Bringing it all together

Q4 & Preliminary full year results 2005/6

18th May 2006

BT

BT Group plc

Q4 & Preliminary full year results 2005/6

Sir Christopher Bland - Chairman

Forward-looking statements - caution

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: continued growth in revenue, EBITDA, earnings per share and dividends; expectations regarding progressive dividend policy and dividend payout ratio; accelerating EBITDA growth in BT Global Services; growth in new wave revenue, mainly from networked IT services, broadband and mobility; cost reductions; the market for broadband, convergence, and the launch of next generation services; the implementation, and benefits, of BT's 21st Century Network, and national 21CN migration; improving shareholder returns; and accelerating transformation of the business.

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.

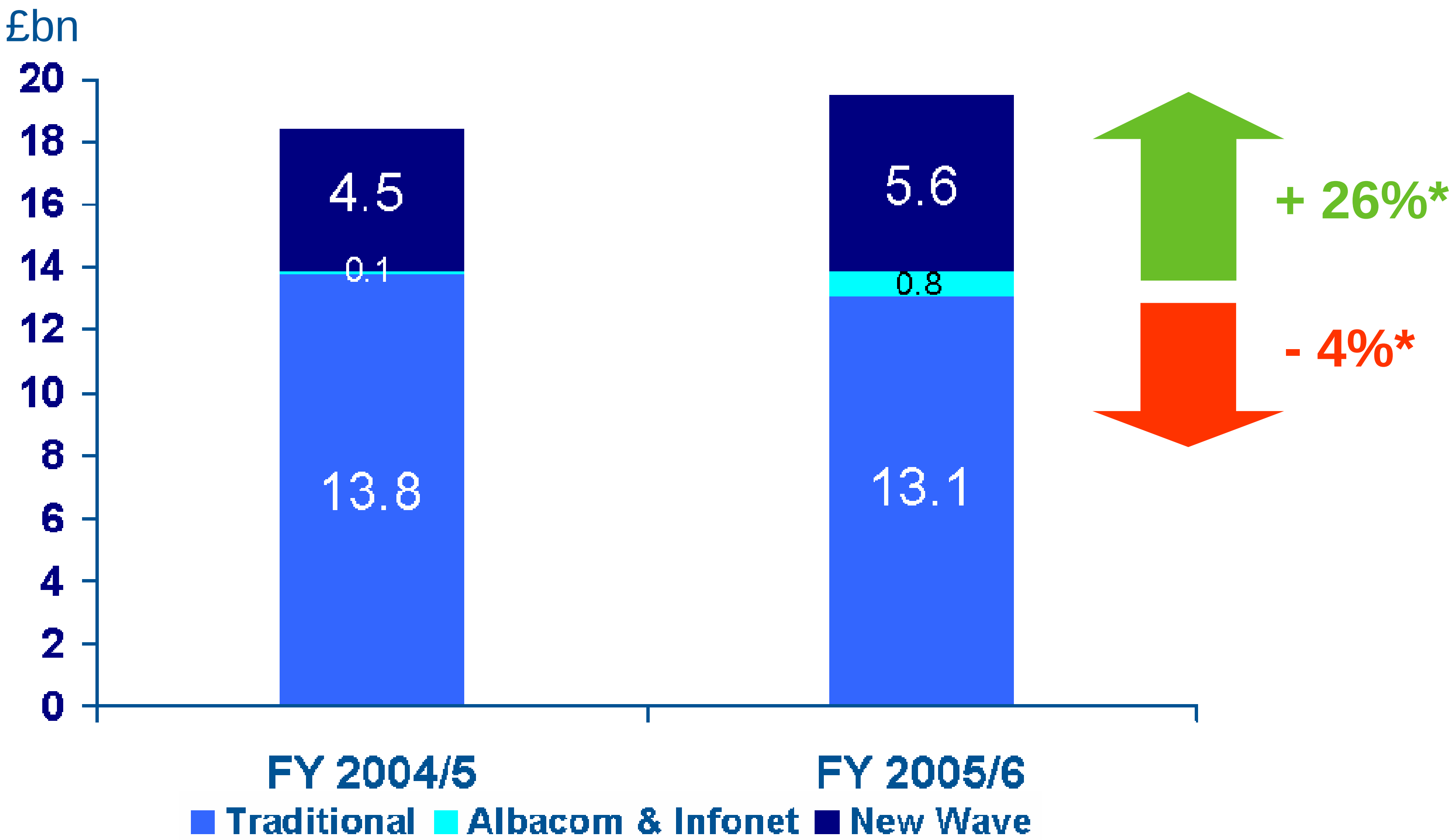
Factors that could cause differences between actual results and those implied by the forward-looking statements include, but are not limited to: material adverse changes in economic conditions in the markets served by BT; future regulatory actions and conditions in BT's operating areas, including competition from others; 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; developments in the convergence of technologies; the anticipated benefits and advantages of new technologies, products and services, including broadband and other new wave initiatives, not being realised; and general financial market conditions affecting BT's performance. BT undertakes no obligation to update any forward-looking statements whether as a result of new information, future events or otherwise.

FY 2005/6 - Headline financials

Group turnover	£19.5bn	↑	6% / 3% [1]
Profit before tax [2]	£2.2bn	↑	5%
Earnings per share [2]	19.5p	↑	8%
Free cash flow	£1.6bn	↓	8% [3]
Full year dividend	11.9p	↑	14%
Net debt	£7.5bn	↓	5%

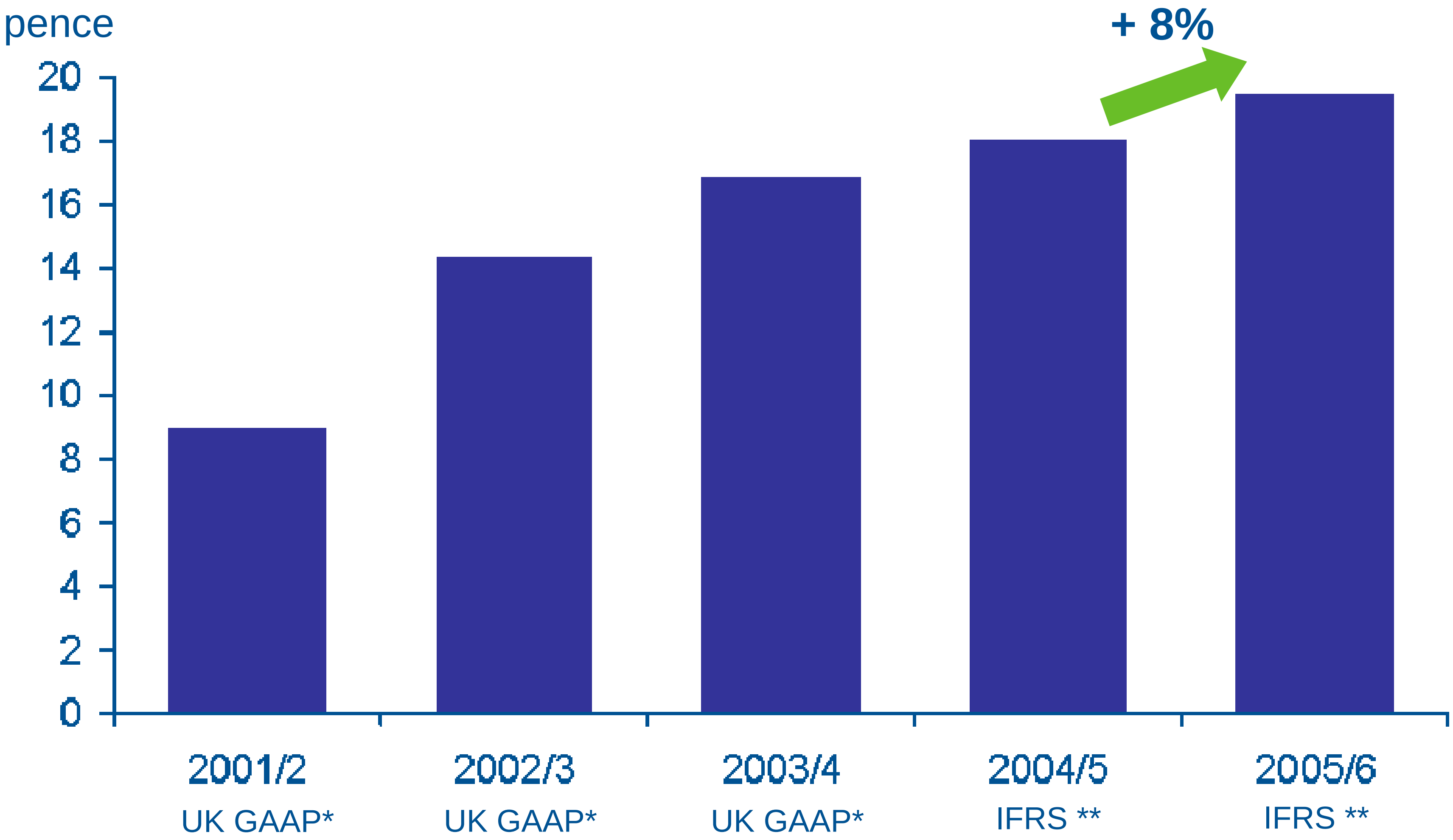
(1) Underlying excluding cuts in mobile termination rates, Albacom and Infonet
(2) Before specific items
(3) Excluding receipts from disposals

FY 2005/6 - Underlying group revenue up 3%*



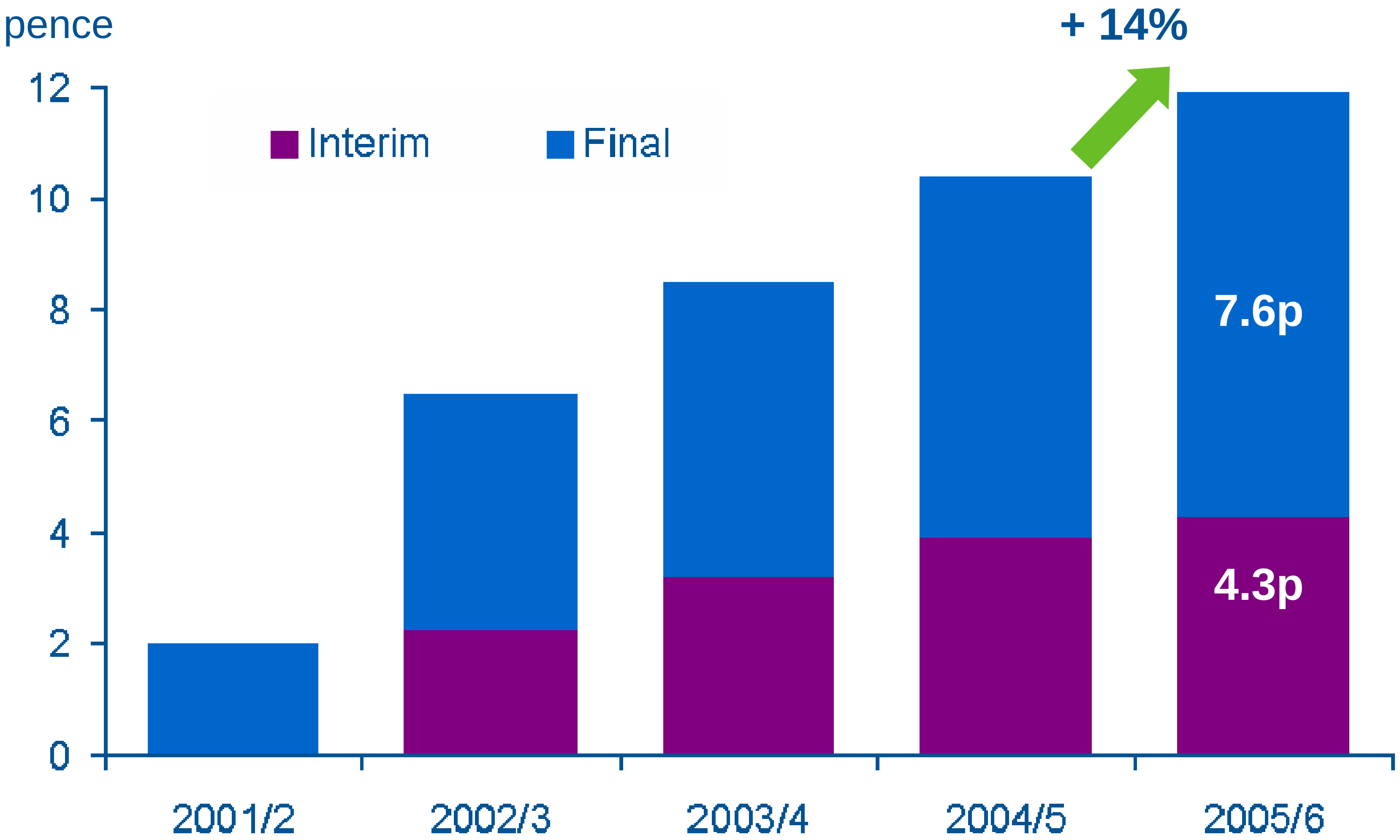
* Underlying excluding cuts in mobile termination rates and Albacom and Infonet revenue

