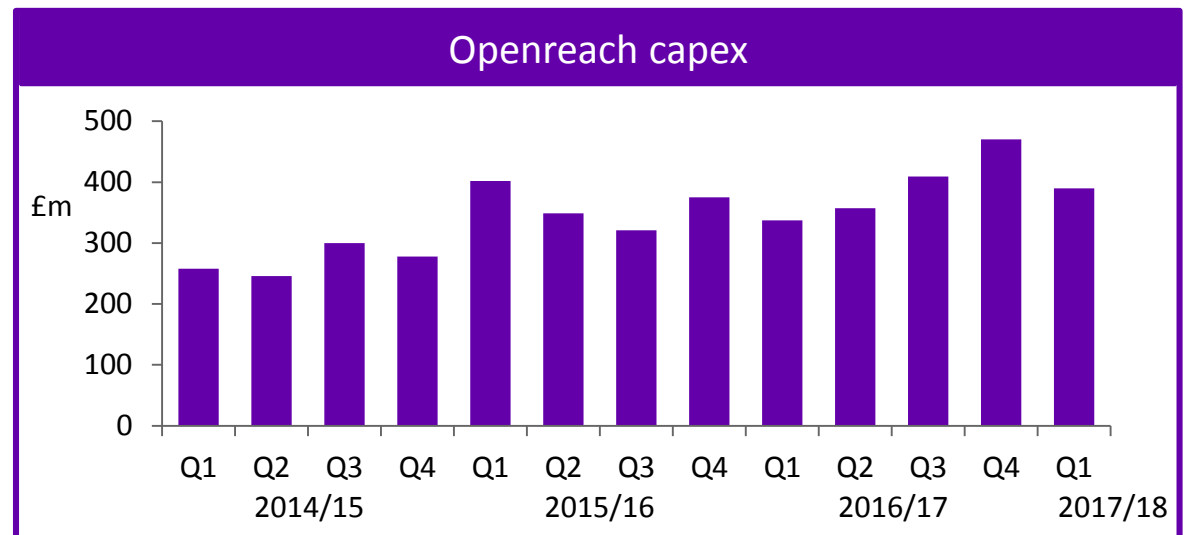
RPC = Retail Private Circuits

PPC = Partial Private Circuits

Openreach – continued fibre strength

- Revenue up 1%
 - continued strong growth in fibre broadband
- EBITDA down 3%
 - strong growth in fibre offset by regulatory price changes, increased business rates and higher pension charge
- 437,000 fibre broadband net additions
 - 8.1m premises connected, 30% of those passed
 - rollout of ultrafast continues (G.fast and FTTP)
- Physical lines down 94,000
 - contributing to slow broadband market
- Implementing plans for a more independent Openreach
- CAT upheld all aspects of our BCMR¹ market definitions appeal

	Q1 2017/18	Q1 2016/17	Change
Revenue	£1,267m	£1,252m	1%
EBITDA	£614m	£632m	(3)%
Capex	£390m	£337m	16%



¹Business Connectivity Market Review

Simon Lowth
Group CFO

Q1 2017/18 results – financial overview

	Q1 2017/18	Q1 2016/17	Change
Revenue¹	£5,849m	£5,775m	1%
– underlying ex transit ²			0.2%
Operating costs³	£(4,064)m	£(3,957)m	(3)%
EBITDA¹	£1,785m	£1,818m	(2)%

¹ before specific items

² before specific items, foreign exchange movements and disposals

³ before specific items and depreciation and amortisation

Q1 2017/18 results – financial overview

	Q1 2017/18	Q1 2016/17	Change
EBITDA¹	£1,785m	£1,818m	(2)%
Depreciation and amortisation	£(865)m	£(855)m	(1)%
Net finance expense ¹	£(129)m	£(154)m	16%
Share of losses of associates and joint ventures	£0m	£(7)m	100%
Tax ¹	£(160)m	£(144)m	(11)%
Profit after tax¹	£631m	£658m	(4)%
Specific items	£(346)m	£(70)m	(394)%
Profit for the period	£285m	£588m	(52)%

