

A better business



A better future

BT Group plc

Q1 2013 results

25 July 2012

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Ian Livingston, Chief Executive

Q1 2013 group results

Revenue	£4,484m	(6%)	▼
– underlying ¹ ex transit		(3.2%)	▼

EBITDA²	£1,463m	2%	▲
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Normalised free cash flow³	£(124)m	£(325)m	▼
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¹ underlying excludes acquisitions & disposals, foreign exchange movements and specific items

² before specific items

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

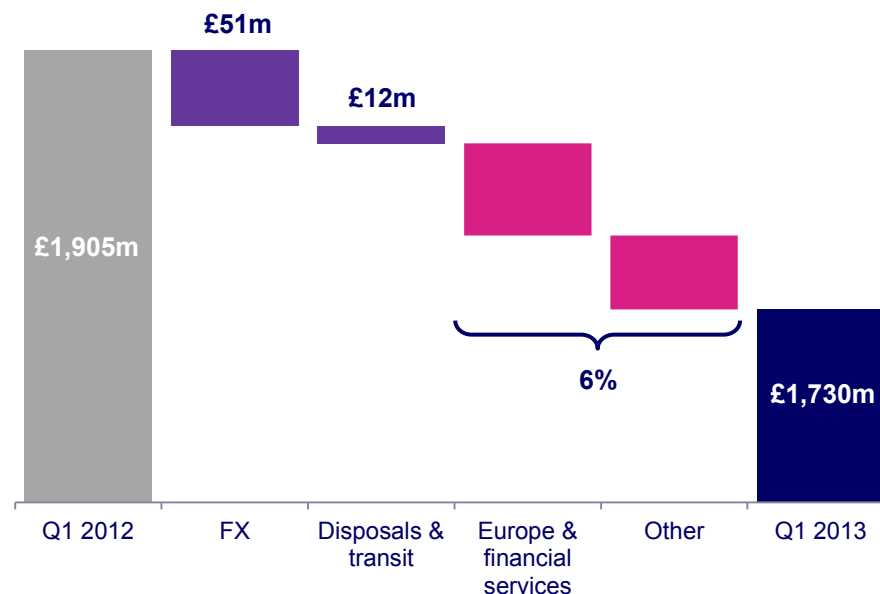
Q1 2013 line of business overview

Global Services

	Q1 2013	Change
Revenue	£1,730m	(9%)
- underlying revenue ex transit		(6%)
EBITDA	£119m	(14%)

- ▶ Underlying revenue ex transit down 6%
 - over half of decline due to tough conditions in Europe & financial services sector
- ▶ Underlying operating costs ex transit down 6%
- ▶ Underlying EBITDA down 8%
 - down 3% ex leavers
- ▶ Cash flow £255m down on last year
 - lower contract-related receipts
 - delay in debtor receipts
 - timing of supplier payments
- ▶ Order intake £1.1bn (Q1 2012: £1.6bn)

