



Momentum building

Q1 results 2006/7

27th July 2006





BT Group plc

Q1 results 2006/7

Ben Verwaayen - CEO



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; growth in new wave revenue, mainly from networked IT services, broadband and mobility growth; introduction of next generation products and services; implementation of BT's 21st Century Network and the rollout programme; growth in non-UK business; and cost efficiencies.

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; technological innovations, including the cost of developing new products, networks and solutions and the need to increase expenditures for improving the quality of service; the anticipated benefits and advantages of new technologies, products and services, including broadband and other new wave initiatives, not being realised; developments in the convergence of technologies; fluctuations in foreign currency exchange rates and interest rates; prolonged adverse weather conditions resulting in a material increase in overtime, staff or other costs; the timing of entry and profitability of BT in certain communications markets; 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.



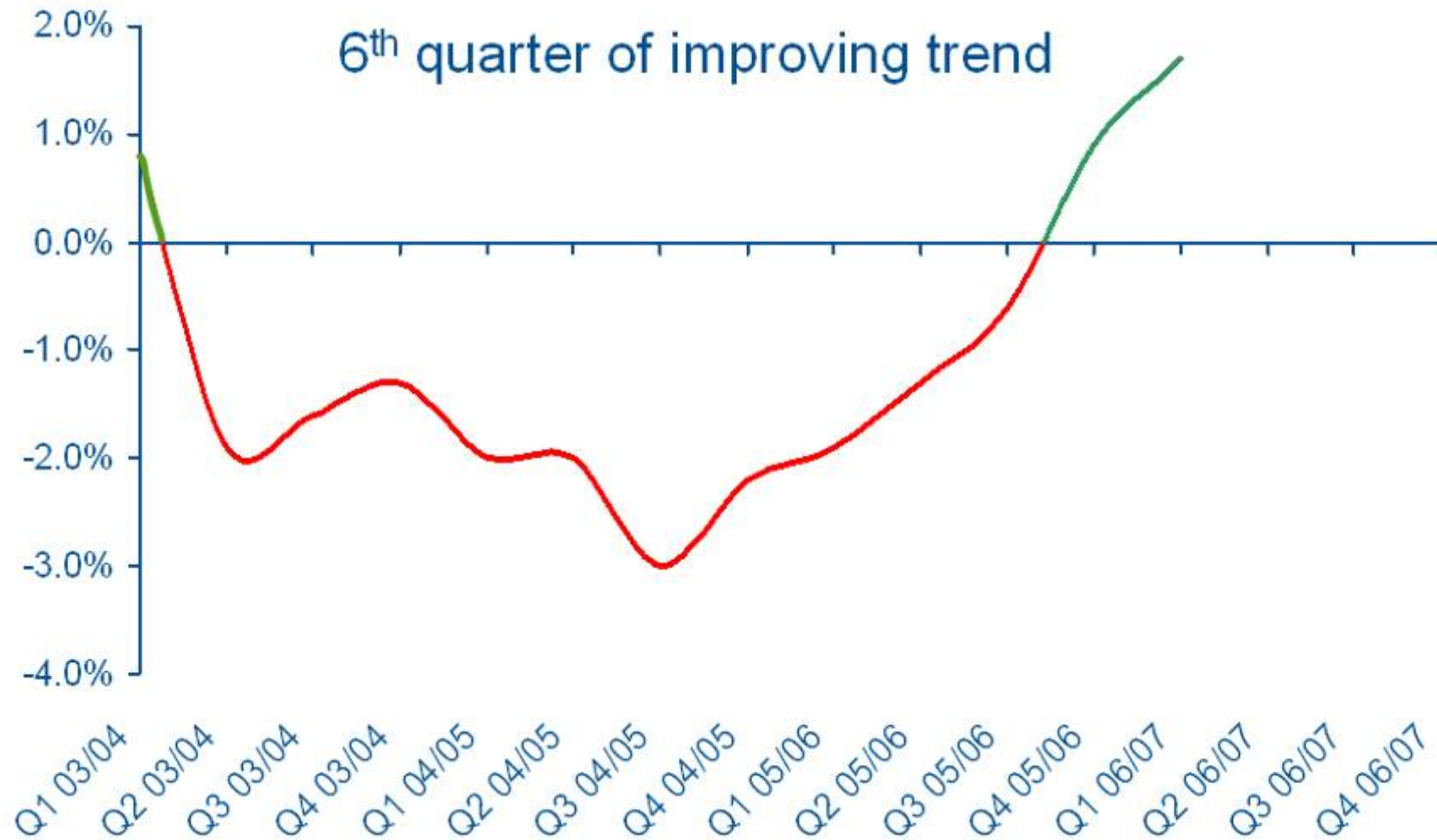
Q1 2006/7 - Financial headlines

Group revenue	£4.9bn		2.8%
EBITDA ⁽¹⁾	£1.4bn		1.7%
Profit before tax ⁽¹⁾	£0.6bn		24%
Earnings per share ⁽¹⁾	5.8p		26%
Free cash flow	£(17)m		87%

