

BT Group plc

Q1 2009/10 results

30 July 2009



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Certain statements in this results release 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: revenue, operating cost and capital expenditure reduction, and free cash flow and EBITDA; progress in Global Services; plans for future networks and roll out of super fast broadband; and the liquidity and funding position.

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Ian Livingston



Q1 2009/10 key points

- ▶ Solid start to year
- ▶ Revenue up 1%
 - underlying revenue down 3%
- ▶ EBITDA* down 3%
 - Group ex. Global Services EBITDA* up 6%
 - sequential improvement in Global Services
- ▶ Cost reductions being delivered
- ▶ Free cash flow improved by £612m over Q1 last year
 - including benefit of tax repayment

* before specific items and leaver costs

Q1 2009/10 line of business overview

Global Services

| | Q1 2009/10 | Change |
|---------------------|------------|--------|
| Revenue | £2,079m | 4% |
| EBITDA | £62m | (66)% |
| Operating cash flow | £(459)m | £178m |

- ▶ Underlying revenue down 4%
 - impacted by continued decline in calls and lines in UK and Europe
- ▶ EBITDA* increased by over 90% sequentially
- ▶ Operating cash flow improvement due to working capital and capex

* before contract and financial review charges in prior period

Q1 2009/10 line of business overview

Global Services

- ▶ Order intake of £1.4bn in quarter



- ▶ Underlying operating costs up 1%
 - year on year reductions expected from Q2
- ▶ Improving delivery of cost reduction programmes
 - total labour resource
 - procurement
 - network costs

Q1 2009/10 line of business overview

Retail

| | Q1 2009/10 | Change |
|---------------------|------------|--------|
| Revenue | £2,110m | (2)% |
| EBITDA | £476m | 26% |
| Operating cash flow | £363m | £194m |

- ▶ Underlying revenue before one-off down 6%
 - SME's impacted by economic conditions
 - account transfers from Global Services
- ▶ Net operating costs down 8%
- ▶ EBITDA before one-off up 16%
 - low prior year comparator
 - growth rate expected to return to mid single digits for the rest of the financial year
- ▶ Improved operating cash flow due to increase in EBITDA, improved cash collections and lower capex

Q1 2009/10 line of business overview

Retail

- ▶ Broadband
 - market share increased to 35% of installed base*
 - 46% share of net adds* at 78,000
- ▶ Consumer ARPU** up £3 from Q4
- ▶ BT Vision base at 433,000
- ▶ ADSL2+ and super-fast broadband launched for consumers and small businesses
- ▶ Expanded partnership with Vodafone in Ireland

* DSL + LLU

8 ** excluding one-off benefit

Q1 2009/10 line of business overview

Wholesale

| | Q1 2009/10 | Change |
|---------------------|------------|--------|
| Revenue | £1,142m | (1)% |
| EBITDA | £320m | (1)% |
| Operating cash flow | £108m | £63m |

- ▶ Further declines in transit revenue expected
- ▶ Managed network solutions revenue more than doubled
 - 10 year deal with KCOM
- ▶ Net operating costs down 1%
- ▶ Slowing rate of decline in EBITDA
- ▶ Operating cash flow improvement

Q1 2009/10 line of business overview

Openreach

| | Q1 2009/10 | Change |
|---------------------|------------|--------|
| Revenue | £1,306m | flat |
| EBITDA | £503m | 2% |
| Operating cash flow | £237m | £(19)m |

- ▶ Consistent trend in revenue
- ▶ Net operating costs down 1%
- ▶ EBITDA up 2%
- ▶ Accelerated investment in super-fast broadband

Building a better business



BT Group plc

Tony Chanmugam



Profit and loss account

| £m | Q1 2009/10 | restated Q1 2008/9 | Change |
|-----------------------------|--------------|-----------------------|--------------|
| Revenue | 5,235 | 5,177 | 1% |
| POLOs | 1,048 | 1,037 | |
| Revenue (net) | 4,187 | 4,140 | |
| EBITDA* | 1,371 | 1,417 | (3)% |
| Depreciation & amortisation | (738) | (691) | |
| Operating profit* | 633 | 726 | (13)% |

* before specific items and leaver costs

Profit and loss account

| £m | Q1 2009/10 | restated Q1 2008/9 | Change |
|----------------------------|-------------|-----------------------|--------------|
| Operating profit* | 633 | 726 | (13)% |
| Finance costs | (214) | (208) | |
| JV & assoc. | 8 | 1 | |
| Profit before tax* | 427 | 519 | (18)% |
| Leaver costs | (45) | (73) | |
| Pension interest | (69) | 78 | |
| Specific items | (41) | (27) | |
| Reported profit before tax | 272 | 497 | |
| Tax | (58) | (115) | |
| Profit for the period | 214 | 382 | |
| Adjusted* EPS | 4.2p | 5.1p | (18)% |
| Reported EPS | 2.8p | 4.9p | (43)% |