Earnings per share - 19.5 pence**

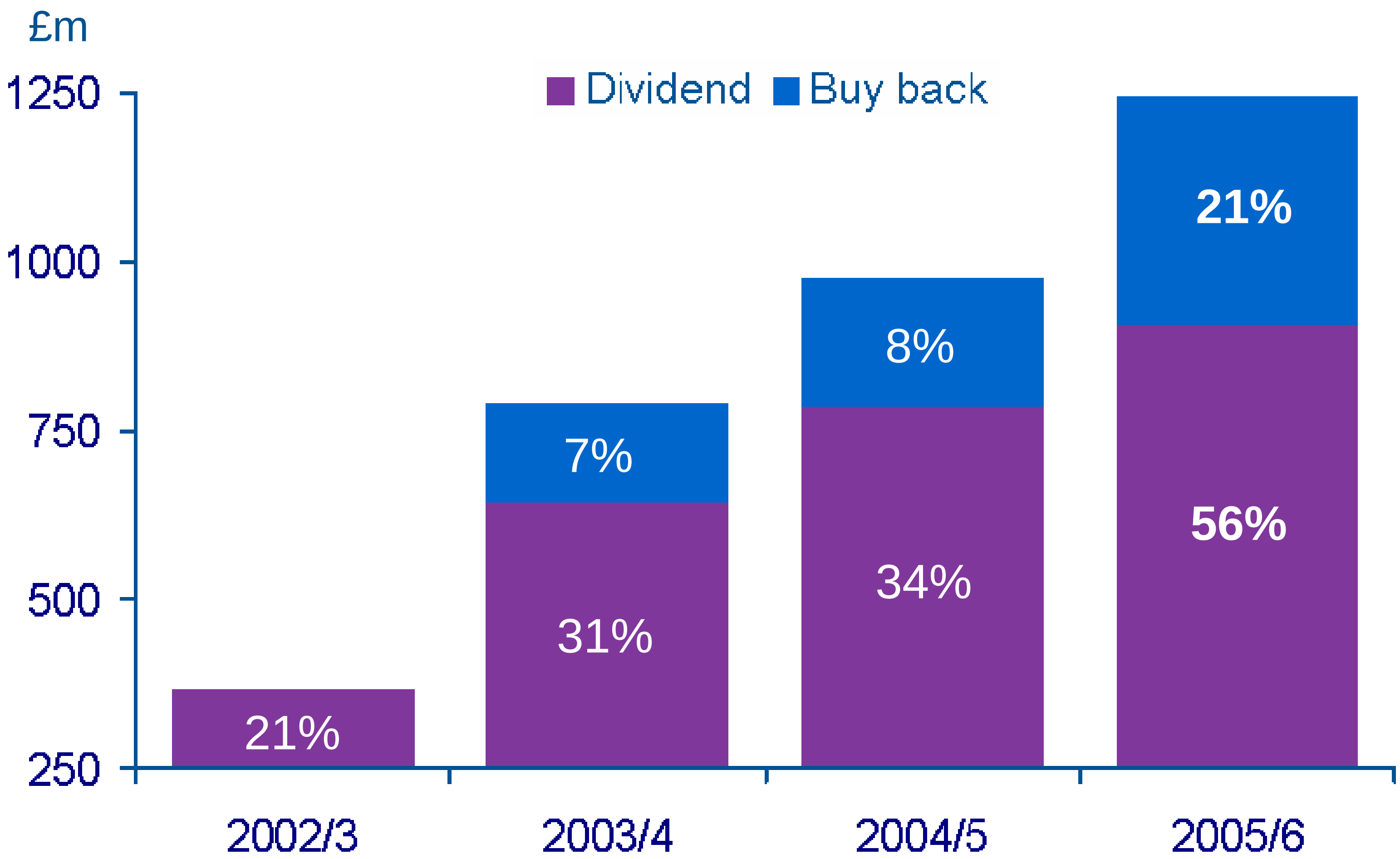


* before exceptional items and goodwill from continuing activities
** before specific items

Dividends - 11.9 pence



Cash returns to shareholders



Percentages are a proportion of total free cash flow

Ongoing progressive distribution policy

- Dividends
  - pay out ratio rising to around two thirds of earnings by 2007/8
- Gearing
  - comfortable with net debt of around £8bn
- Buy back
  - rolling programme to continue

BT Group plc

Q4 results 2005/6

Hanif Lalani – Group Finance Director

Q4 2005/6 - Financial headlines

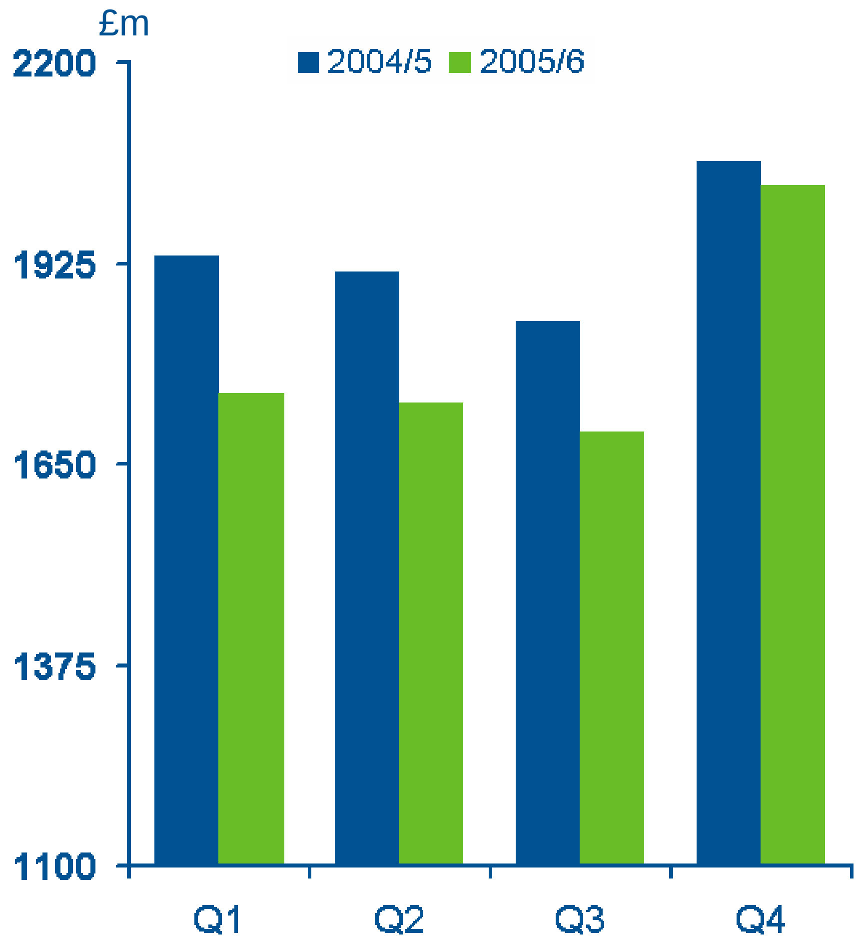
Group revenue	£5.1bn	↑	7% / 5% (1)
EBITDA (2)	£1.5bn	↑	1%
Profit before tax (2)	£0.6bn	↑	4%
Earnings per share (2)	5.7p	↑	8%
Free cash flow	£1.1bn	↑	1% (3)

(1) Underlying excluding Albacom and Infonet
(2) Before specific items and leavers
(3) Excluding receipts from disposals

Q4 2005/6 - BT Retail

- Revenue £2.1bn down 1%
  - Traditional was down 6%
  - New wave grew 31%
- Gross margin rose by 3%
  - margin improved by 1.1 percentage points
- SG&A increased by 2%*
- EBITDA £222m up 5%*
- Operating profit £175m up 10%

External revenue

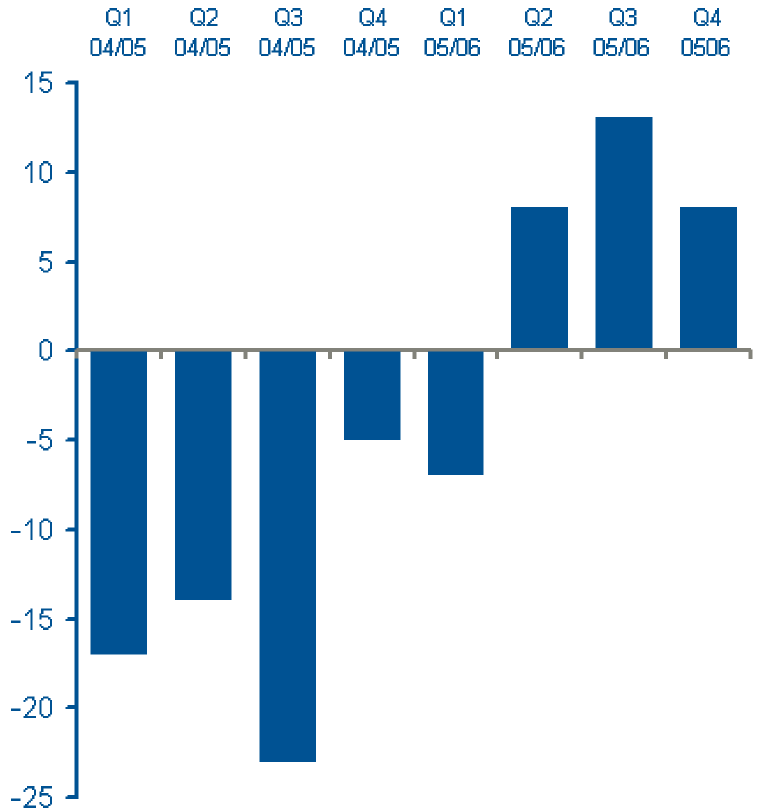


* Before leavers

BT Retail - 2006/7 outlook

- Deliver continued EBITDA growth
- Improve channel effectiveness
- Roll out more innovative services and products
- Continued cost transformation
  - Inbound call reduction
  - Streamline processes
  - Flatter overhead structure