(1) Before specific items and leavers



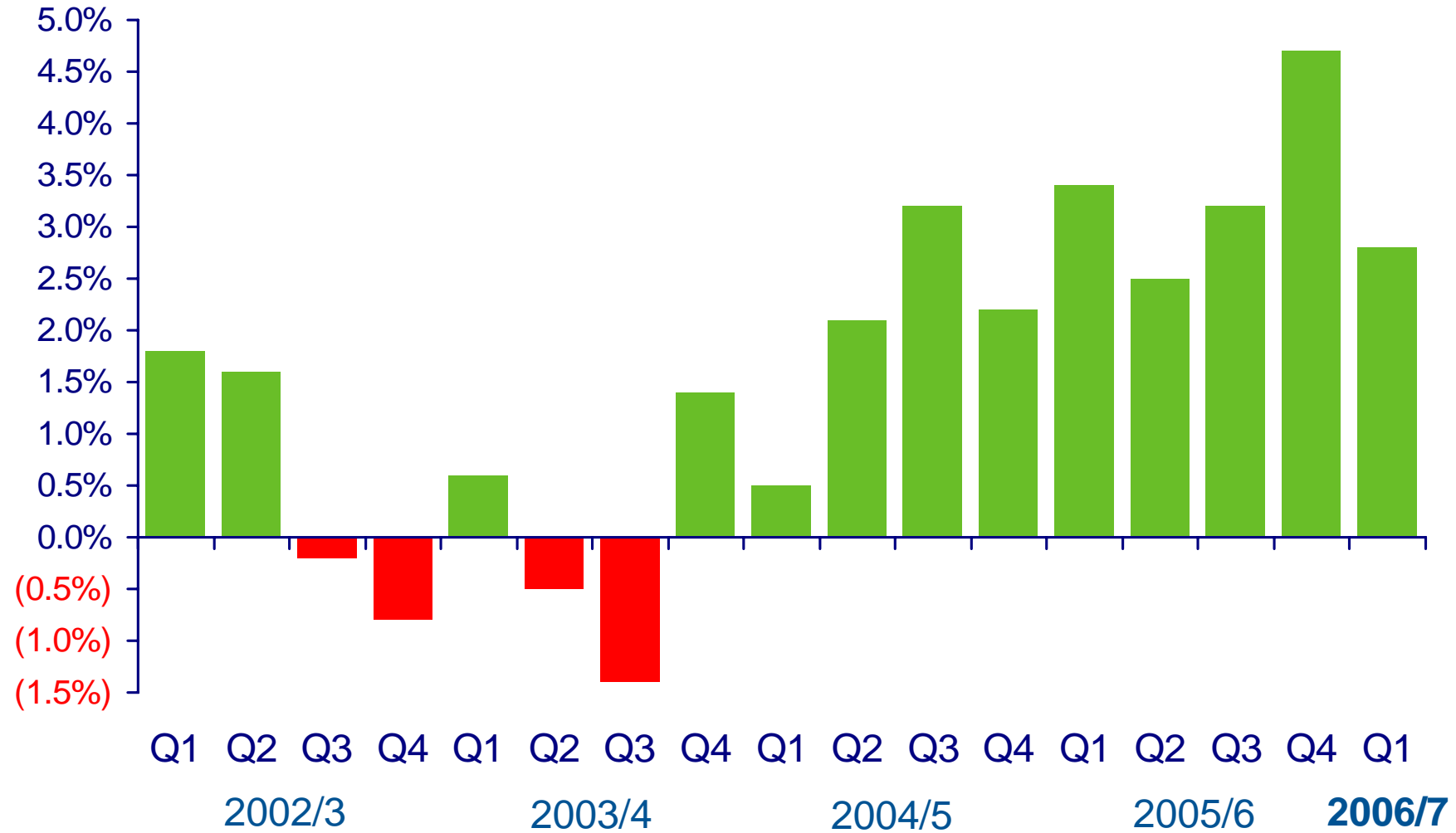
EBITDA*



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



Group Revenue - Continued growth



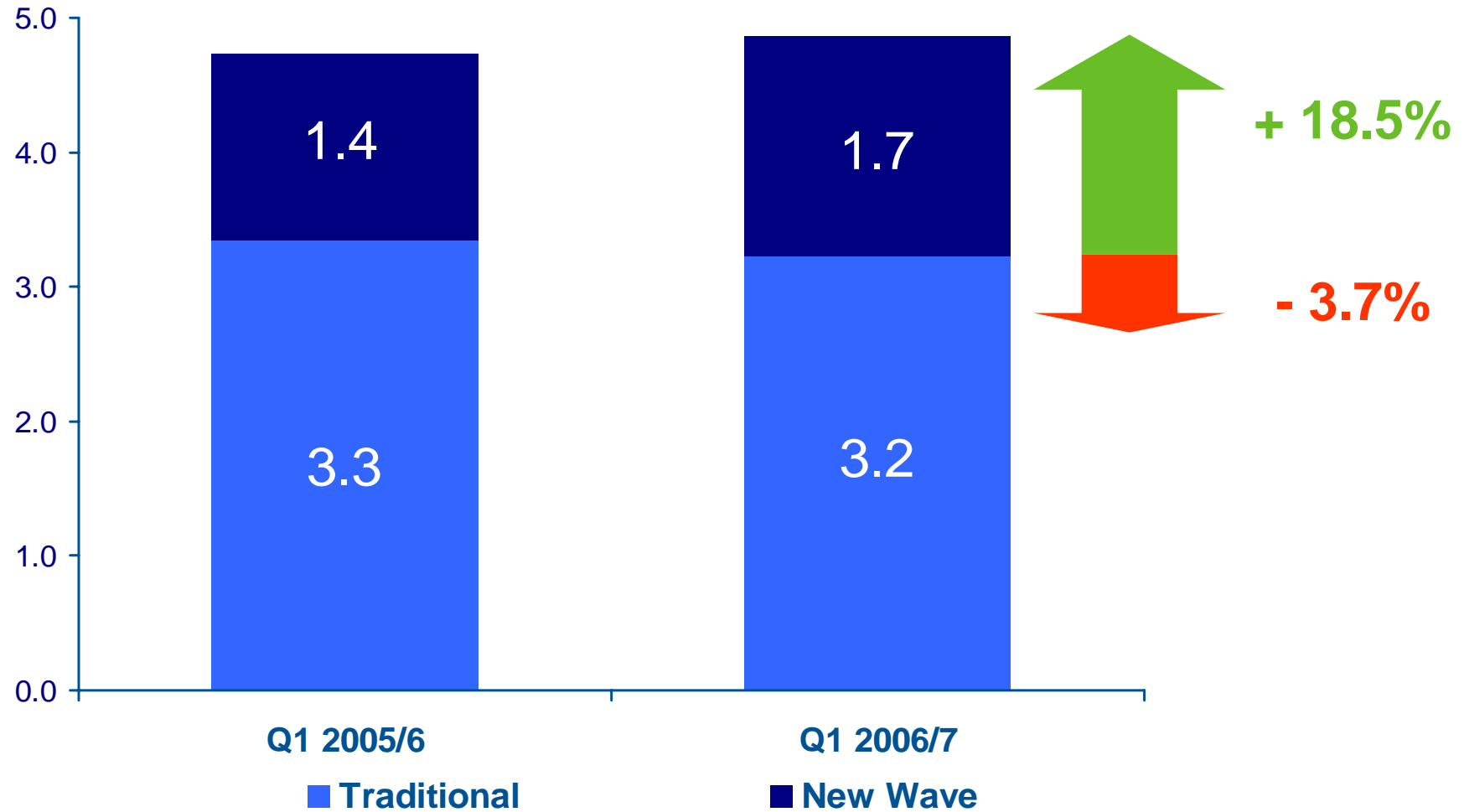
* 2002/3 growth is adjusted to take account of Concert unwind

* 2004/05 and 2005/6 excludes impact of mobile termination and revenues from Albacom and Infonet



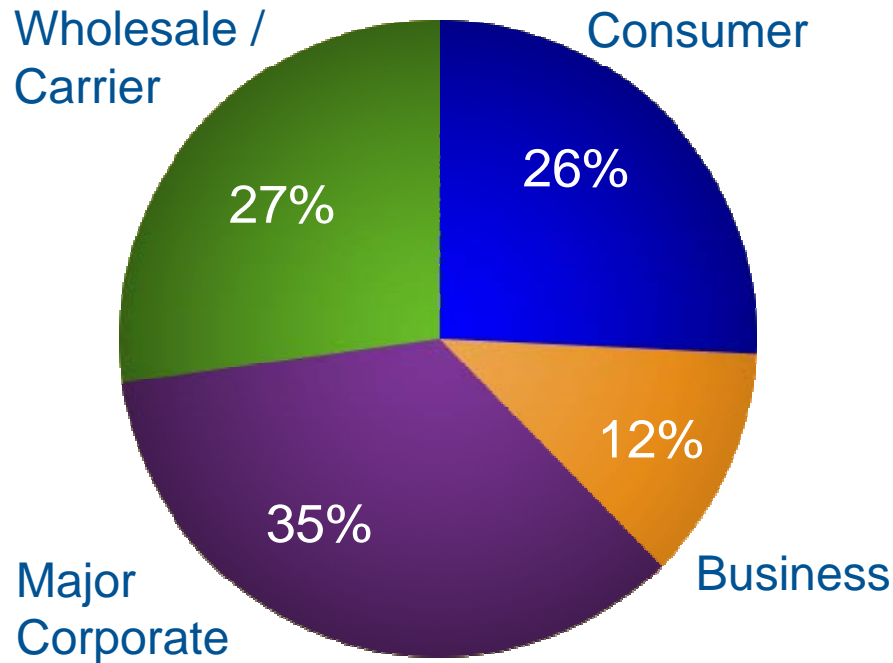
Q1 2006/7 - Group revenue up 2.8%

£bn



Changing mix - Q1 segmental analysis

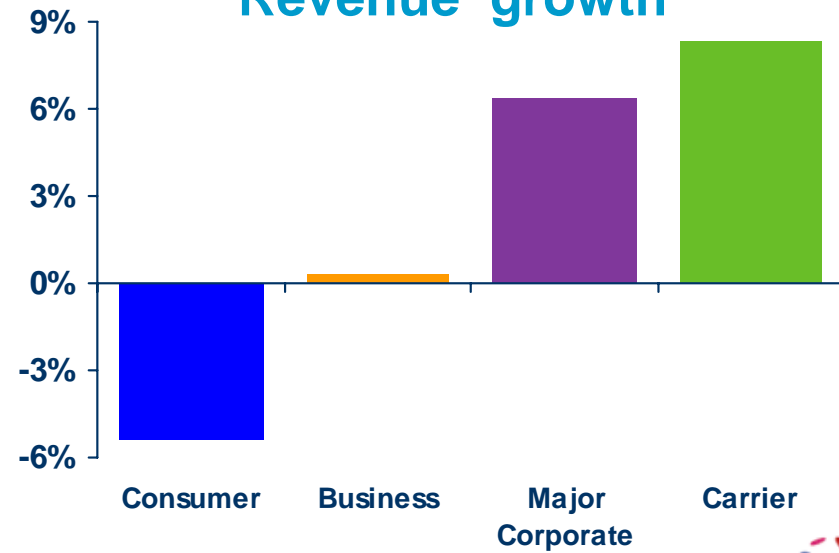
Revenue



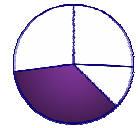
New Wave proportion

	2006/7	2005/6
Consumer	14%	8%
Business	27%	21%
Major Corporate	58%	56%
Wholesale/Carrier	24%	18%
TOTAL	34%	29%