* before specific items, leaver costs and net interest on pensions

Free cash flow

| £m | Q1 2009/10 | restated Q1 2008/9 | Change |
|-----------------------|-----------------|-----------------------|-------------|
| EBITDA* | 1,371 | 1,417 | (46) |
| Leavers | (45) | (73) | |
| EBITDA | 1,326 | 1,344 | (18) |
| Interest | (284) | (285) | 1 |
| Tax | 210 | - | 210 |
| Capex | (678) | (836) | 158 |
| Working capital | (599) | (962) | 363 |
| Other | (56) | 32 | (88) |
| Specific items | (41) | (27) | (14) |
| Free cash flow | (122) | (734) | 612 |
| Net debt | (10,517) | (10,581) | 64 |

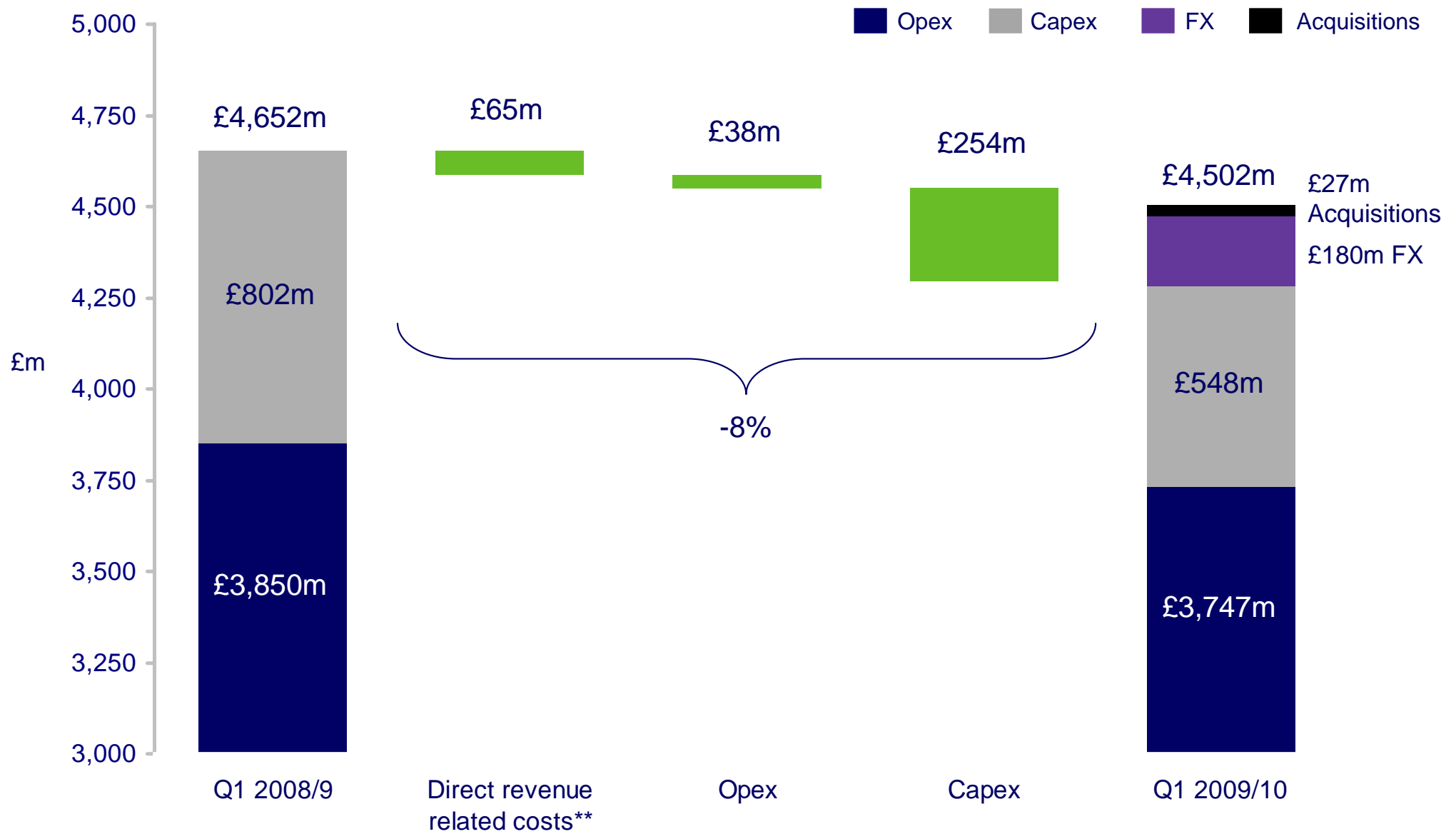
* before specific items and leaver costs