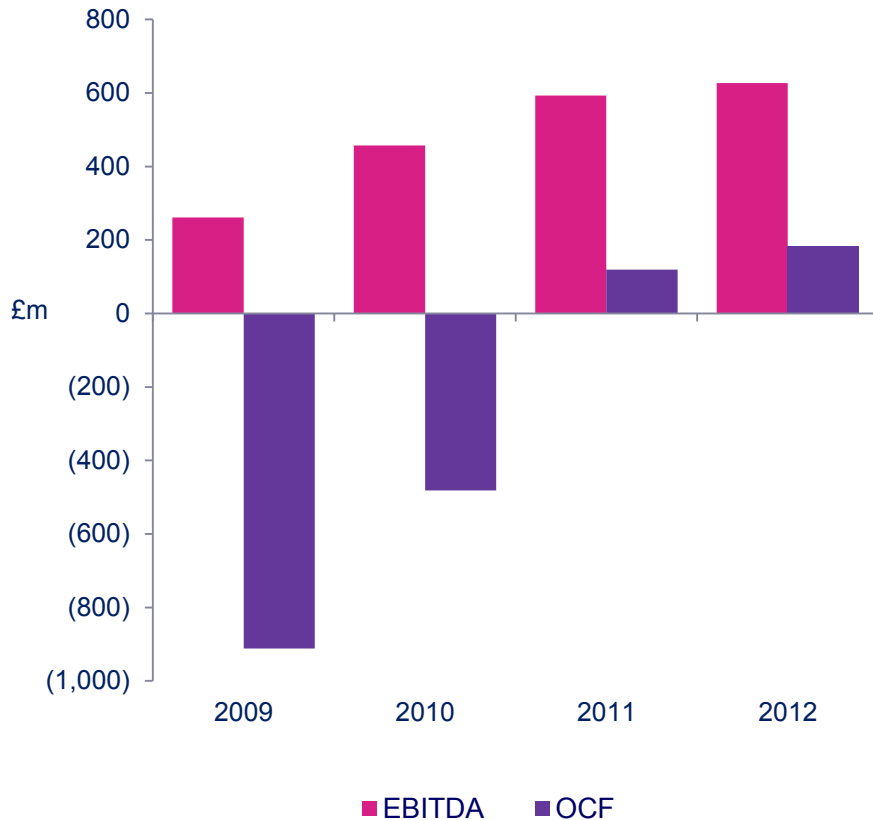
Revenue movement



Q1 2013 line of business overview

Global Services

EBITDA and operating cash flow



Progress over last 3 years

Risk profile of contract portfolio



Customer service



Enhanced product range



Investment in faster growing economies



Macro environment



Cost transformation

More to do

Q1 2013 line of business overview

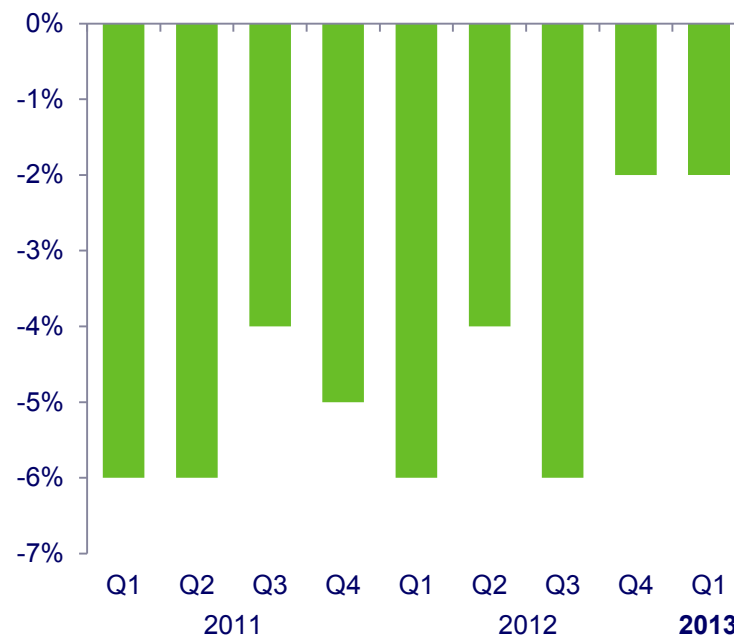
Retail

	Q1 2013	Change
Revenue	£1,776m	(3%)
EBITDA	£476m	7%

Financial

- ▶ Consumer revenue down 2%
 - growth in broadband, driven by fibre
- ▶ Business revenue down 6%
 - withdrawal from IT hardware trade sales
- ▶ Ireland and Enterprises underlying revenue up 4%
- ▶ Net operating costs down 6%