% change in EBITDA*



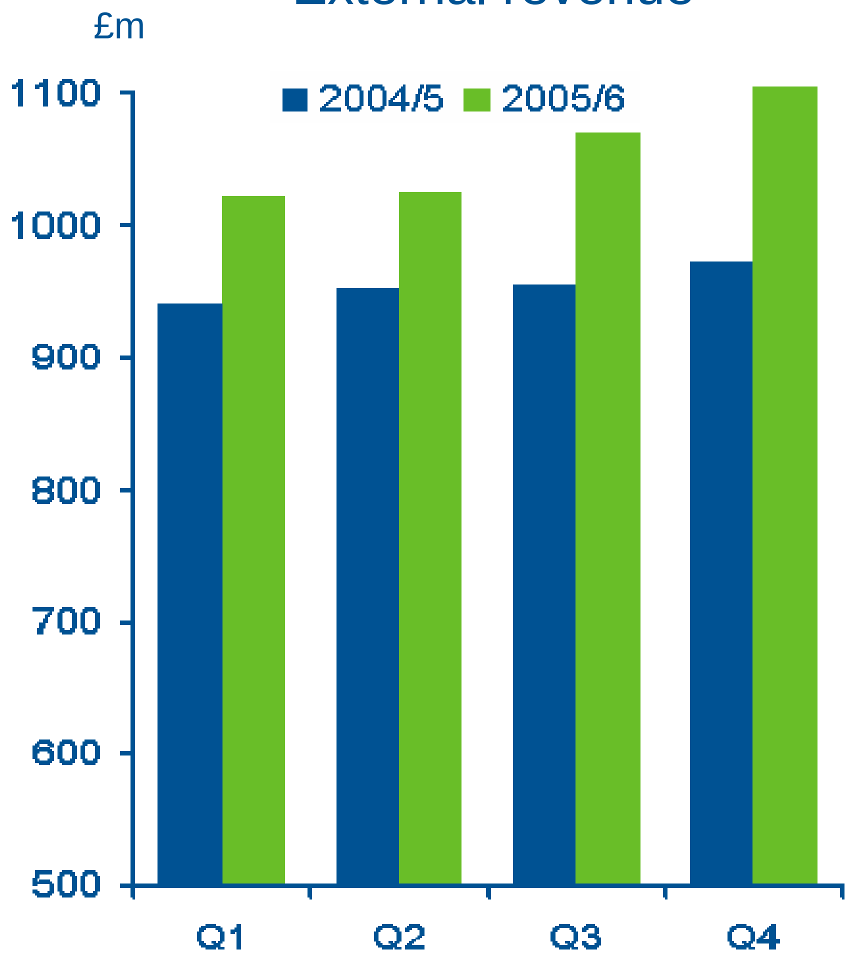
Becoming a broadband centric service provider

* Before leavers

Q4 2005/6 - BT Wholesale

- Revenue £2.3bn up 2%
  - External revenue up 14%
  - Internal revenue down 6%
- Gross variable profit maintained at £1.8bn
- Network and SG&A* £3m lower
- EBITDA* £989m, £2m higher
- Operating profit was 10% lower at £447m

External revenue

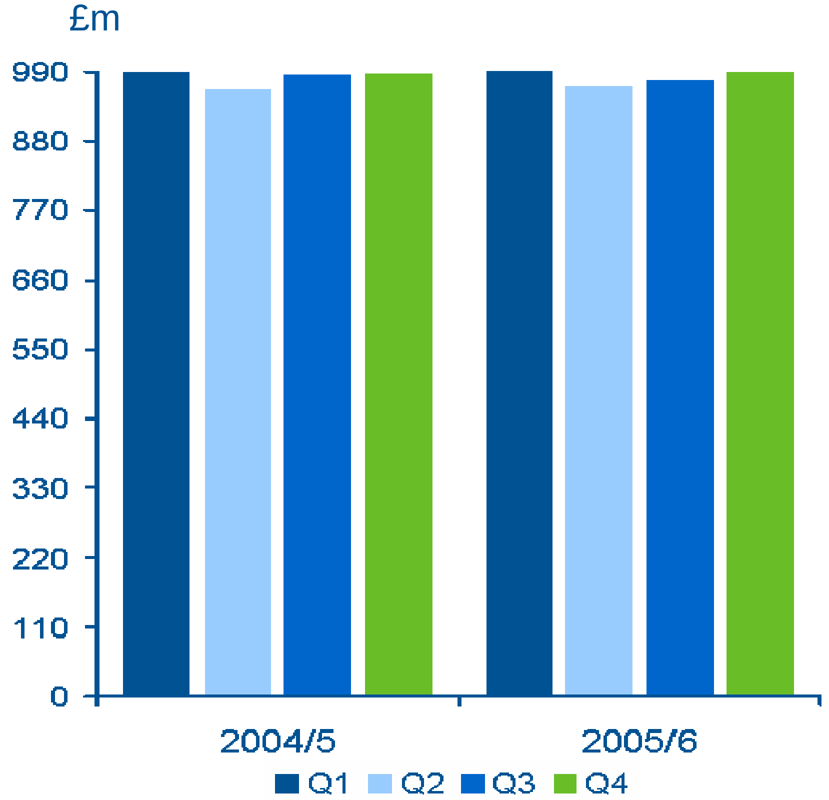


* Before leavers

BT Wholesale - 2006/7 outlook

- Maintain year on year EBITDA
- Openreach reports separately for 2006/7
- Drive progress on 21st century network operations
- Continued cost transformation
  - Operational efficiencies
  - Supplier rationalisation
  - Zero based budgeting

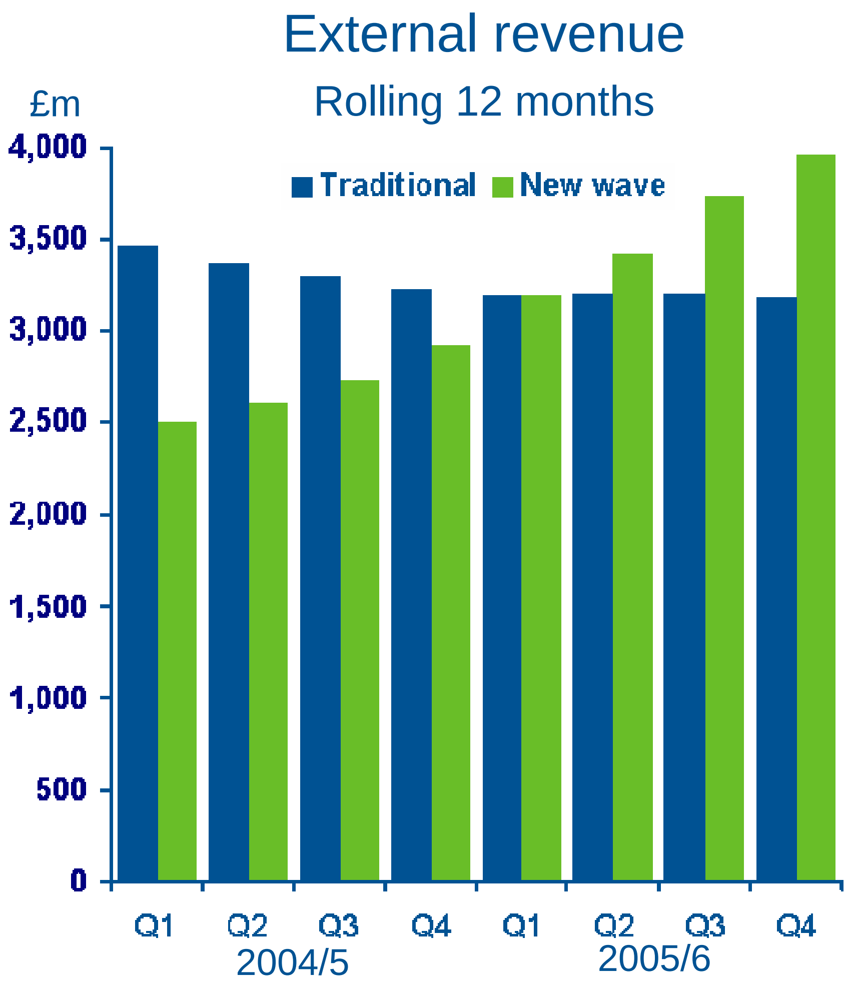
EBITDA (pre leavers)



Becoming the enabler of converged network solutions

Q4 2005/6 - BT Global Services

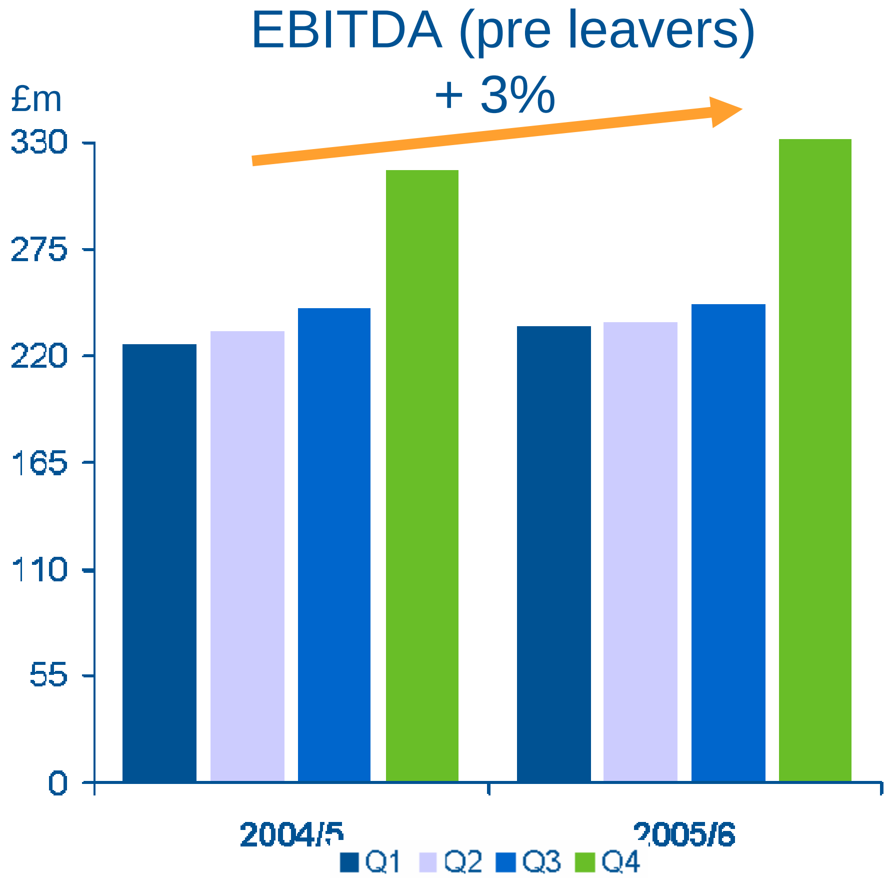
- Revenue £2.4bn up 10%
  - Up 5% excluding Albacom and Infonet
  - New wave accounts for 60% of external revenue
- EBITDA £332m* up 5%
  - new wave services and MPLS growth more than off-set reductions in traditional products
- Operating profit £143m down £10m
  - depreciation and amortisation £20m higher