Operating cash flow by line of business

| £m | Q1 2009/10 | Q1 2008/9 | Change |
|-----------------------------|--------------|--------------|------------|
| Global Services | (459) | (637) | 178 |
| Retail | 363 | 169 | 194 |
| Wholesale | 108 | 45 | 63 |
| Openreach | 237 | 256 | (19) |
| Other | (185) | (149) | (36) |
| Operating cash flow | 64 | (316) | 380 |
| Group items* | (186) | (418) | 232 |
| Group free cash flow | (122) | (734) | 612 |

* leaver costs, interest, tax, specific items and other

Q1 2009/10 group cost savings*

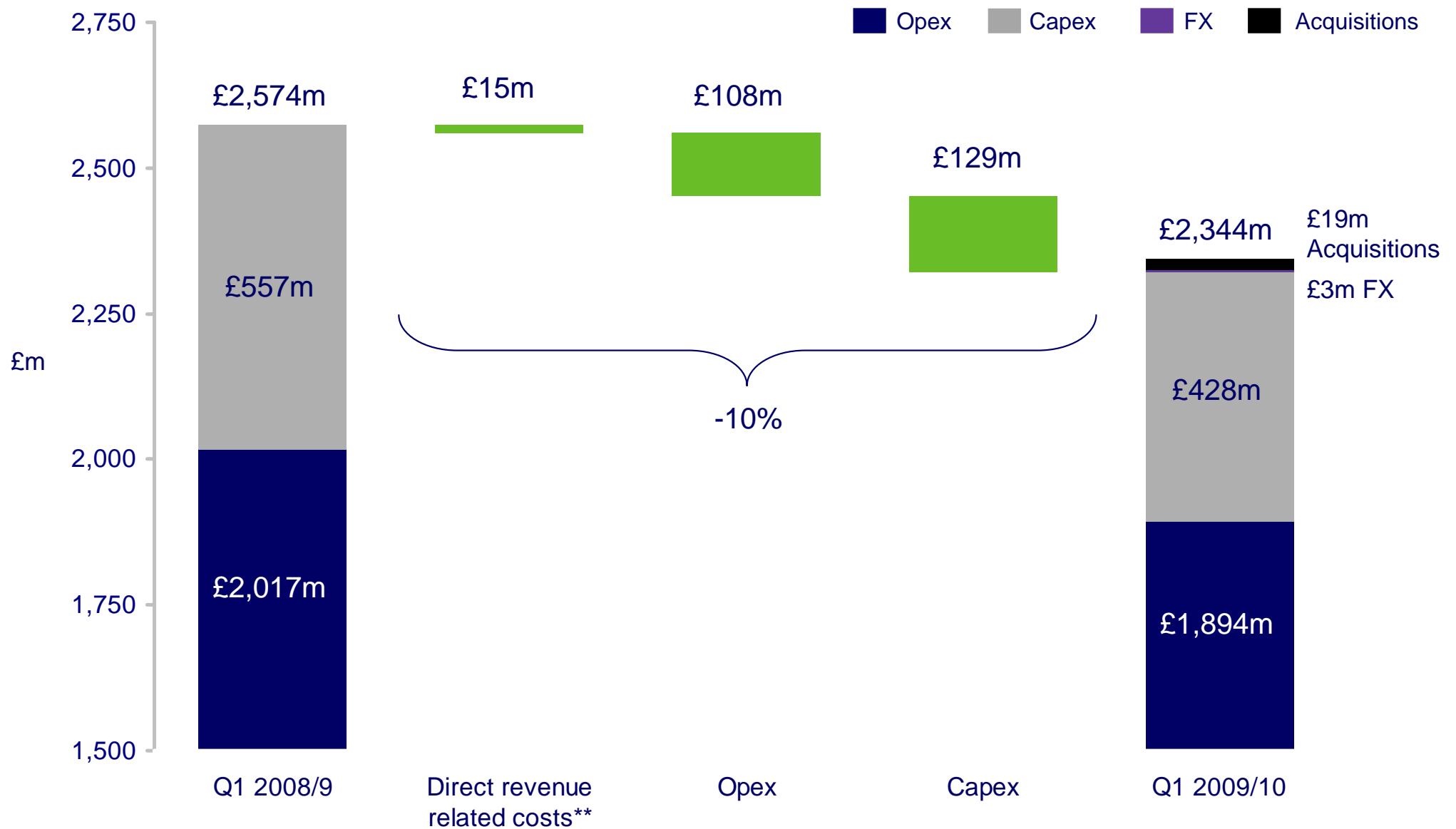


*before specific items, leaver costs and depreciation & amortisation

17 ** POLOs and transit



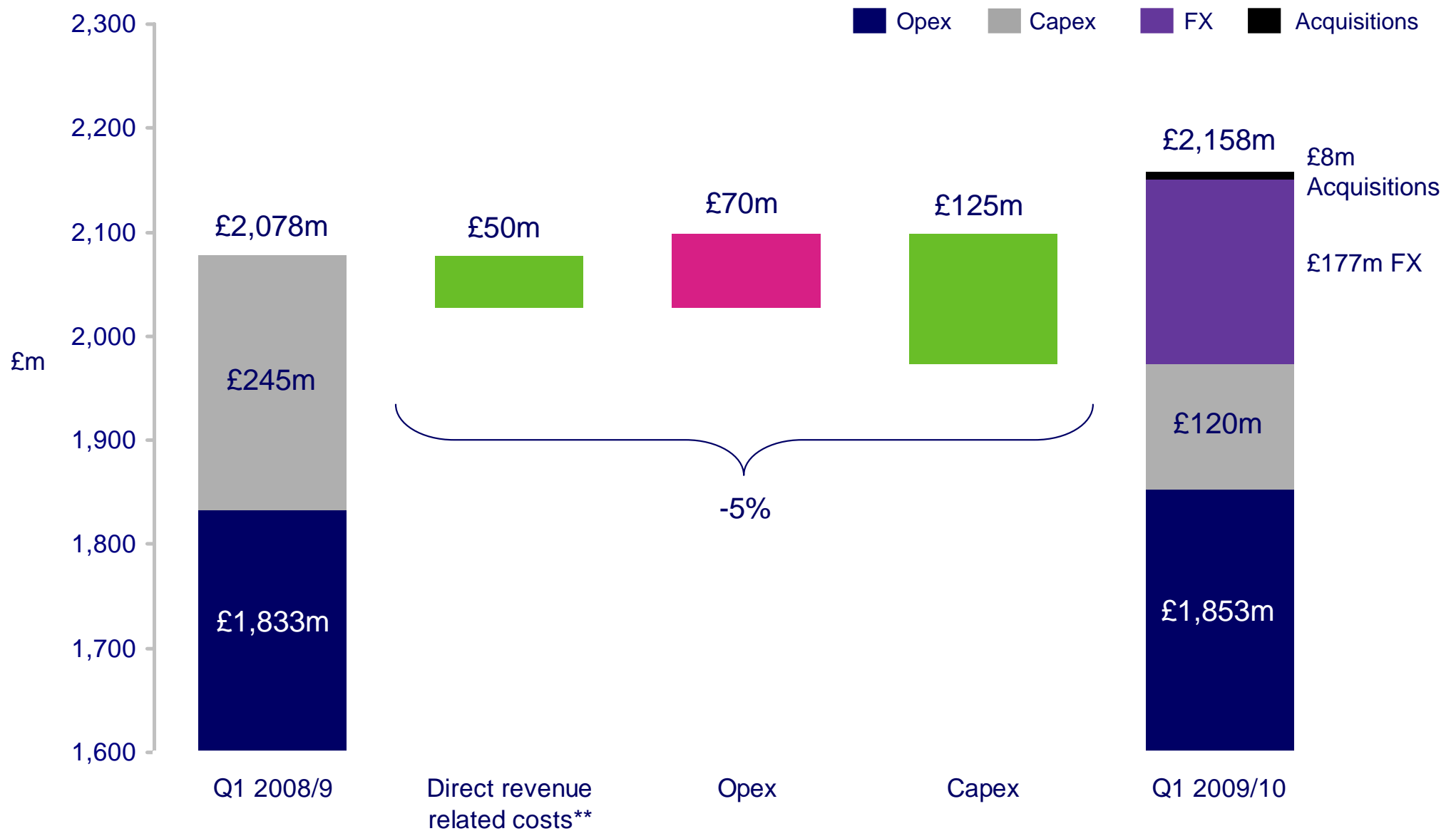
Q1 2009/10 group ex Global Services cost savings*



*before specific items, leaver costs and depreciation & amortisation



Q1 2009/10 Global Services cost savings*



*before specific items, leaver costs and depreciation & amortisation



Other financials

- ▶ Pension fund - IAS19 position
 - £5.8bn deficit post tax
 - AA bond rates at 6.20%; inflation at 3.25%
 - as at 24 July 2009 deficit post tax was £5.0bn
- ▶ Pension fund - triennial valuation
 - discussions continue
 - agreed £525m p.a. deficit contributions for next 3 years will not be impacted
- ▶ Liquidity
 - €600m bond issued in Q1, oversubscribed
 - undrawn committed facilities of £2.4bn

2009/10 year ahead

Solid start to the year

Making progress, more to do

No change to overall guidance

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Q&A