Consumer revenue movement¹



¹ excludes impact of £38m one-off benefit in Q1 2010

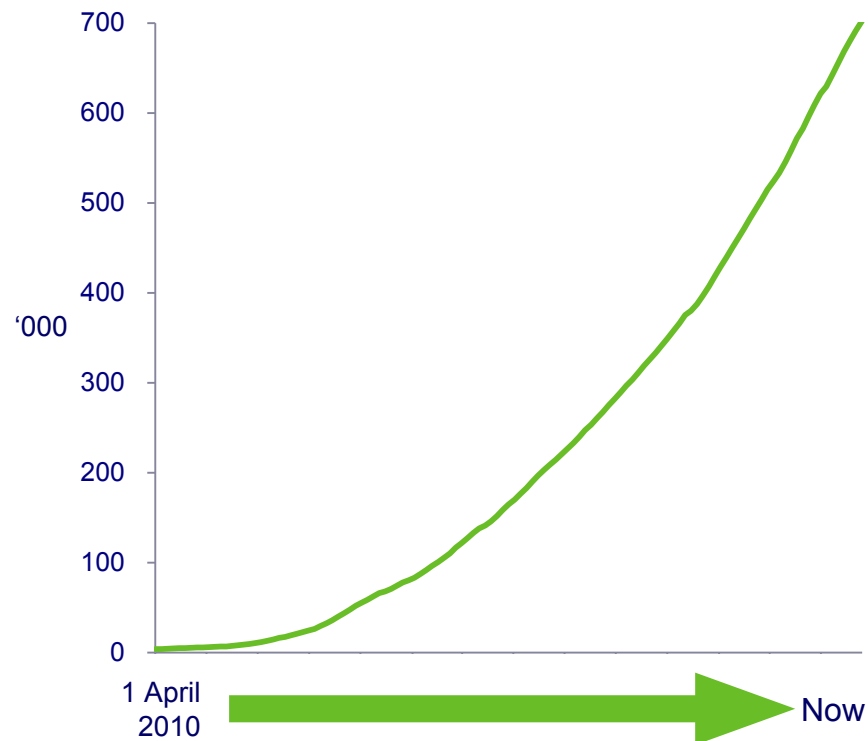
Q1 2013 line of business overview

Retail - Consumer

Operational

- ▶ Consumer ARPU up 6% YoY to £350
- ▶ 50% share of broadband net adds¹
- ▶ BT Retail fibre
 - net adds >150,000
 - now >700,000 customers
- ▶ BT Vision
 - net adds 21,000
 - BT's bundled YouView service to launch in autumn
- ▶ Premier League broadcast rights
 - 38 live games, 18 first picks
 - negotiating long-form contract
- ▶ 4.2m BT Wi-fi hotspots
 - 1.7bn minutes in quarter, up 80%

BT Retail fibre customer base



¹ DSL, LLU and fibre, excluding cable

Q1 2013 line of business overview

Wholesale

	Q1 2013	Change
Revenue	£923m	(8%)
- underlying revenue ex transit		(2%)
EBITDA	£300m	(2%)

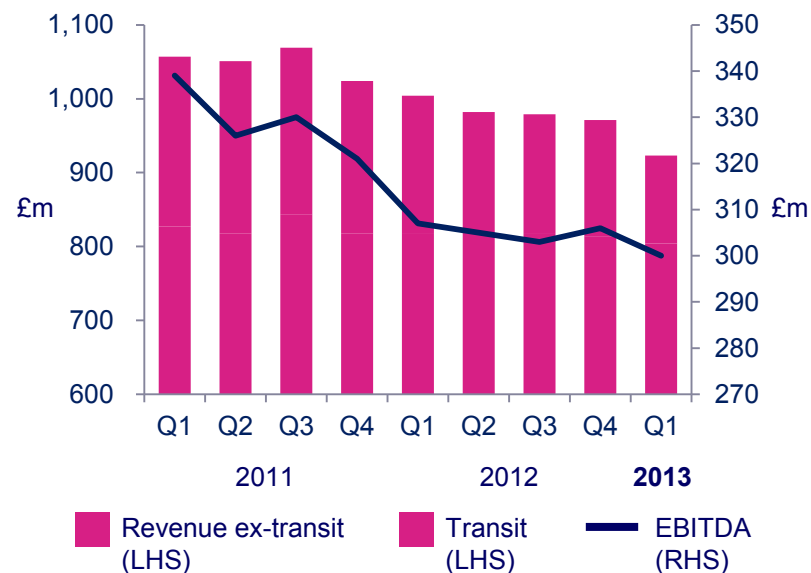
Financial

- ▶ Underlying revenue ex transit down 2%
 - migration to LLU & IP-based services
- ▶ Net operating costs ex transit down 1%
 - lower labour & network migration costs
- ▶ EBITDA down 2%