Revenue growth



Corporates



- Revenue growth 6%
- Order Intake £1bn
 - Unilever, 3yr extension
 - Philips; 5yr contract
- Added >200 new non-UK accounts
- Global reach extended
 - MPLS network now extends into 96 countries
 - Added another 17 cities in last 3 months
 - Announced JV with KDDI to service Japanese corporates global requirements



And for Q2 - Barclays signed a new 5 year master service agreement

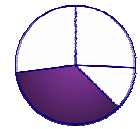


Global Networked IT Services VT

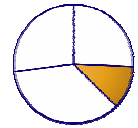


Proven global capabilities

- Telecommunications Magazine
 - named BT among “Top 10 Most Relevant Companies” with greatest potential to redefine telecom & networking
- Telemark Gold Awards
 - BT Global
 - Technical support
 - Long term customer relationships
 - BT Infonet
 - Network reliability
 - Support in local language



Business (SME)

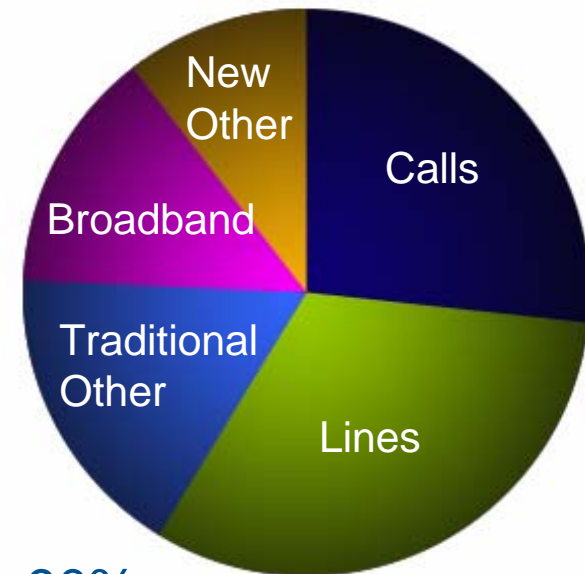


- Q1 Revenue rose 0.3%
 - Stable call market share
 - BT Business Plan covers >500,000 sites
 - Broadband revenue +23%
 - 85% of customers purchase premium packages
 - Churn reduced by one third

- Driving Convergence

- Broadband attachment rates remain over 90%
- Customisation of corporate solutions for SME market
 - CRM in a box
 - BT Micro office
 - Virtual CIO – “IT Manager”

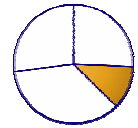
Revenue



Managed Services VT



Business (SME) - Enhanced capabilities



BT Conferencing

- Frost & Sullivan Global Excellence Award for market growth
 - 40% growth in America in Q1
- 300,000 users worldwide

BT RedCARE

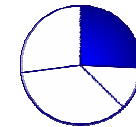
- Leading provider of monitoring, CCTV, telemetry and RFID solutions
- Contract won in Q1 to provide CCTV services at Emirates Stadium

BT Expedite

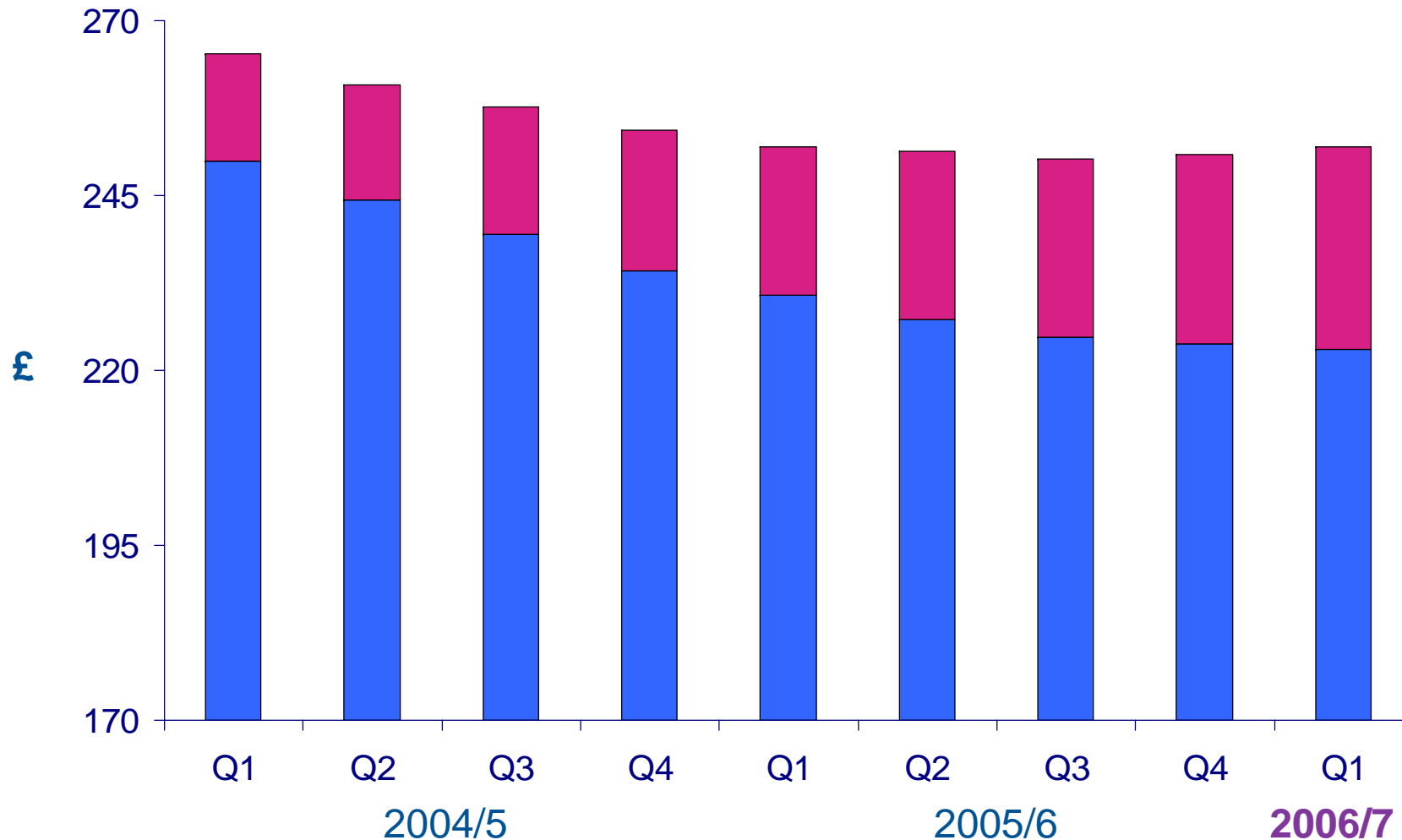
- Provides in-store solution to > 80 of Europe's leading retailers
- EPOS Solution deliver efficiencies in planning and merchandising
- RFID assists with logistics and distribution

dabs.com

- New enhanced channel to market
 - Integrate hardware sales with IT service packages
 - Expand product range



Consumer - ARPU* up £2 at £253

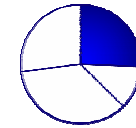


...and contracted revenue now 68%

* Rolling 12 months consumer revenue less mobile POLOs, divided by average number of primary lines



