



Bringing it all Together

Q4 and preliminary full year results 2006/7

17th May 2007





BT Group plc

Preliminary full year results 2006/7

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: continuing growth in revenue, EBITDA, earnings per share and dividends; cost reductions and efficiencies; growth in new wave revenue mainly from networked IT services and broadband; growth in non-UK business; growing free cash flow and increasing shareholder returns; and BT's transformation strategy.

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 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 to improve 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.



BT Group - 2001 headlines



Bloomin' Terrible

BT turmoil as shares slump 66% in a year

20 Mar '01

Guardian

BT fights to tame £30bn debt

23 Mar '01

The Daily Telegraph

BT's wrong numbers

22 Mar '01

The Daily Telegraph

BT poised for cash call dash

26 Mar '01



BT at the end of the line

27 Mar '01



BT buried in debt

Company seeks to refinance loans

23 Mar '01



The dominant themes of 2001

Can BT survive with £30bn of debt?

Will there be any revenue growth?

Is BT just a utility?



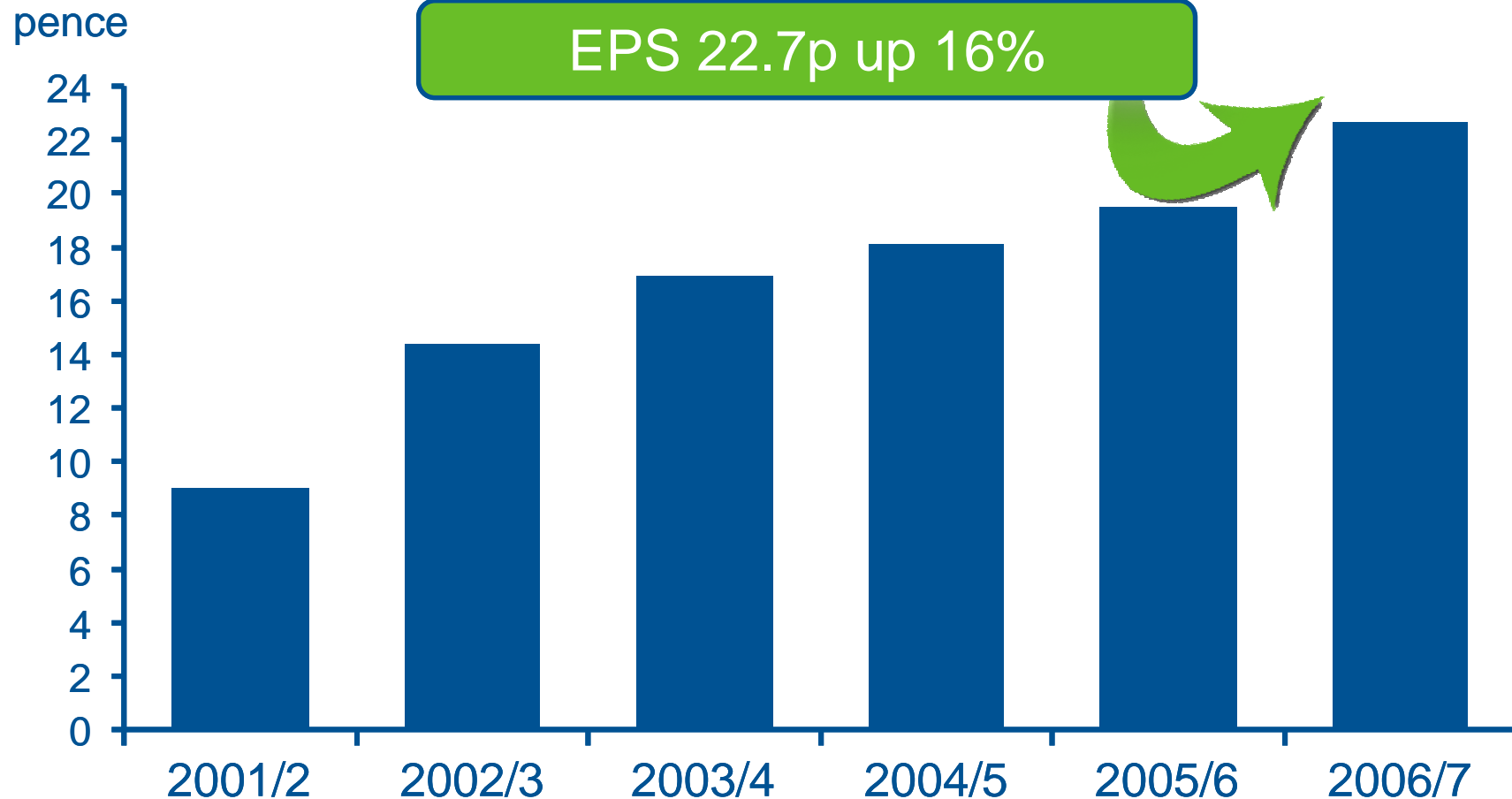
My original check list

- Demerge wireless business ✓
- Rights issue ✓
- Sell Yell ✓
- Sell Japanese stake ✓
- Sell Spanish stake ✓
- Appoint new Chief Executive ✓
- Reshape Group board ✓
- Property sale & leaseback deal ✓
- Unwind Concert ✓
- Sell Cegetel stake ✓