Operational

- ▶ Order intake c.£500m
- ▶ IP Exchange minutes up >90%

Revenue and EBITDA¹



¹ Q4 2012 excludes retrospective regulatory charge

Q1 2013 line of business overview

Openreach

	Q1 2013	Change
Revenue	£1,257m	flat
EBITDA	£553m	3%

Financial

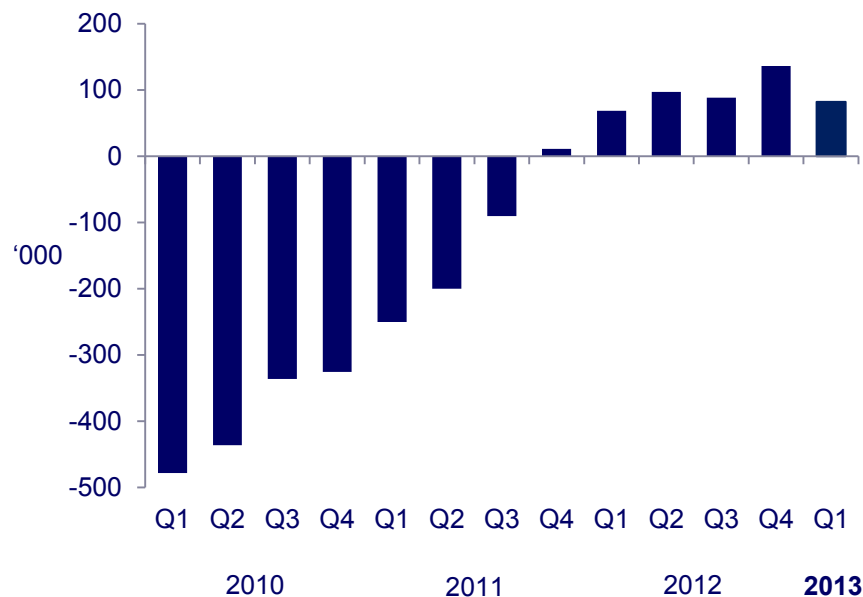
- ▶ Revenue flat
 - growth in Ethernet & fibre
 - impact of regulatory price reductions
- ▶ Net operating costs down 2%
 - despite increased repair activity
- ▶ EBITDA up 3%

Operational

- ▶ 44,000 reduction in physical lines
 - normal seasonality
 - more repairs & deferral of provisioning due to adverse weather
- ▶ 170,000 broadband users added¹

¹ DSL, LLU and fibre, excluding cable

Rolling 12 month change in physical lines



Q1 2013 line of business overview

Fibre roll-out

- ▶ >11m premises now passed
 - >2m passed in Q1
- ▶ c.750,000 premises now connected
 - c.170,000 connected in Q1
- ▶ Continued focus on fibre innovations around speed & reach
- ▶ BDUK
 - national framework accreditation received
 - projects won since 1 April:
 - Lancashire
 - Rutland
 - North Yorkshire
 - Wales
- ▶ Projects in delivery
 - Northern Ireland >90% coverage
 - Cornwall >40% coverage



Summary

- ▶ Another quarter of profit and EPS growth
- ▶ Quarterly cash impacted by working capital
- ▶ Good performances in BT Retail, BT Wholesale and Openreach
- ▶ BT Global Services impacted by tough conditions in Europe and financial services sector
- ▶ On track for full year

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Tony Chanmugam, Group Finance Director

Q1 2013 income statement

£m	Q1 2013	Change	Key points
Revenue¹	4,484	(6%)	<ul style="list-style-type: none"> ▶ transit down £67m ▶ FX & disposals
- underlying ex transit		(3.2%)	<ul style="list-style-type: none"> ▶ macro challenges, regulatory price changes, lower calls & lines revenue
EBITDA¹	1,463	2%	<ul style="list-style-type: none"> ▶ up 3% ex FX & disposals ▶ underlying costs down 8%
Operating profit¹	740	6%	<ul style="list-style-type: none"> ▶ lower depreciation
Profit before tax¹	578	8%	<ul style="list-style-type: none"> ▶ interest expense flat
Tax ¹	(131)	(2%)	<ul style="list-style-type: none"> ▶ 22.7% effective tax rate
EPS¹	5.7p	10%	<ul style="list-style-type: none"> ▶ 11th quarter of double-digit growth
Specific items	4	n/m	