BT Total Broadband - Value for money



BT Total Broadband

with **YAHOO!**

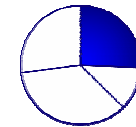


It's official.
The UK's best performing broadband service

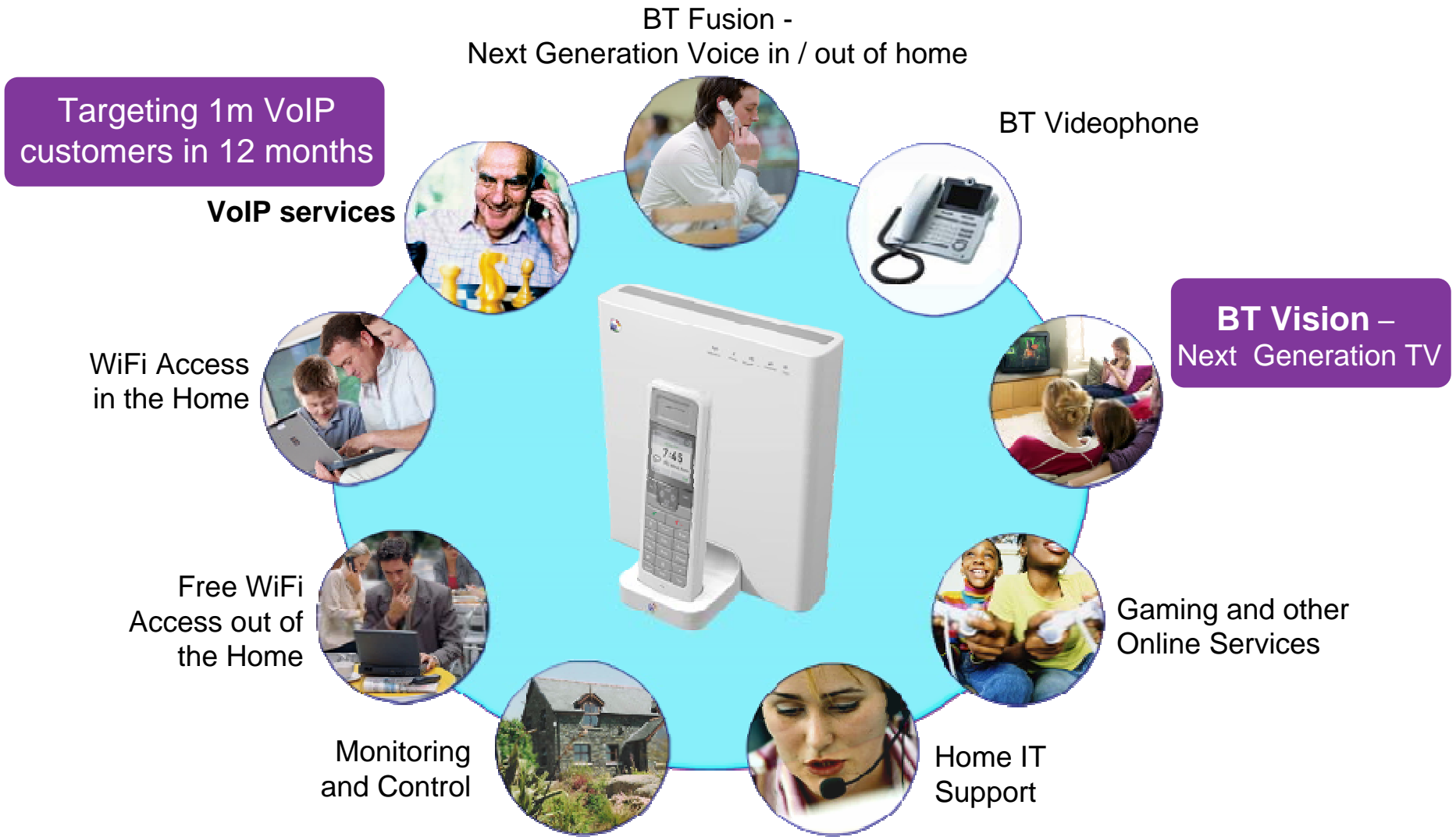
the future's here ▶

<p>UP TO 8Mb</p> <p>Option 1</p>	<ul style="list-style-type: none"> Basic Security 2 GB Monthly Usage 250 FREE WiFi Minutes Free UK Calls 	<p>£9.95 per month</p> <p>for first 6 months, £17.99 thereafter 18 month contract</p>
<p>UP TO 8Mb</p> <p>Option 2</p>	<ul style="list-style-type: none"> Norton Security 6 GB Monthly Usage 250 FREE WiFi Minutes Free UK Calls Wireless BT Home Hub 	<p>£14.99 per month</p> <p>for first 3 months, £22.99 thereafter 12 month contract</p>
<p>UP TO 8Mb</p> <p>Option 3</p>	<ul style="list-style-type: none"> Norton Security 40 GB Monthly Usage 250 FREE WiFi Minutes Free UK Calls Wireless BT Home Hub BT Hub Phone 	<p>£22.99 per month</p> <p>for first 3 months, £26.99 thereafter 12 month contract</p>





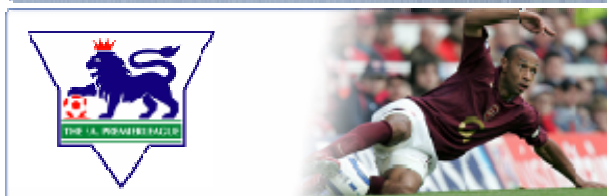
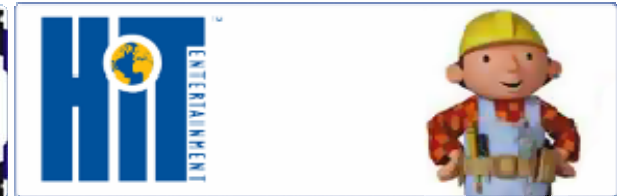
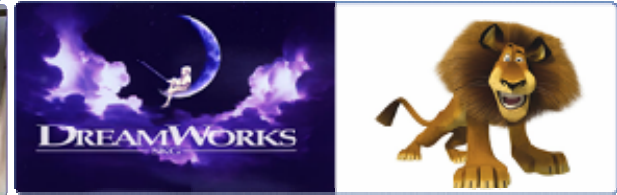
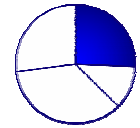
BT Total Broadband - Not just access



Retail market share of DSL & LLU net adds 30%



BT Vision - Variety & choice



More coming soon

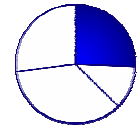
More coming soon



Universal VT



BT Vision Download Store



Speed to market

- Shortest period between cinema launch and view at home

Variety

- Customers can preview, select, and purchase videos online

Choice

- Available to all UK broadband users
- Unlimited usage on any device

Value for money

- Prices from £7.99
- Customers will get three copies;
 - a file for their PC
 - a file for their portable device
 - a boxed DVD in the post*