* Before leavers

BT Global Services - 2006/7 outlook

- Accelerate EBITDA growth through the year
- Complete integration of acquisitions
- Create replicable solutions
- Ongoing cost reduction
  - Cost of sales management
  - Minimise duplication
  - Global sourcing
  - Global Procurement



Becoming the networked IT services provider of choice, globally

Q4 2005/6 - Group P&L

	Q4 2005/6 £m	**Q4** 2004/5 £m	Better / (Worse) £m
Revenue	**5,134**	**4,820**	**314**
EBITDA (pre leavers**)**	**1,498**	**1,484**	**14**
Depreciation & amortisation	(773)	(745)	(28)
Operating profit (pre leavers**)**	**725**	**739**	**(14)**
Leaver costs	(67)	(44)	(23)
Associates	5	6	(1)
Finance costs (net)	(101)	(141)	40
Profit before tax	**562**	**560**	**2**
Tax	(131)	(145)	14
Profit for the period	**431**	**415**	**16**
Earnings per share (pence)	5.1p	4.9p	0.2p

* All numbers are before specific items

FY 2005/6 - Group P&L

	FY 2005/6 £m	**FY** 2004/5 £m	Better / (Worse) £m
Revenue	**19,514**	**18,429**	**1,085**
EBITDA (pre leavers**)**	**5,650**	**5,703**	**(53)**
Depreciation & amortisation	(2,884)	(2,844)	(40)
Operating profit (pre leavers**)**	**2,766**	**2,859**	**(93)**
Leaver costs	(133)	(166)	33
Associates	16	(14)	30
Finance costs (net)	(472)	(599)	127
Profit before tax	**2,177**	**2,080**	**97**
Tax	(533)	(541)	8
Tax rate	*24.5%*	*26.0%*	*1.5%*
Profit for the period	**1,644**	**1,539**	**105**
Earnings per share (pence)	19.5p	18.1p	1.4p

* All numbers are before specific items

Q4 2005/6 - Free cash flow

	Q4 2005/6 £m	**Q4** 2004/5 £m	Better / (Worse) £m
EBITDA* (post leavers)	1,431	1,440	(9)
Interest (net)	(176)	(103)	(73)
Tax paid	(73)	(157)	84
Capex	(792)	(735)	(57)
Working capital	697	620	77
Other and provisions	10	17	(7)
Free cash flow (pre disposals)	**1,097**	**1,082**	**15**
Disposals	---	62	(62)
Free cash flow	1,097	1,144	(47)
Net debt	7,534	7,893	359

* Before specific items

FY 2005/6 - Free cash flow

	FY 2005/6 £m	**FY** 2004/5 £m	Better / (Worse) £m
EBITDA* (post leavers)	5,517	5,537	(20)
Interest (net)	(901)	(886)	(15)
Tax paid	(390)	(332)	(58)
Capex	(2,874)	(2,945)	71
Working capital	112	253	(141)
Other and provisions	148	118	30
Free cash flow (pre disposals)	**1,612**	**1,745**	**(133)**
Disposals	---	537	(537)
Free cash flow	1,612	2,282	(670)

* Before specific items

Pensions – IAS19

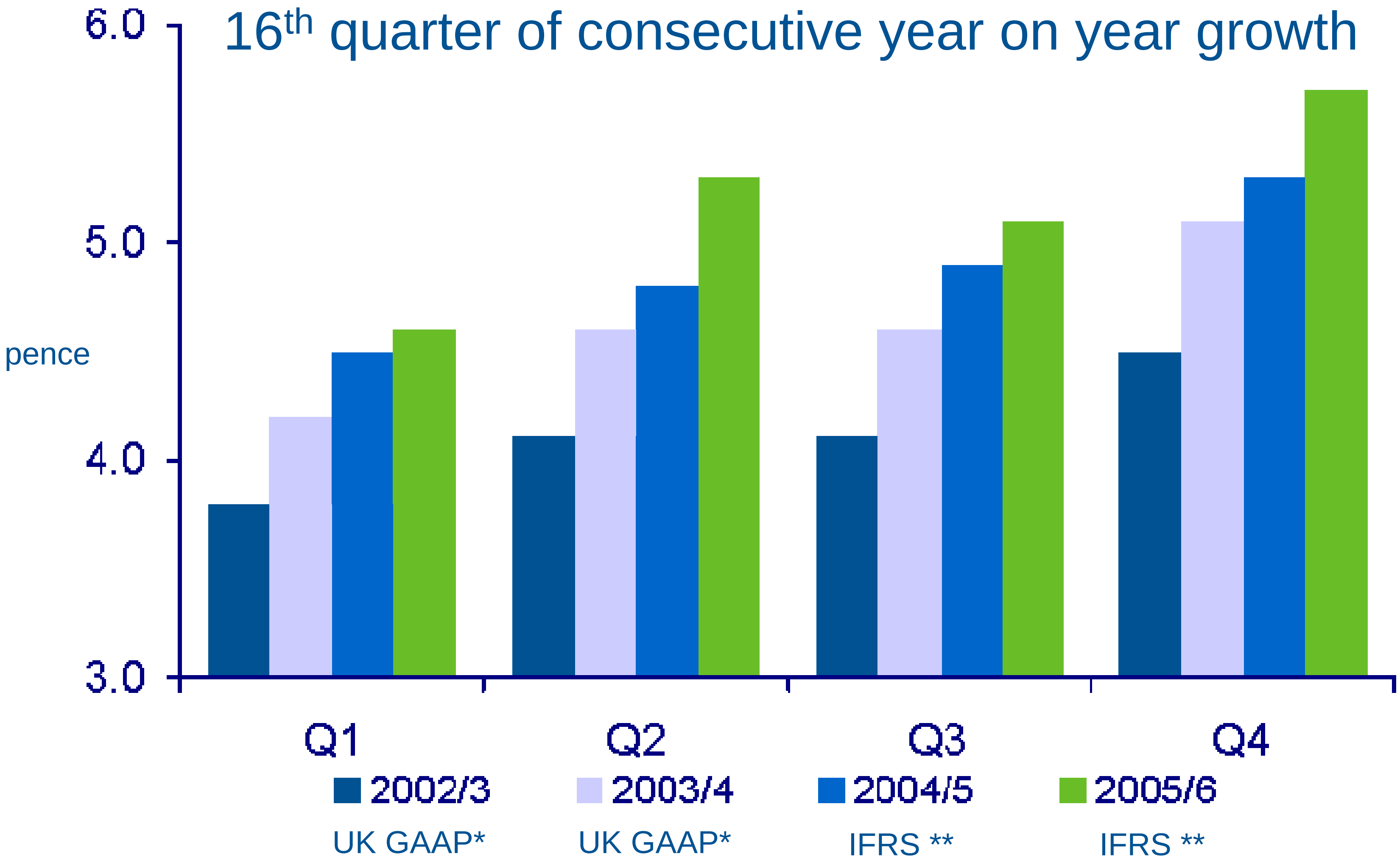
	31 March '06	31 March '05
Assets	£35.6bn	£29.6bn
Liabilities	£38.2bn	£34.4bn
Deficit (pre tax**)**	£(2.5)bn	£(4.8)bn
(post tax)	**£ (1.8)bn**	**£(3.4)bn**

2005/6 Assumptions

Discount rate	5.0%
Pay inflation	RPI +0.75%*
Life expectancy (post 60)	23.8 / 25.4 years

* First 3 years RPI +0.5%

Underlying earnings per share*



* Before exceptionals and leaver costs
** Before specific items and leaver costs

BT Group plc

Q4 results 2005/6

Ben Verwaayen - CEO

Consistent strategy

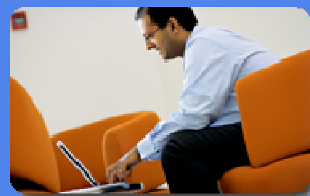
Defend Traditional

- Improved service
- Price innovation
- Reduce costs / improve margin
- Aggressive & creative marketing

Long term Partnership with our customers

Grow new wave

- Networked IT services
- Broadband
- Mobility



21st Century Network

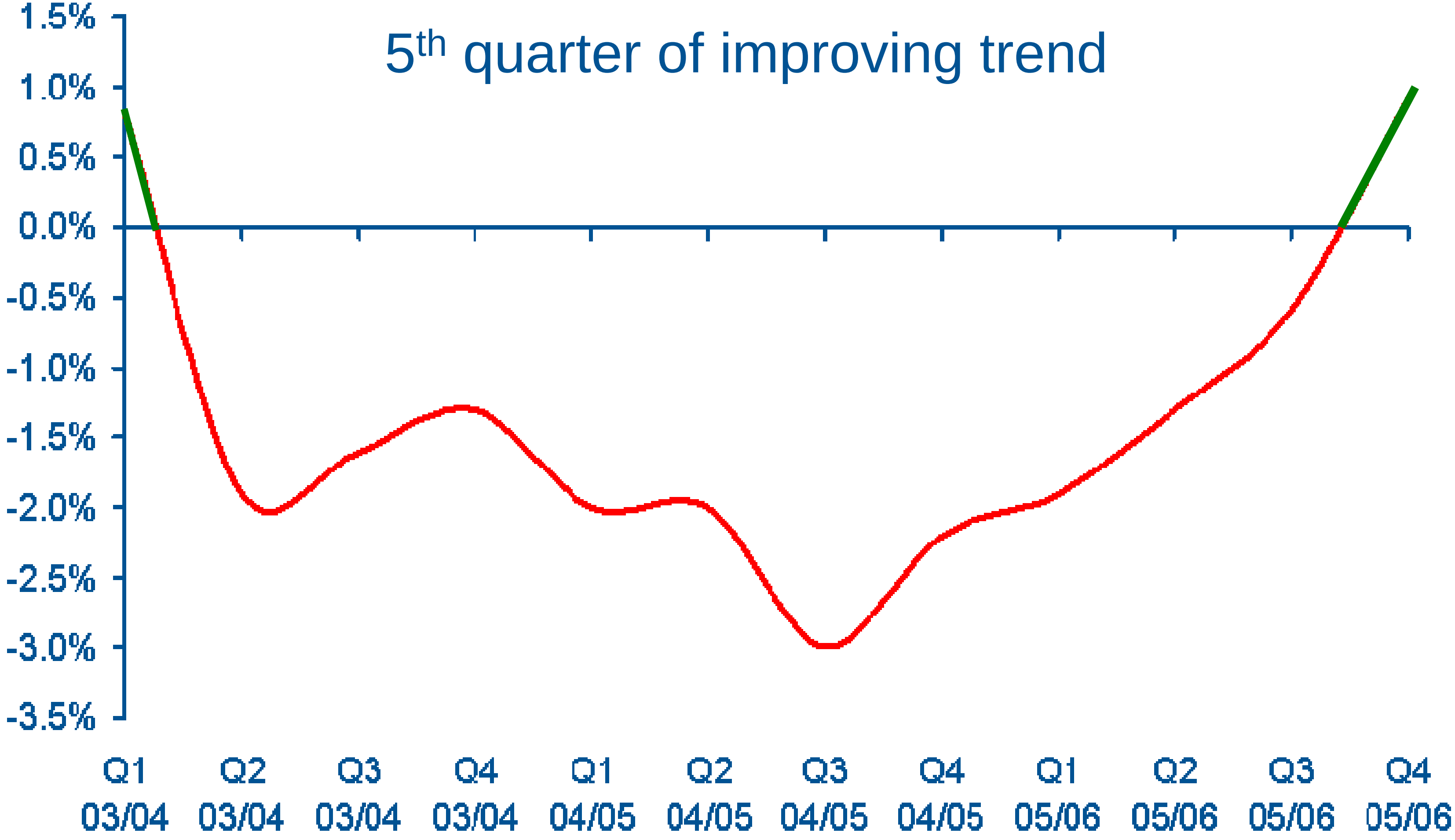
... Consistent delivery

Tracking the trends

Focus	Q4	Trend
Revenue growth	*+7% / +5%*	*9th quarter of growth*
Free cash flow	*£1.1bn*	*£7.7bn over 4 years*
Call revenue dependency	*9%**	*Down from 17%* over 3 years*
Broadband volume growth	*827k adds*	*From 200k to 8m in 4 years*
*Retail broadband market share***	*31%*	*Average >30% over 3 years*
Networked IT services	*£1.1bn order intake*	*£24bn signed in 4 years*