¹ before specific items

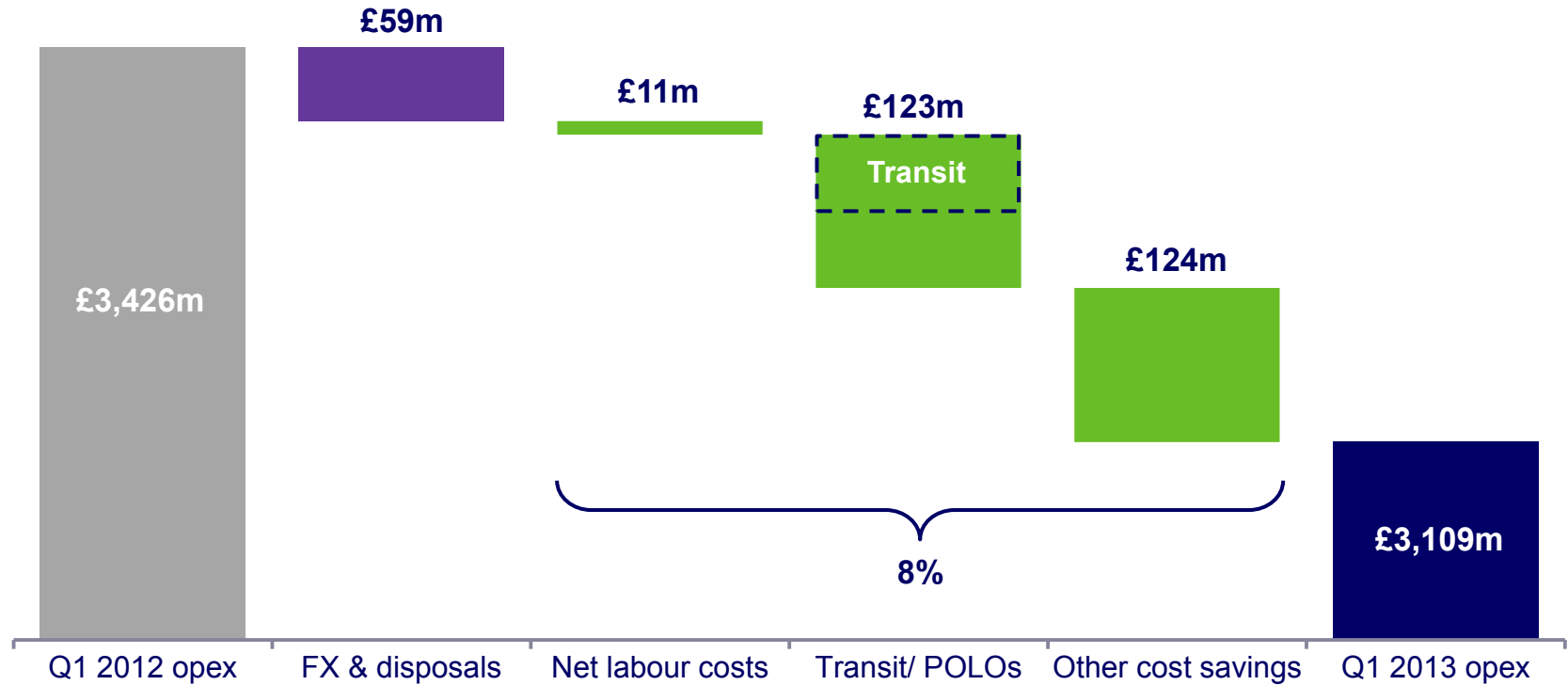
Q1 2013 free cash flow

£m	Q1 2013	Change	Key points
EBITDA¹	1,463	27	
Capex	(661)	(43)	▶ Q4 capex reversal
Interest	(213)	1	
Tax	(171)	(35)	▶ higher taxable profits
Working capital & other	(542)	(275)	▶ timing of debtor receipts ▶ Premier League deposit
Normalised FCF²	(124)	(325)	
Cash tax benefit of pension deficit payments	162	55	▶ £2bn pension payment in March
Adjusted FCF¹	38	(270)	
Specific items	(33)	28	▶ GS restructuring & property rationalisation
Reported FCF	5	(242)	
Net debt	9,142	557	

¹ before specific items

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

Q1 2013 cost transformation



£317m opex¹ reduction

¹ before specific items, depreciation & amortisation and other operating income

Q1 2013 other financial information

▶ Share buyback

- 40m shares acquired for £82m

▶ Bond issuance

- £795m issued at average annualised interest rate of 2.15%

▶ Pension

- IAS 19 deficit of £1.9bn net of tax, unchanged from March

Outlook 2013

Revenue¹

- ▶ Improving trend
 - ▶ Decline larger in Q2 than Q1 due to milestones
 - ▶ Improvement in trend in H2
-

EBITDA²

- ▶ Growth
-

Normalised FCF³

- ▶ Broadly level vs. 2012
 - ▶ Q2 lower than last year
 - ▶ Growth in H2
-

¹ underlying revenue excluding transit

² before specific items

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

Outlook 2014 & 2015

2014

2015

Revenue¹

▶ Improving trend

EBITDA²

- ▶ Growth (May 2012)
- ▶ c.£100m reduction from Premier League (June 2012)

Broadly level

Normalised FCF³

- ▶ >£2.4bn (May 2012)
- ▶ c.£200m reduction from Premier League (June 2012)

>£2.2bn

c.£2.5bn

¹ underlying revenue excluding transit

² before specific items

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

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Q&A