Available from Monday



* Limited period



Wholesale / Carrier - Revenue up 8%



Traditional

BT Wholesale

Private circuits and
Interconnect revenues
stable

New wave

Managed services
> £60m of orders

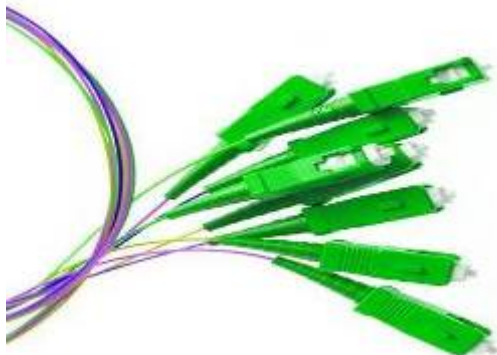
BT Movio
- 4 channels secured

DSL > 8m connections

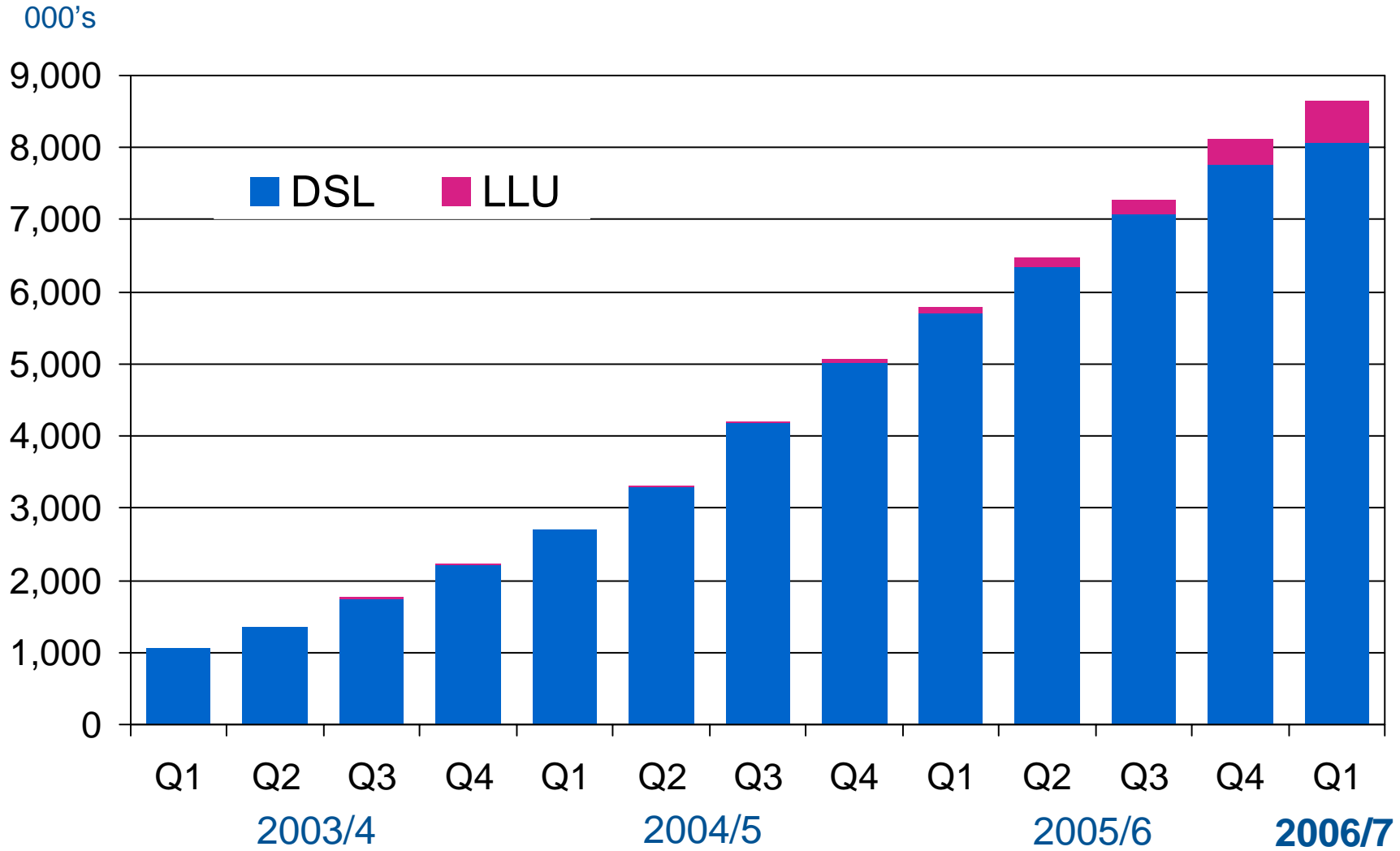
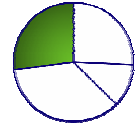
Openreach