*   Retail call revenue (less POLO payments) as proportion of total Group revenue
** Share of DSL plus LLU

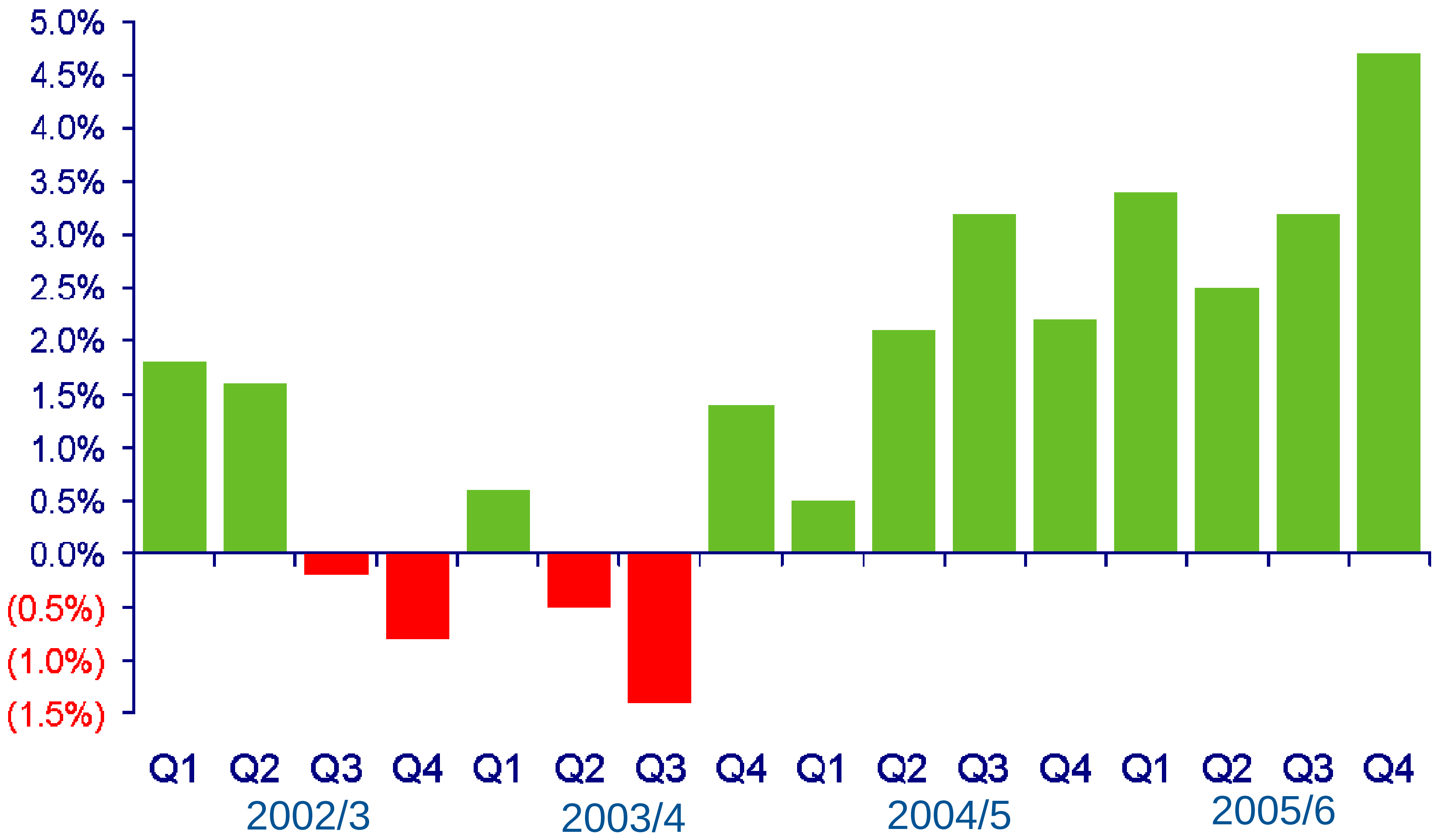
EBITDA* turnaround



* Before exceptionals / specific items, leaver costs and sale of property in Q2 2004/5

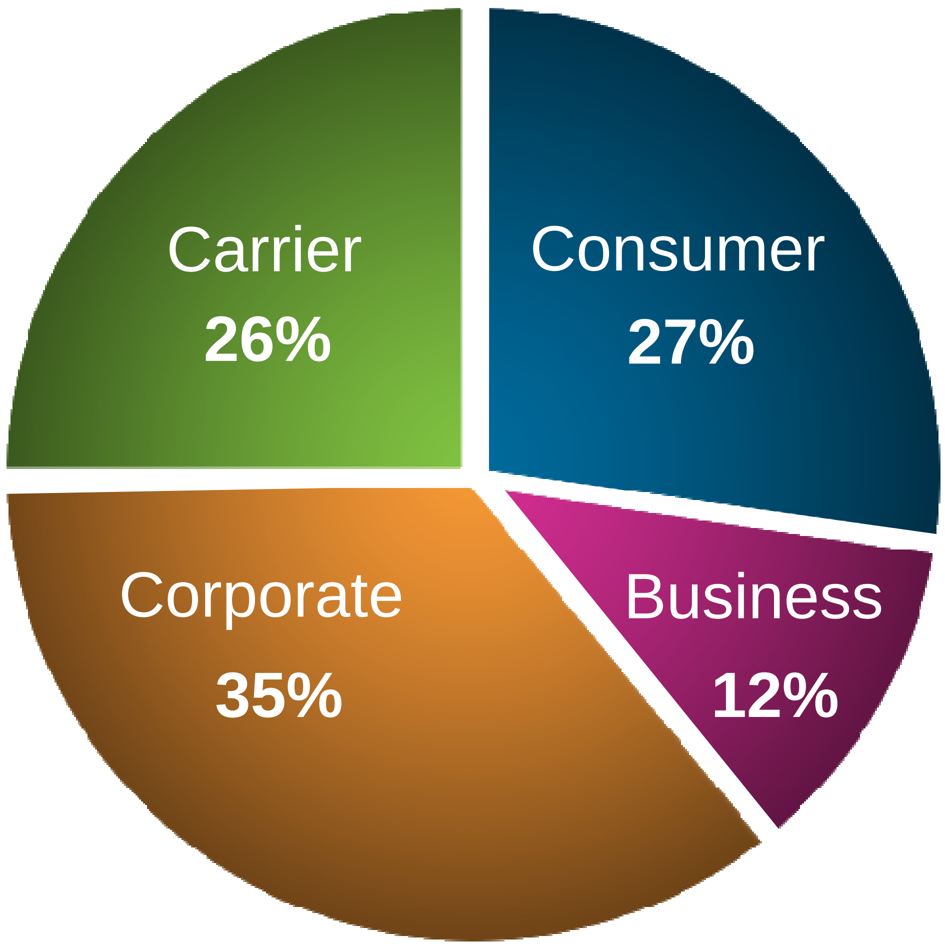
BT

Revenue - strong underlying* growth



* 2002/3 growth is adjusted to take account of Concert unwind
* 2004/05 and 2005/6 excludes impact of mobile termination and revenues from Albacom and Infonet

FY 2005/6 Revenue* - customer segmentation



Consumer - a broadband centric service provider

- Customer Needs
  - Simple, convergent high quality services
  - Clearer pricing
  - Value for money

- Market Trends
  - Increased competition and deregulation
  - Bundled services

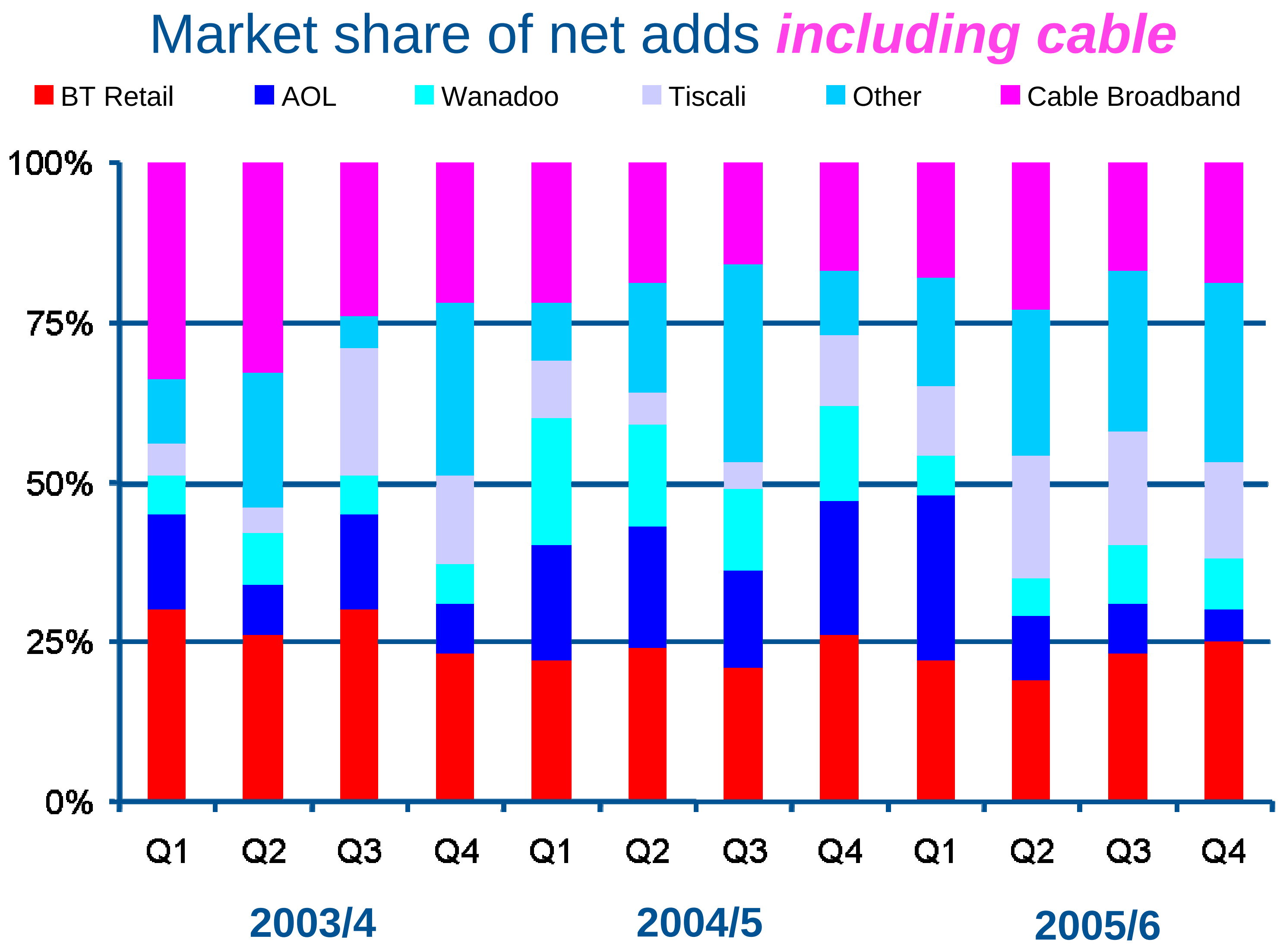
- Strategy
  - Broadband centric services delivered through the home hub
  - Creating a service culture
  - Drive up ARPU
  - Grow proportion under contract