BT Group strategy



EPS - FIVE years of continuous growth, 20% CAGR

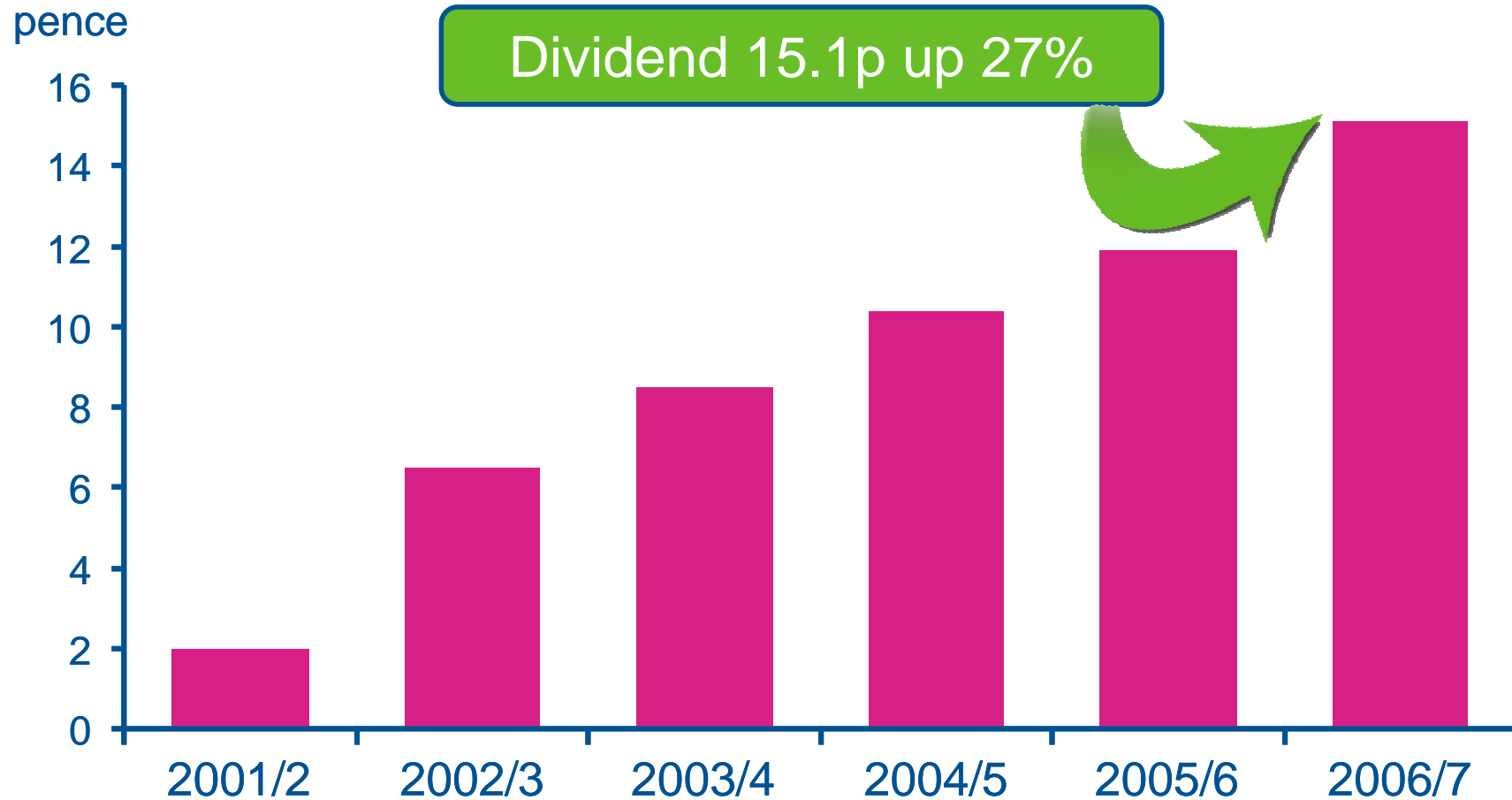


UKGAAP, April 2001 – March 2004, before exceptional items and goodwill from continuing activities