WLR
> 50 customers
> 3.6m external lines

LLU
> 15 customers
> 580k external
volumes
EMP order platform
operational

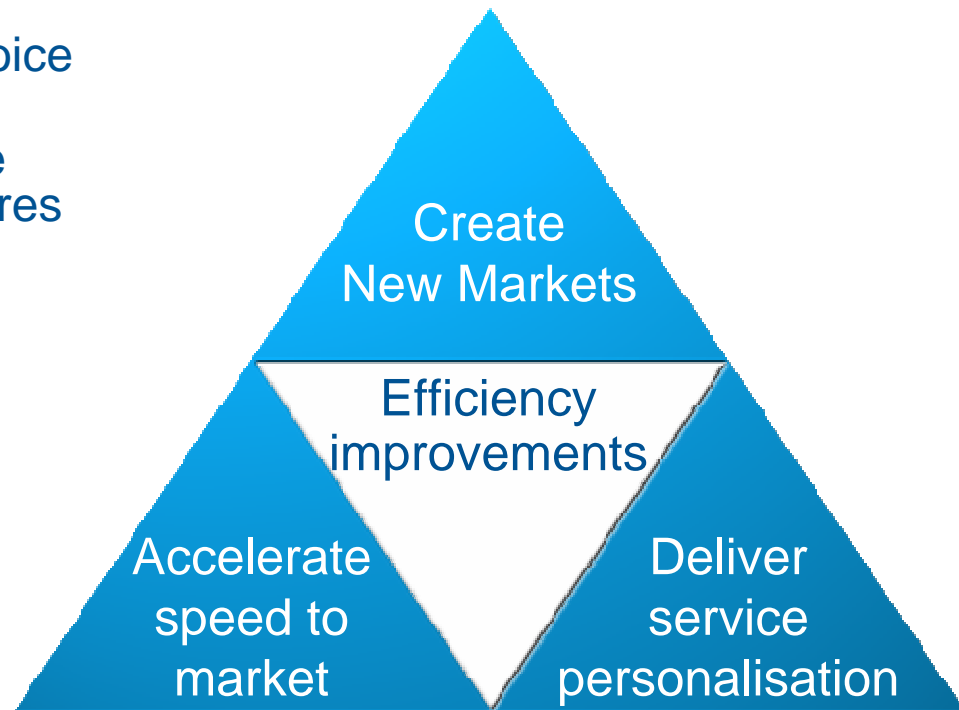


Broadband - Continued growth

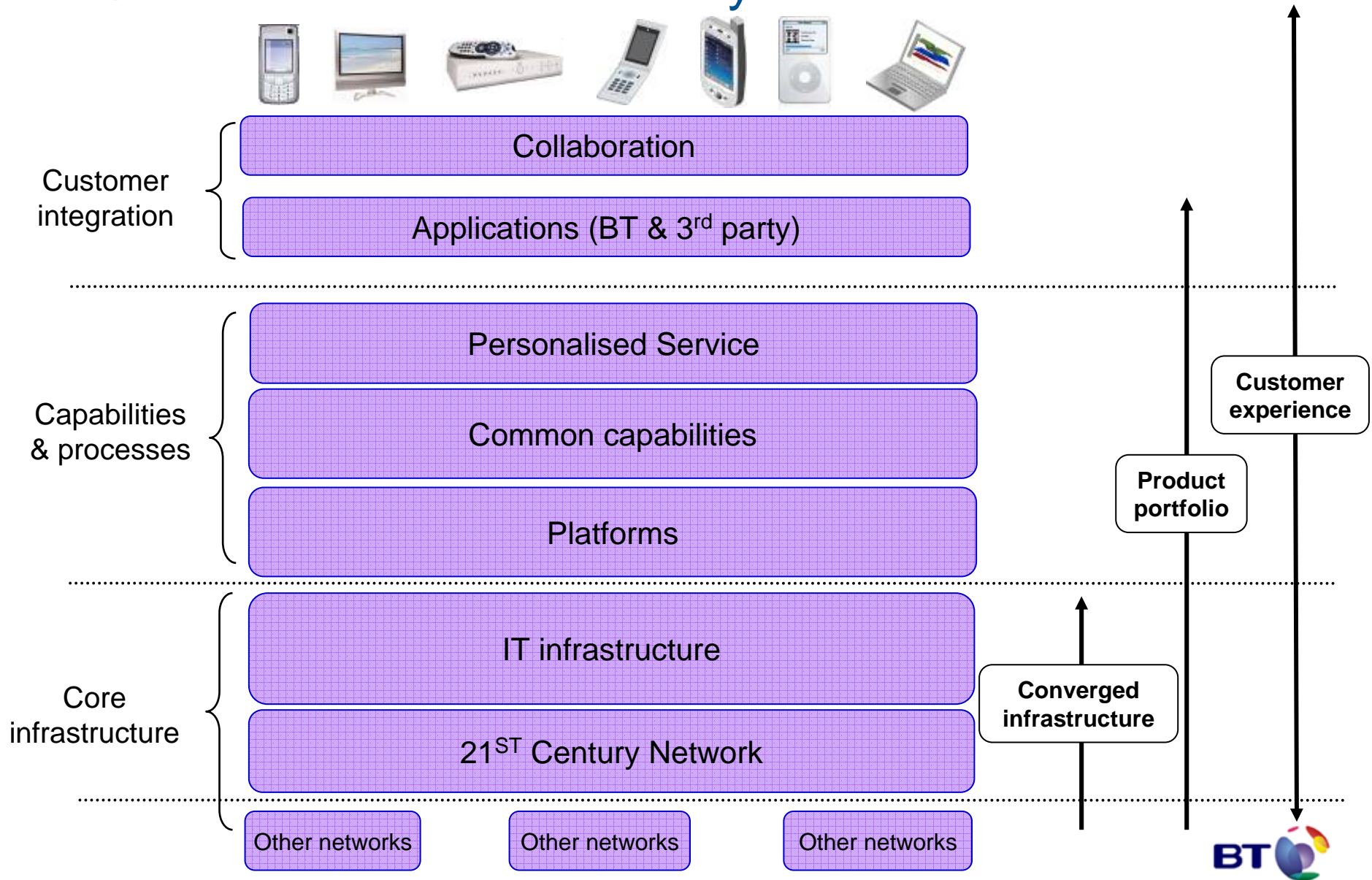


21C - Preparations and plans

- What has happened?
 - Completed the design of 158 voice related services and features
 - Over 23 million voice calls have been carried using 21CN features and protocols
 - Established withdrawal plans for 30 services
 - Consult21 consultation on refreshed industry proposals almost complete
 - 3,000 dedicated people
- Next BIG thing
 - Migrate around 350,000 customer lines, starting at the end of November in Cardiff area



21C - Innovation and Delivery Platform



Cost transformation

Retail

- Inbound call reduction
- Process improvement
- Flatter overhead structure

Wholesale

- Supplier rationalisation
- Operational efficiencies
- Zero Based Budgeting

Openreach

- Network fault reduction
- Integrated patch
- Supplier rationalisation

Global

- Cost of sales management
- Global sourcing
- De-duplication

On track to deliver > £400m of savings this year

Building momentum



Strategy built around convergence & innovation



Strong momentum with track record of delivery

- **SEVENTEEN** quarters of **EPS** growth
- **TEN** quarters of **revenue** growth
- **SIX** 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



Q1 results underpin our confidence that we can grow revenue, EBITDA, EPS and dividends this year



BT Group plc

Q1 results 2006/7

Hanif Lalani – Group Finance Director



Q1 2006/7 - Group P&L

	Q1 2006/7 £m	Q1 2005/6 £m	Better / (Worse) £m
Revenue	4,864	4,731	133
EBITDA (pre leavers)	1,386	1,363	23
Depreciation & amortisation	(703)	(709)	6
Operating profit (pre leavers)	683	654	29
<i>Operating margin</i>	14.0%	13.8%	0.2%
Leaver costs	(24)	(6)	(18)
Associates	2	5	(3)
Finance costs (net)	(46)	(142)	96
Profit before tax	615	511	104
Tax	(151)	(129)	(22)
Profit for the period	464	382	82
Earnings per share (pence)	5.6p	4.5p	1.1p

* All numbers are before specific items



Q1 2006/7 - Free cash flow

	Q1 2006/7 £m	Q1 2005/6 £m	Better / (Worse) £m
EBITDA* (post leavers)	1,362	1,357	5
Interest (net)	(220)	(281)	61
Tax paid	(90)	(131)	41
Capex	(802)	(686)	(116)
Working capital	(357)	(453)	96
Other and provisions	90	68	22
Free cash flow	(17)	(126)	109
Net debt	7,727	8,121	394

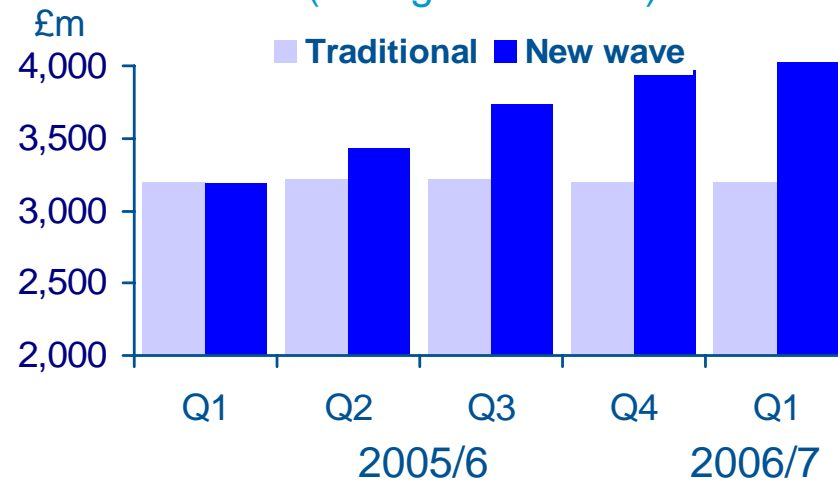
* Before specific items



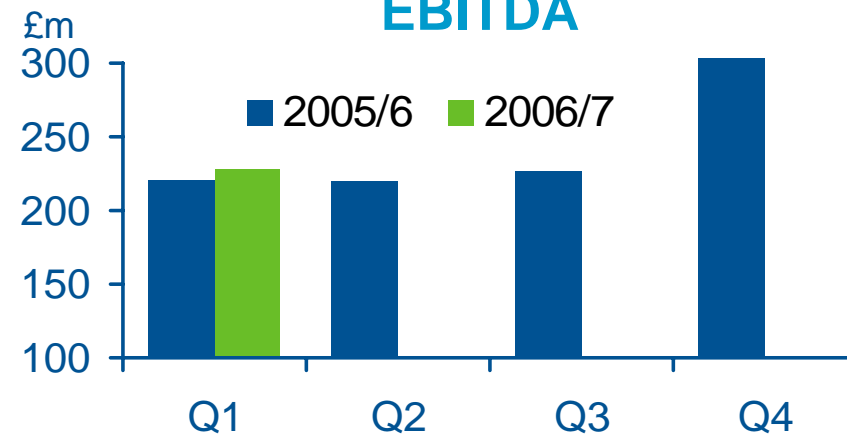
Q1 2006/7 - BT Global Services

- Revenue £2.2bn up 4%
 - New wave accounts for 55% of external revenue
- EBITDA £228m* up 3%
- Operating profit* £80m, up 16%
- Operating profit £63m down £4m
 - Leaver costs up £15m
 - Depreciation £4m lower

External Revenue
(rolling 12 months)