¹before specific items

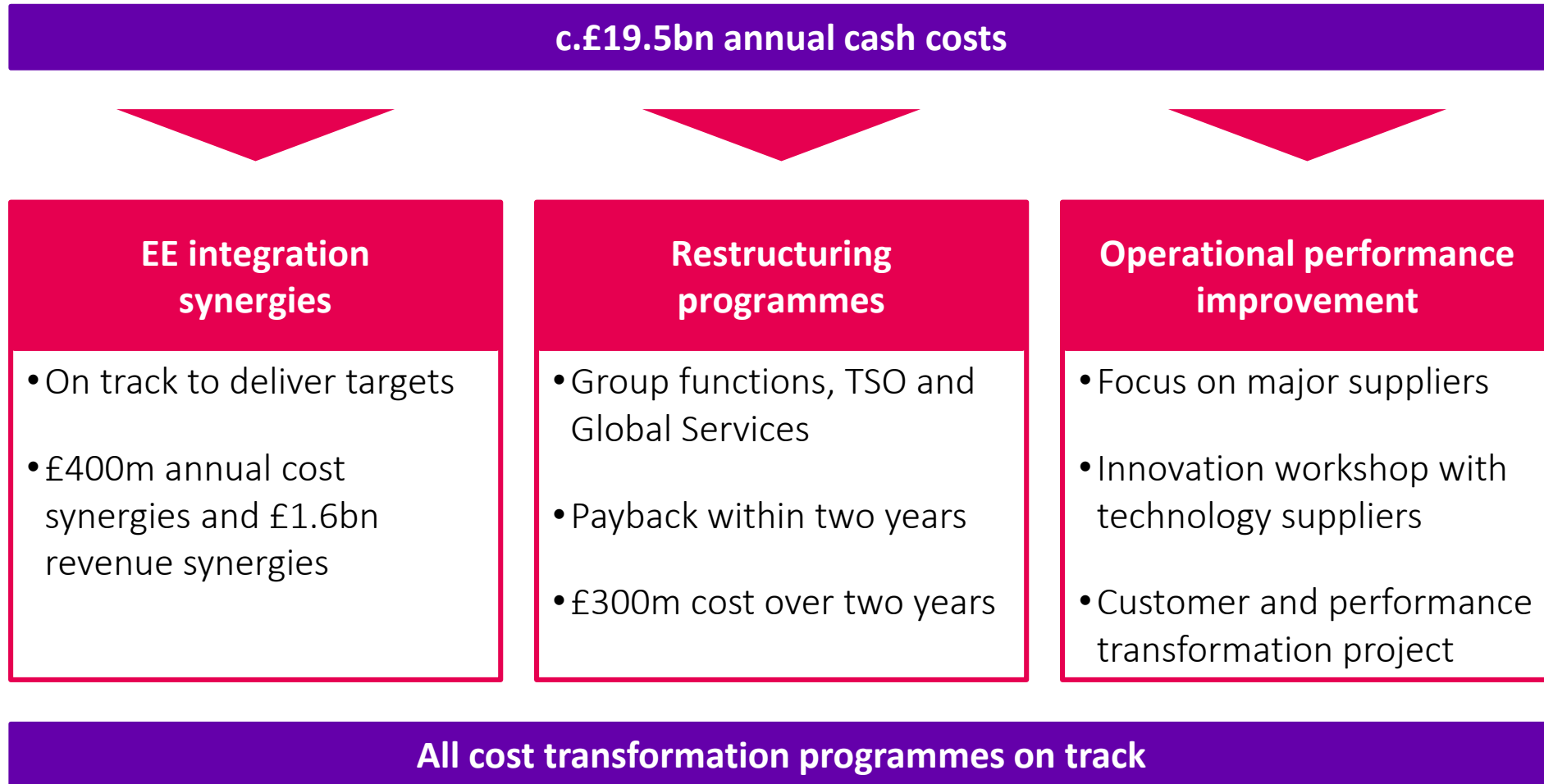
Q1 2017/18 results – cash flow

	Q1 2017/18 ¹	Q1 2016/17 ¹	Change
Adjusted EBITDA	£1,785m	£1,818m	(2)%
Tax paid exc. cash tax benefit of pension deficit payments	£(96)m	£(147)m	35%
Change in working capital	£(217)m	£(349)m	38%
Change in provisions	£41m	£25m	64%
Net finance paid	£(173)m	£(188)m	8%
Cash available for investment and distribution	£1,340m	£1,159m	16%
Capital expenditure	£(784)m	£(711)m	(10)%
Normalised free cash flow²	£556m	£448m	up £108m