- New Services
  - High definition voice
  - Videophone
  - WiFi cordless phones
  - BT Vision
  - 8Mb broadband

Broadband - service development to date

	2002	2006
Coverage	60%	99.7%
BT Wholesale DSL	£30.00	£8.40
Take-up	200k	8 million
Speed	512kb	8Mb
BT Retail Services	e-mail	BT Yahoo! Home Monitoring Home Networking Openzone Broadband Talk IT Manager BT Fusion

Broadband



* Based on published data for 31March 2006

Broadband - a vibrant market

- Retail market is dynamic and competitive
  - More than 200 ISPs
  - ISPs tend to win market share form each other rather than BT
- Unbundlers
  - Target 70% of UK households
  - Significant overlap with cable TV footprint
- Our proposition
  - Value for money
  - Build on the trust customers place in us
  - New exciting services

Broadband - services portfolio

Communications	BT Fusion	High definition voice	BT Broadband Talk
Entertainment	BT Vision	Music	Gaming
Manage Life	Digital Vault	Home Monitoring	PC Security

... Removing complexity

Broadband - services portfolio

Communications

BT Fusion

High definition voice

BT Broadband Talk

Entertainment

BT Vision

Music

Gaming

Manage Life

Digital Vault

Home Monitoring

PC Security

... Removing complexity

Short Demo

Broadband - services portfolio

- **Communications**: BT Fusion | High definition voice | BT Broadband Talk
- **Entertainment**: BT Vision | Music | Gaming
- **Manage Life**: Digital Vault | Home Monitoring | PC Security

... Removing complexity

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Short Demo

Broadband - services portfolio

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... Removing complexity

Business (SME) - a partner for change

- Customer Needs
  - More personalised and responsive service
  - Reduced complexity and repair times
  - Help to improve productivity through IT

- Market Trends
  - Targeting higher value customers
  - Bundled offers and packages
  - Lower prices

- Strategy
  - Become the leading trusted IT partner (eg IT Manager)
  - BT Local Business
  - Increase VAS attachment rates
  - Total spend discounts

- New Services
  - Virtual CIO
  - Networked IT services tailored to the SME market
  - OneBill
  - BT Fusion for enterprise

Mobility - convergence is here

- 42% growth in revenue year on year to £292m
- Converged Products and Services
  - Fusion, Onebill, Onevoice, Datazone
- Spectrum
  - low power GSM licence awarded
- Enterprise Fixed-Mobile Convergence
  - Alcatel contracted to deliver WiFi/GSM services
  - initially targeted for Europe
- Wireless Cities

Mobility - wireless cities

Carrier - delivering convergent network solutions

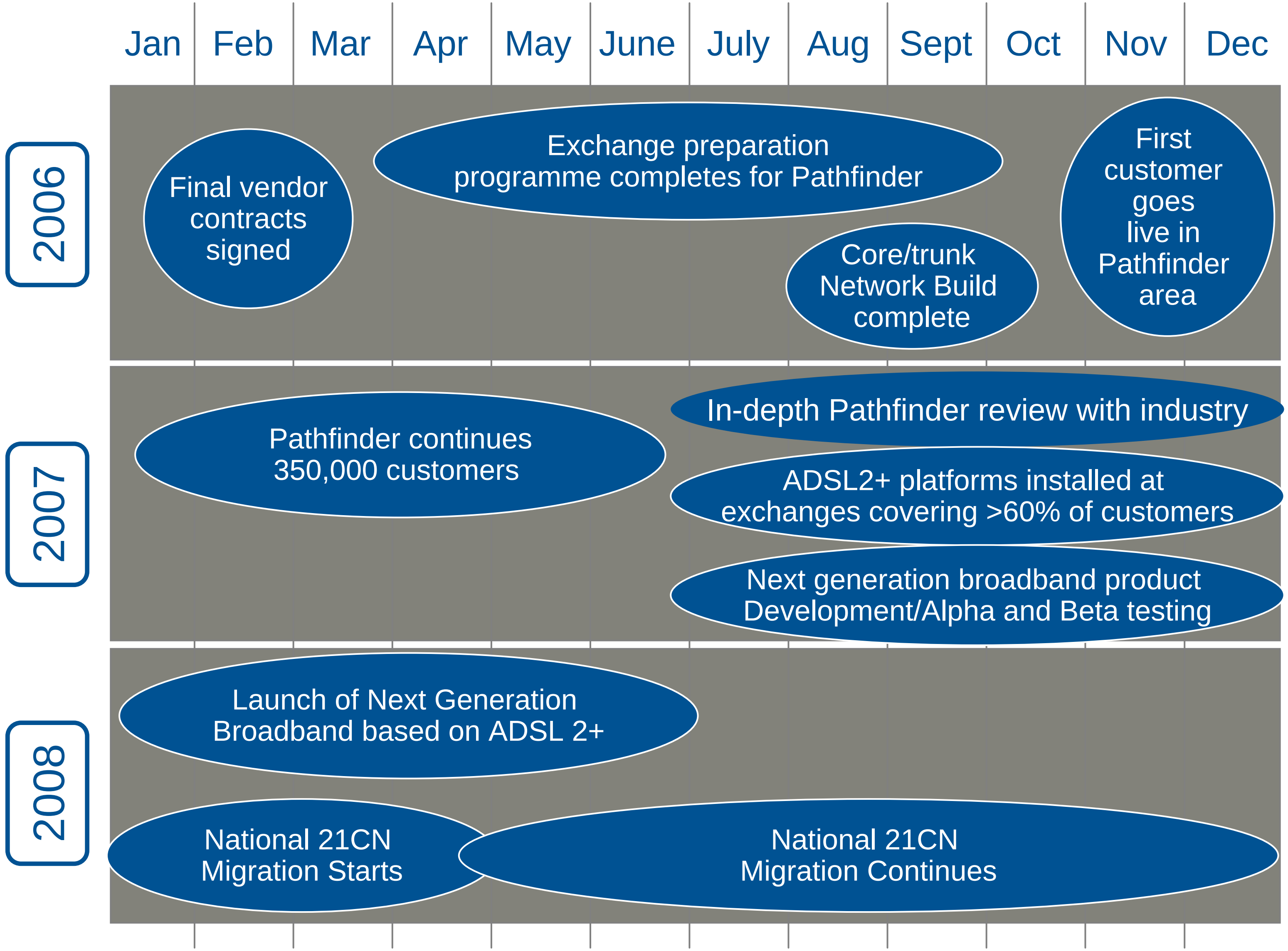
- Customer Needs
  - High quality service, reliable delivery
  - Reduced business risk with increased speed to market
  - Service equivalence and equality of pricing

- Market Trends
  - Outsourced network management
  - Higher bandwidth products
  - Reductions in termination and roaming rates

- Strategy
  - Provide managed network solutions for fixed and mobile operators
  - Consultative and inclusive approach to 21CN implementation
  - Creation of Openreach

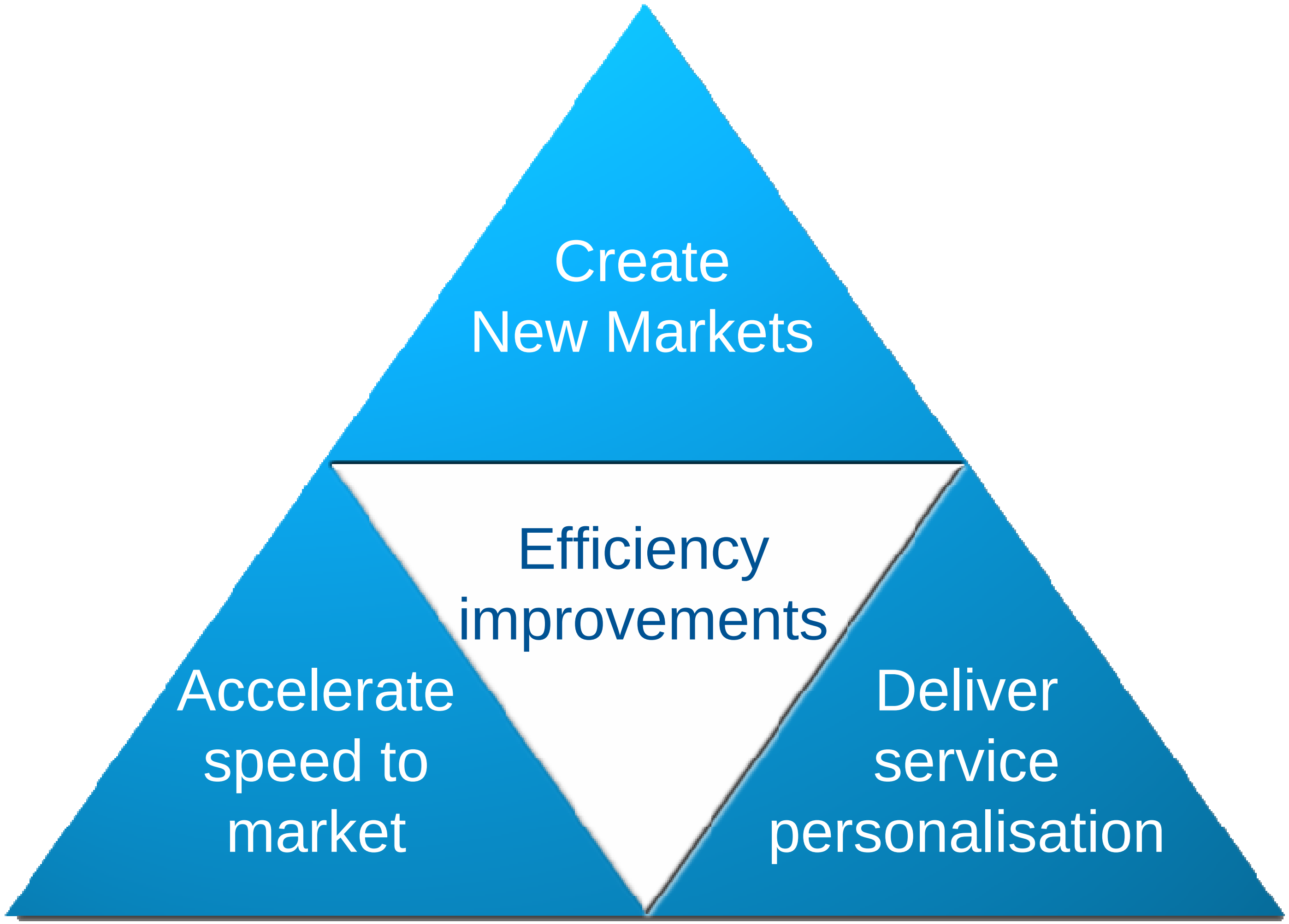
- New Services
  - DSL Max
  - BT Movio
  - 21CN based services