EBITDA

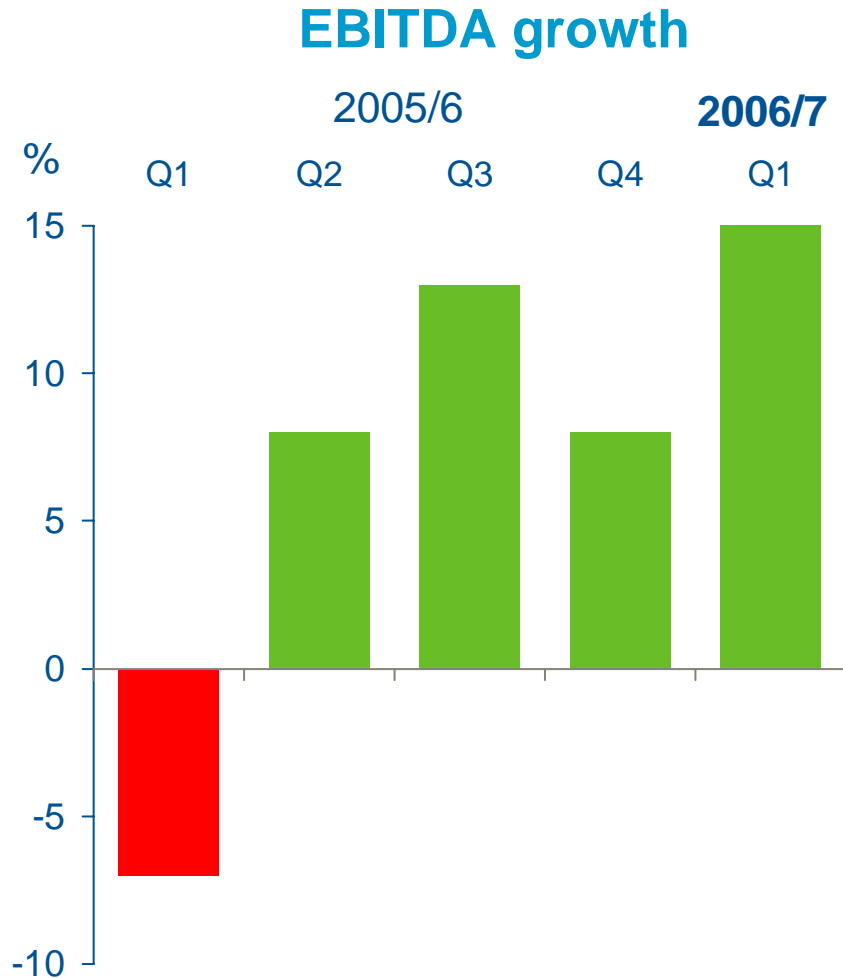


* Before leavers



Q1 2006/7 - BT Retail

- Revenue £2.1bn down 2%
 - Traditional down 8%
 - New wave grew 31%
- Gross margin rose by 4%
 - margin improved by 1.8 percentage points
- SG&A held flat
- EBITDA £182m up 15%*
- Operating profit £140m up 16%



* Before leavers

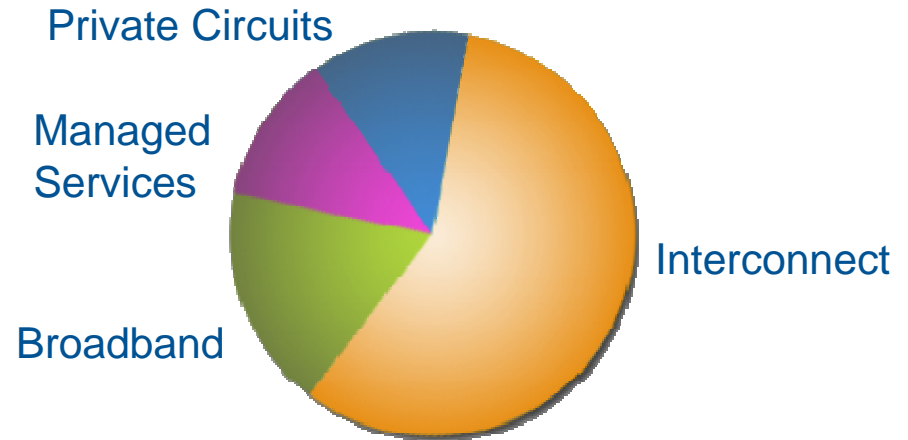


Q1 2006/7 - BT Wholesale

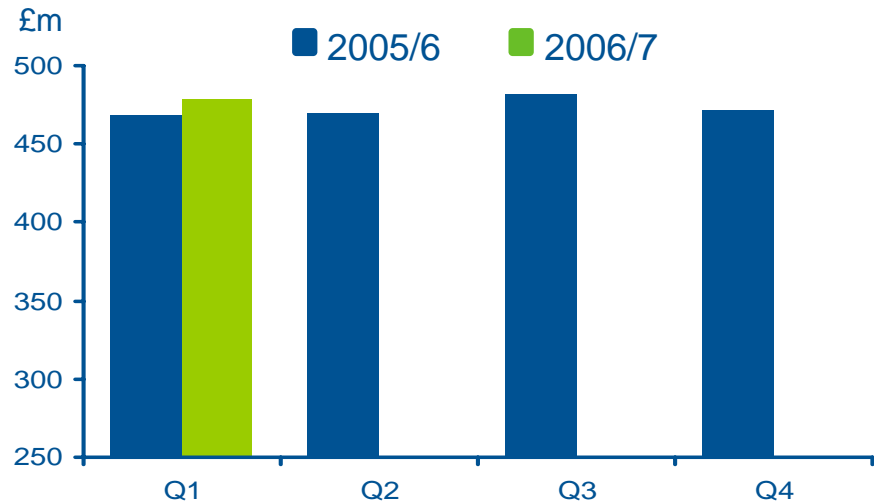
- Revenue £1.8bn up 2%
 - External revenue £997m up 3%
 - Internal revenue £850m
- Gross variable profit up 5%
- Network and SG&A* up 8%
- EBITDA* £478m, £10m higher
- Operating profit down £5m at £192m

* Before leavers

External revenue



EBITDA



Q1 2006/7 - openreach

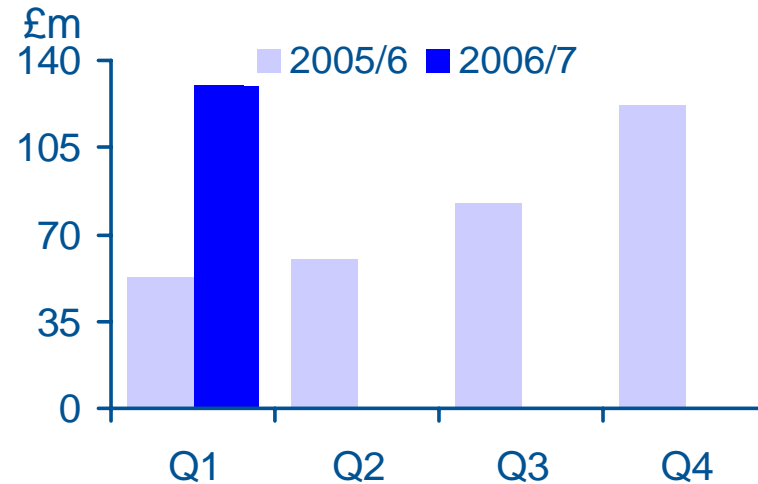
a BT Group business



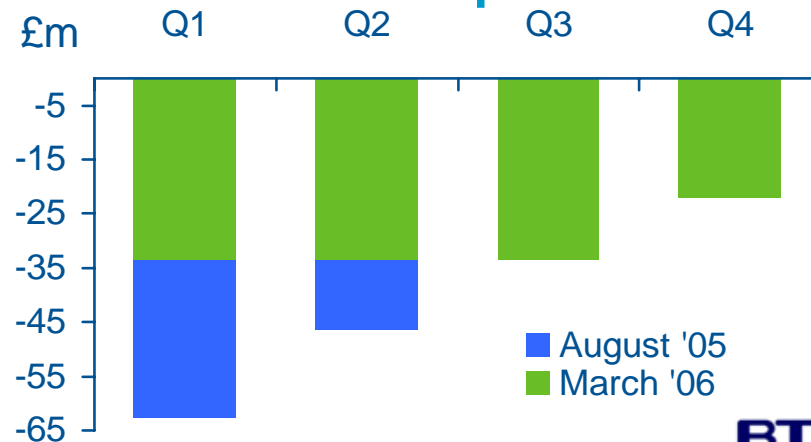
- Revenue £1.3bn down 3%
 - External revenue up 145%
 - Internal revenue down 9%
- EBITDA* £472m, £35m lower
- Operating profit £295m, down £26m
- Capex £271m up 5%