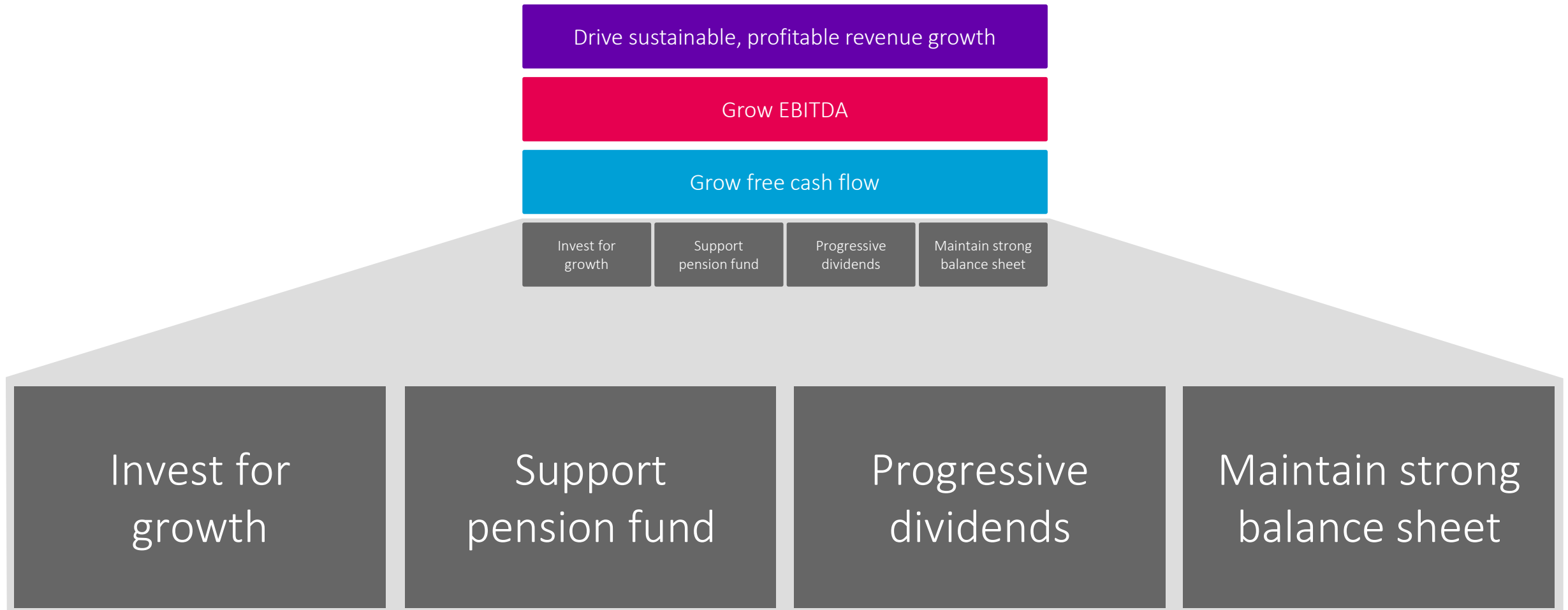
¹ before specific items

² before specific items, pension deficit payments and the cash tax benefit of pension deficit payments

Cost transformation



Capital allocation framework



2017/18 financial outlook unchanged

Underlying revenue¹ ex transit

Broadly flat

EBITDA²

£7.5bn - £7.6bn

Normalised free cash flow³

£2.7bn - £2.9bn

¹ excludes specific items, foreign exchange movements and disposals

² before specific items

³ before specific items, pension deficit payments and the cash tax benefit of pension deficit payments

Gavin Patterson
Group Chief Executive

Q & A