21CN - plan of action*



* Subject to consultation with industry

21CN - long term benefits



Establishing equivalence - Update

openreach
a BT Group business

- Operational since January 21st
- WLR, LLU, Backhaul and Partial Private Circuits at regulated prices
- 30,000 employees
- Ahead of schedule on many key deliverables
- On track to deliver product equivalence in June

- Equality of Access Board established
- IPStream and Datastream prices fixed until 1.5m LLU or April 2007

- Deregulation
  - removed regulation on inter-tandem services
  - relaxed the Network Charge Cap (NCC)
  - relaxed the retail price control cap from RPI-RPI to RPI+0

BT

Corporates – growing around the world

- Customer Needs
  - Enterprise wide solutions based on capabilities not capacity
  - One stop shop
  - Reliability and security

- Market Trends
  - Convergence of IT and network products and services
  - Procurement on an integrated global basis
  - Suppliers collaborating to deliver the most efficient seamless customer service

- Strategy
  - Provide global reach with local presence
  - Collaborating with world class partners
  - Build deep long term customer relationships

- New Services
  - Converged wireless portfolio
  - Financial services propositions
  - Other sector specific propositions

Networked IT services
- enhancing our capabilities

Auto industry
Atlanet

Retail
NSB
BT Expedite

Reach
Infonet & Albacom

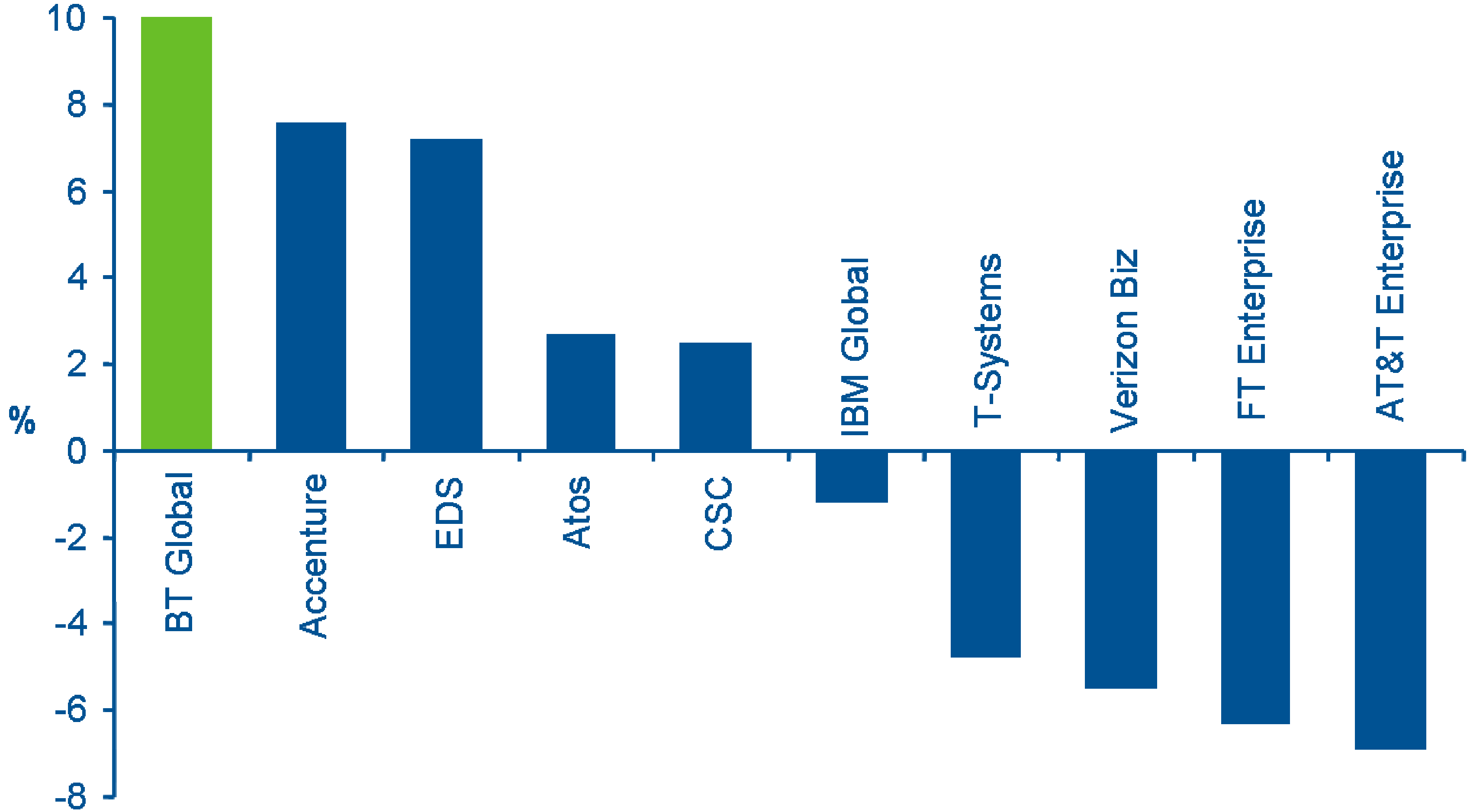