* Before leavers

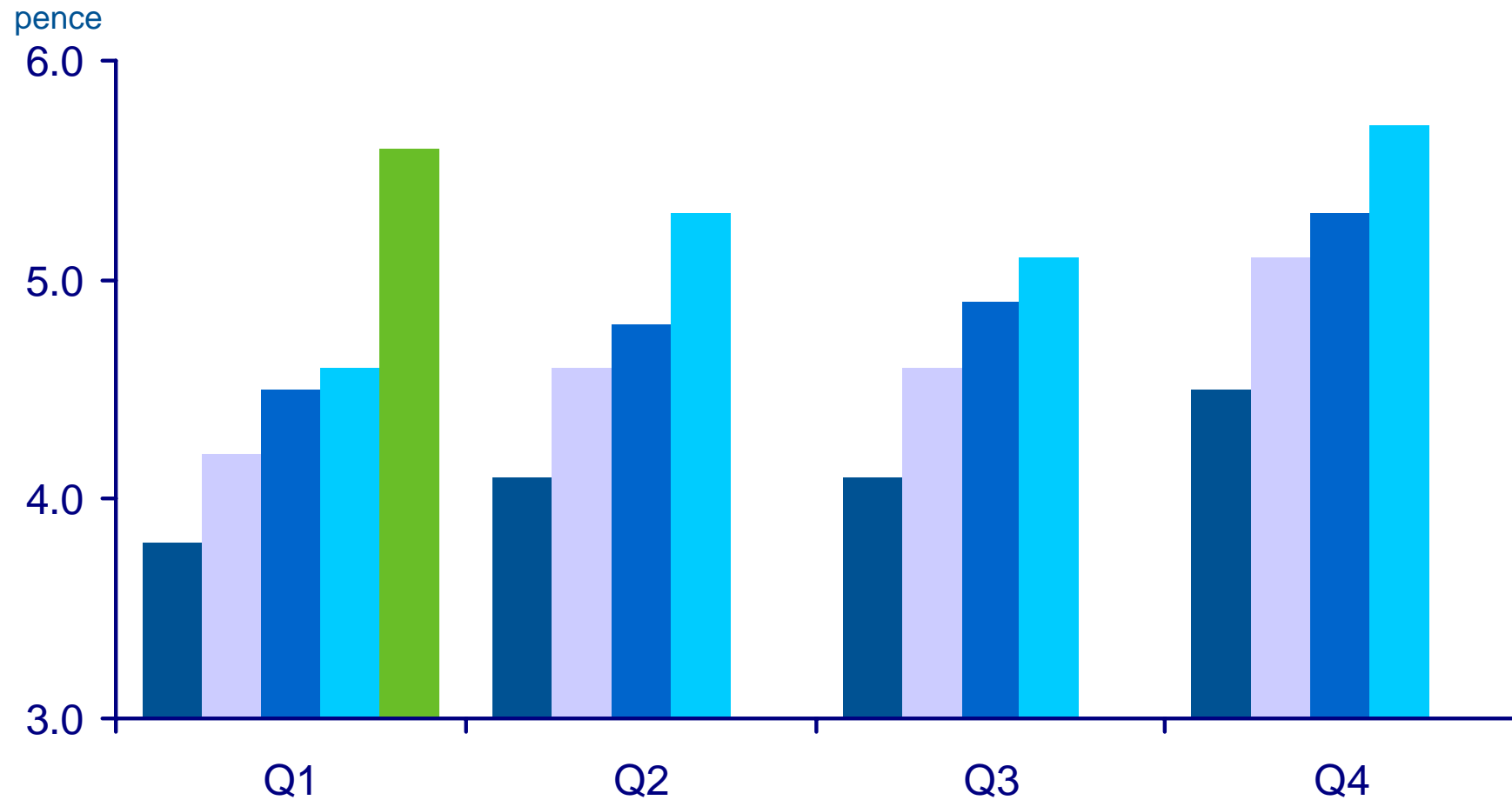
External Revenue



2006/7 impact of WLR price cuts



Earnings per share* - 17th quarter of growth

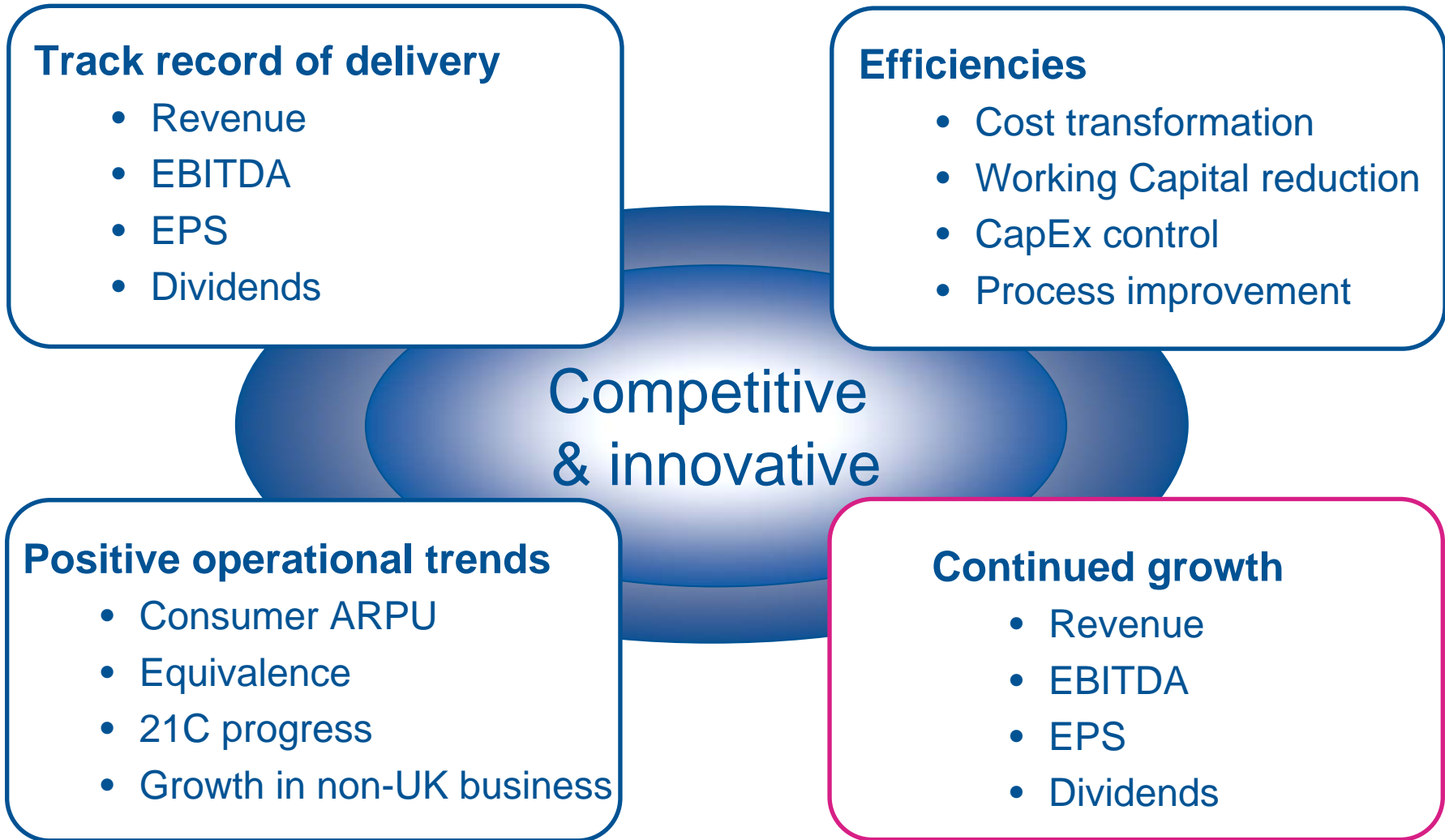


* Before exceptionals and leaver costs
** Before specific items and leaver costs

2002/3 } UK GAAP*
2003/4 }
2004/5 } IFRS **
2005/6 }
2006/7 }



Delivering improved results



continued financial discipline





BT Group plc

Q1 results 2006/7