Financial Services
Radianz

WAN & LANs
Cara, Skynet & TNS

... Bringing it all together

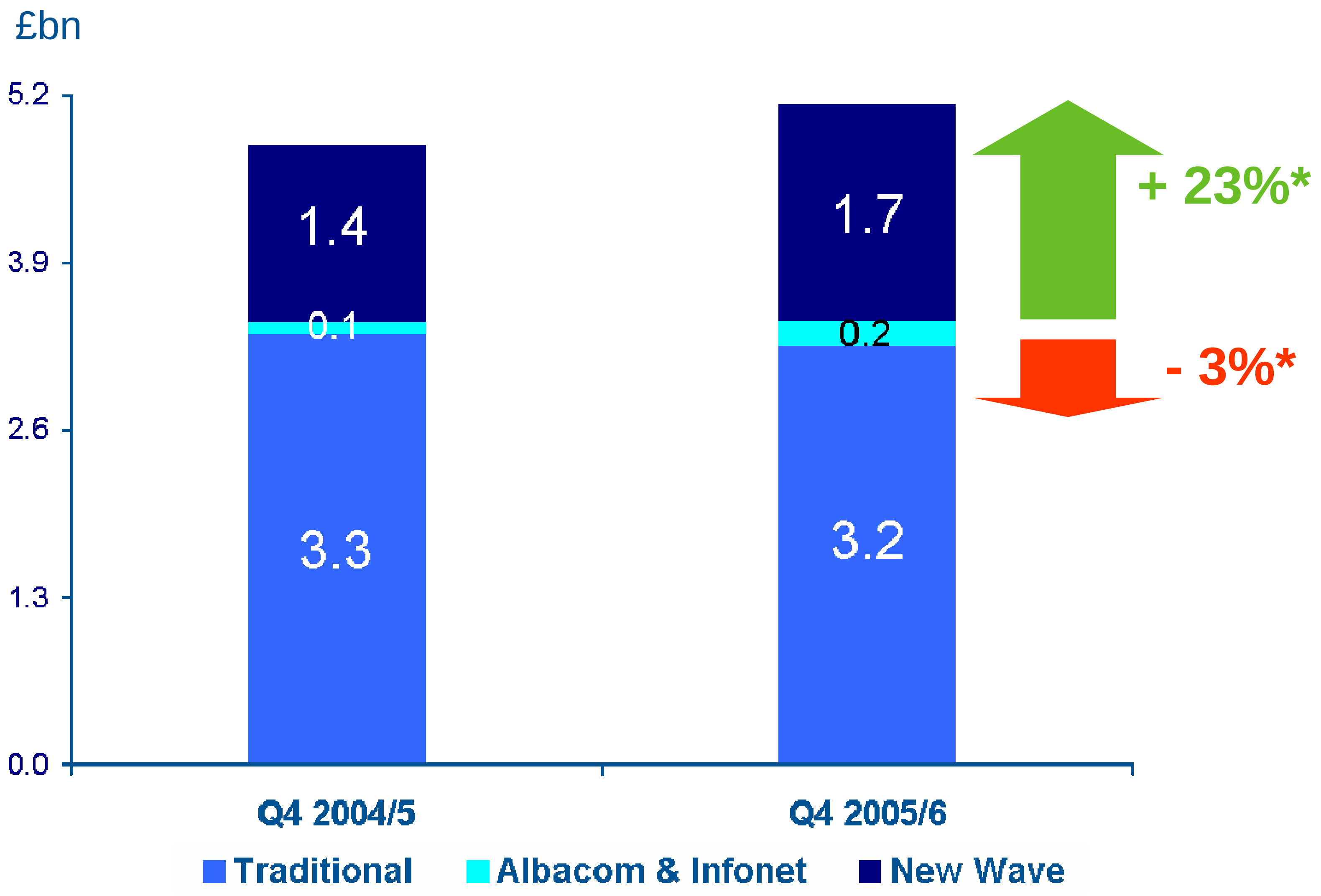
Networked IT services

Quarterly year on year revenue growth March 2006*



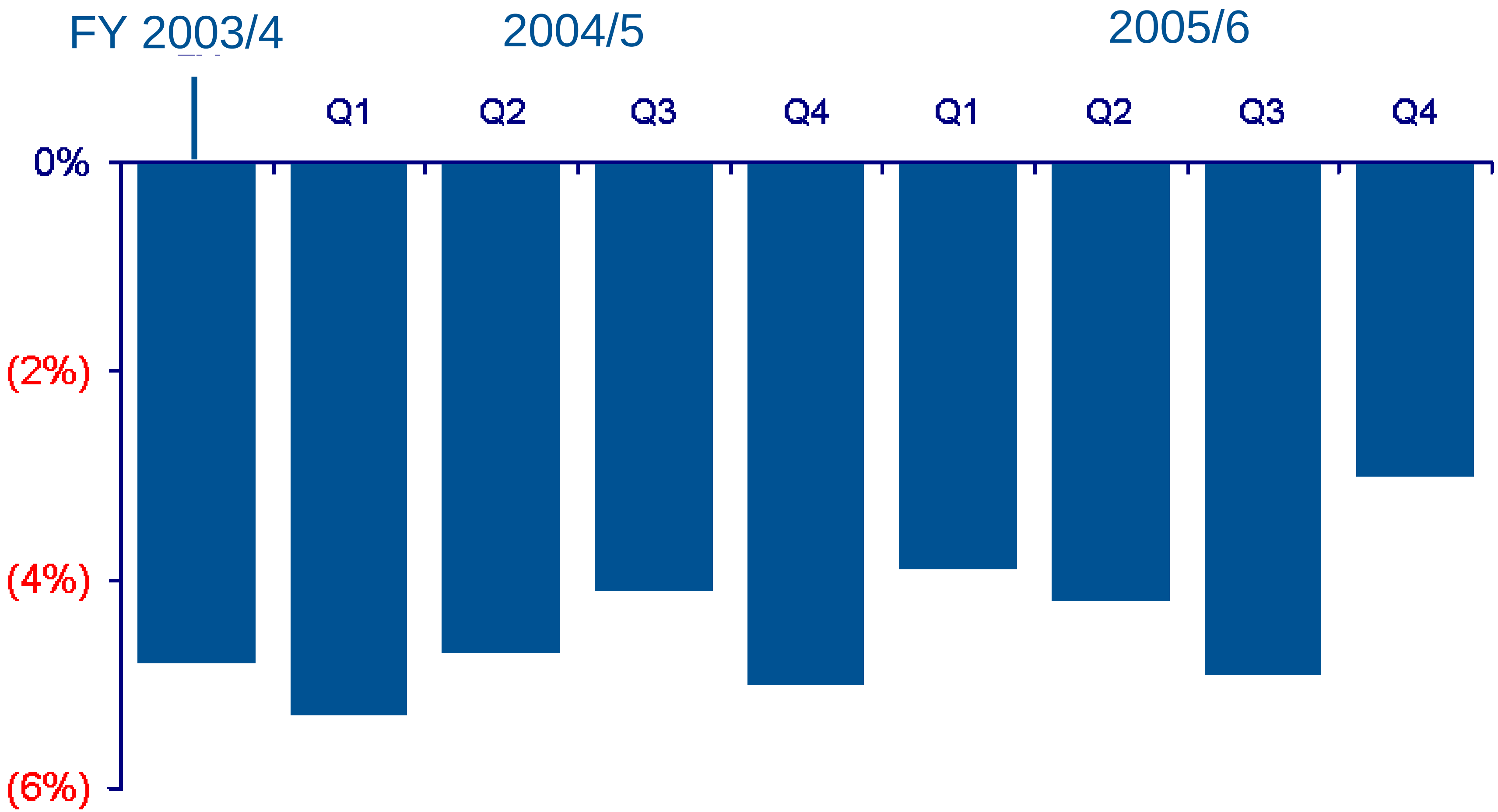
* Based on company data, analyst reports.
Numbers for Accenture Feb 2006 and CSC December 2005

Q4 2005/6 - Underlying group revenue up 5%*



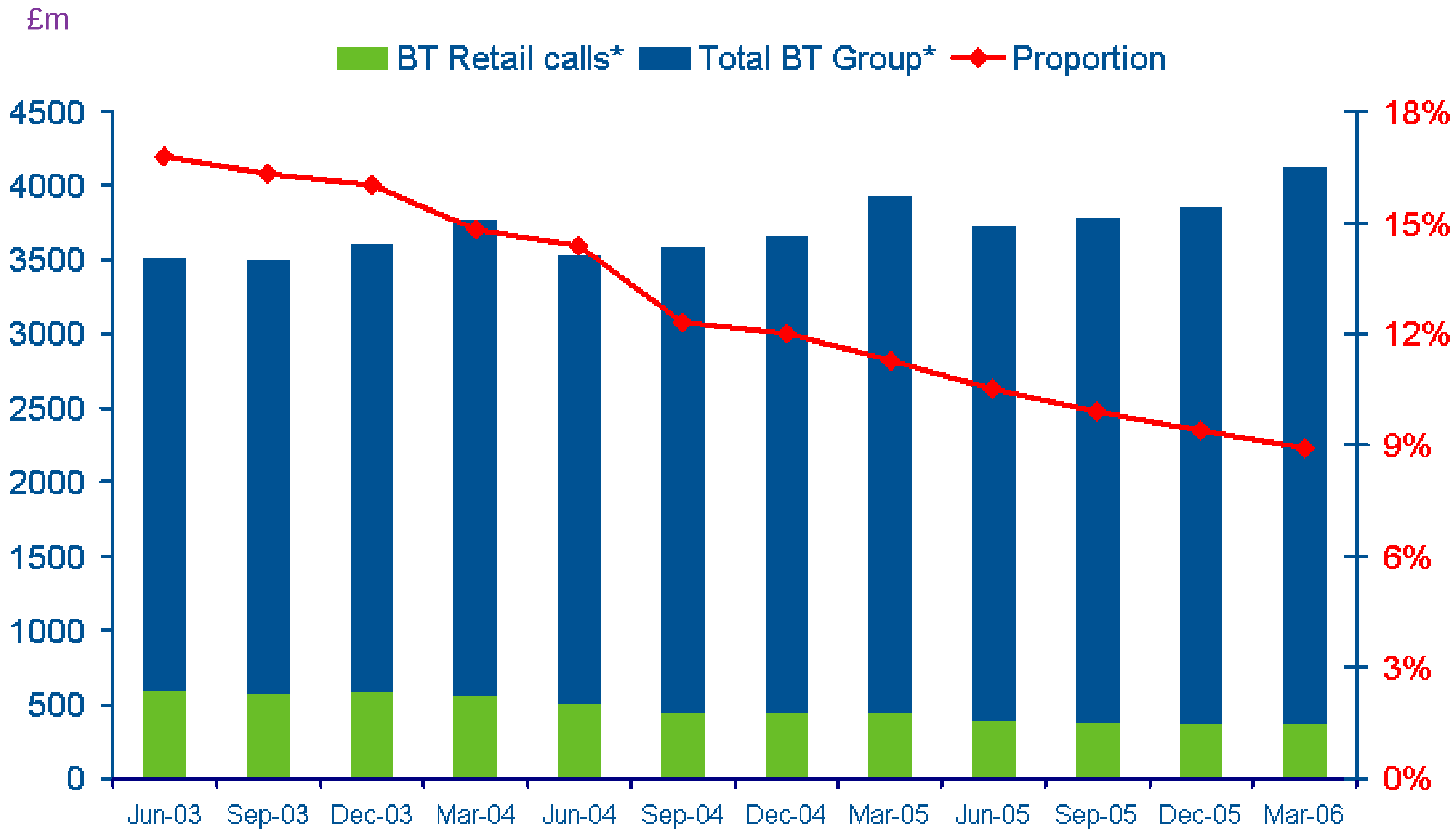
* Underlying excluding Albacom & Infonet

Traditional turnover* - stable trend



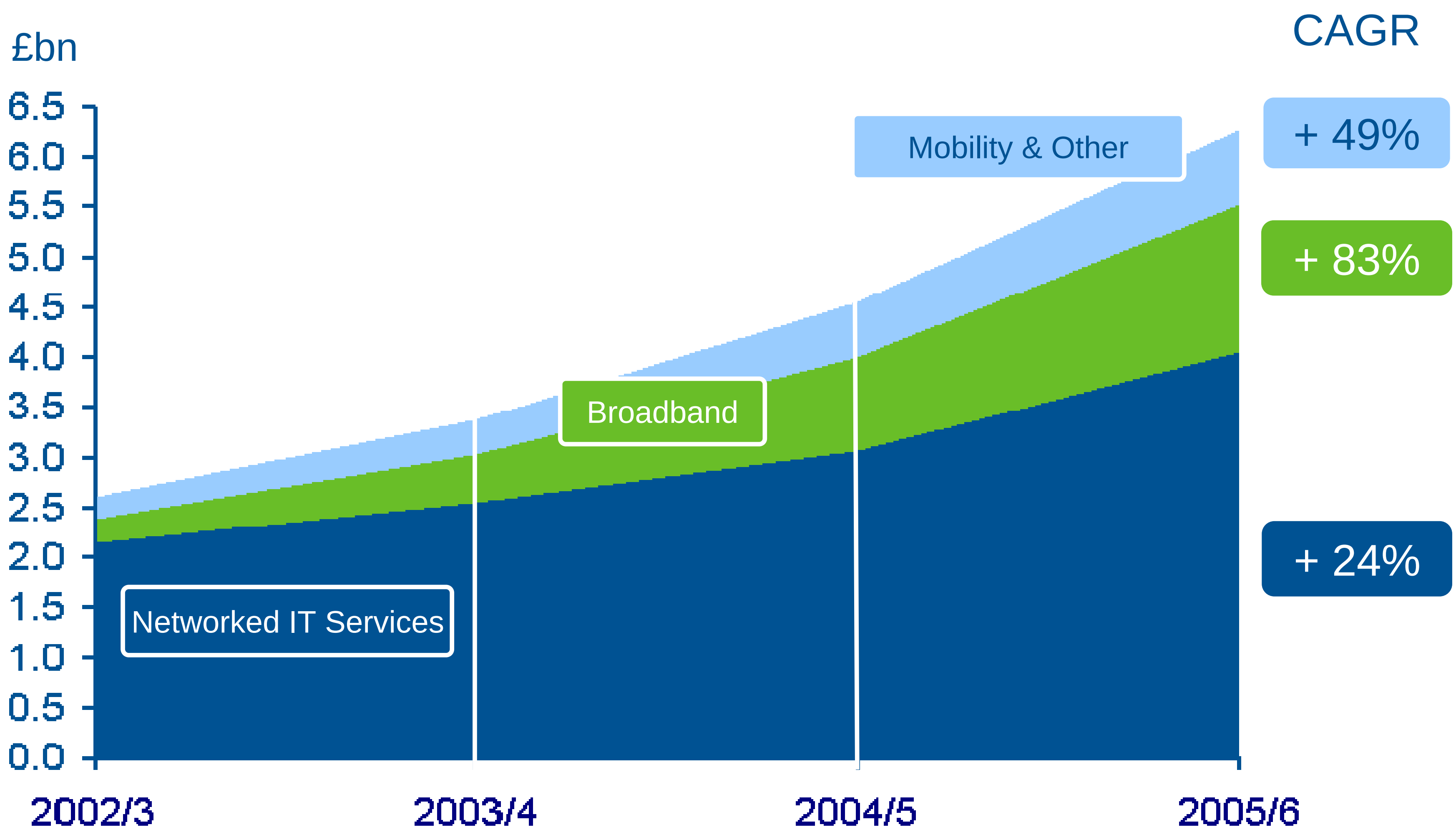
* Revenue growth versus same period in prior year adjusted for the impact of mobile termination cut and excluding Albacom

Revenue - reduced reliance on calls



* Revenue less POLO payments

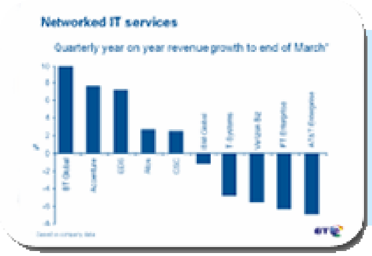
Revenue - new wave growth accelerating



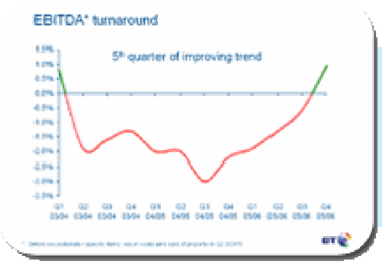
Bringing it all together

Strategy built around convergence & innovation

Strong momentum with track record of delivery
- ***SIXTEEN*** quarters of **EPS** growth
- ***NINE*** quarters of **revenue** growth
- ***FIVE*** quarters of improvement in ***EBITDA*** trend



Consistently successful in competitive & dynamic markets
- New wave now accounts for a third of group revenue
- Networked IT services provider of choice



Positive operational trends will continue
- EBITDA will continue to grow

Bringing it all together

Q4 & Preliminary full year results 2005/6

18th May 2006

BT