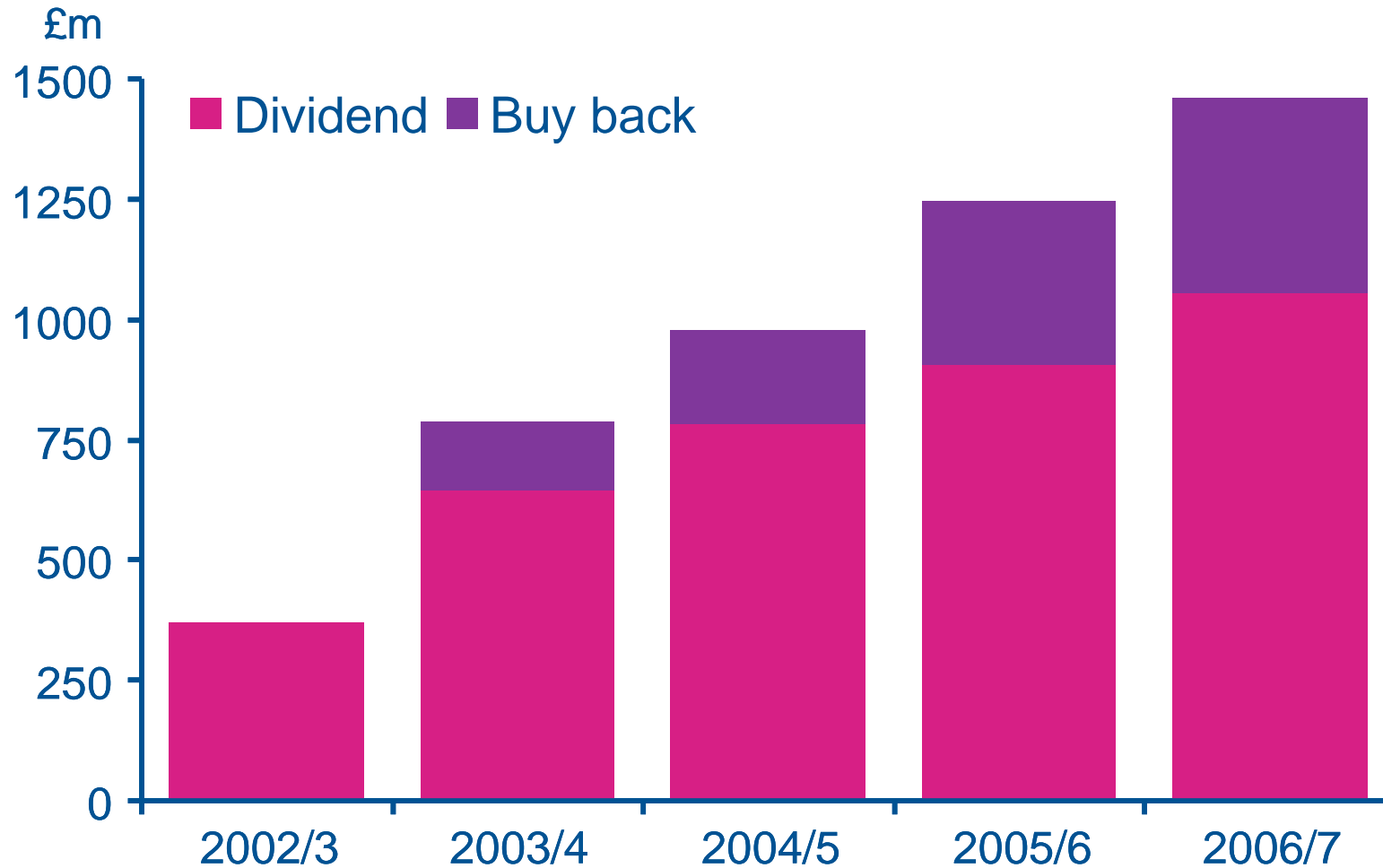
IFRS, April 2004 – March 2007, before specific items



Dividends - two thirds of earnings, 1 year early



Shareholder returns



Returned £4.8bn in last 5 years



Distribution policy

Share buy back

- Since November 2003 spent over £1bn
 - 2006/7 spent over £400m
- New **£2.5bn** programme
 - expected completion March 2009

Dividends

- 2006/7 proposed
 - two thirds payout ratio **ONE year early**
- Going forward
 - expect to increase dividends, taking into account our earnings growth, cash generation and our ongoing investment needs



Transformation - the journey so far



2001

Level of gearing

Revenue growth

Utility characteristics



2006/7

Level of gearing

Revenue growth

Utility characteristics

Transformation continues

- Regulatory certainty
- Financial stability
- Service delivery
- Global capability
- Management ability



BT Group - 2006/7 headlines



Oil's Well at BT

14 Apr '06

DAILY EXPRESS

**BT's Growth
Rings Louder**

15 Dec '06



THE SUNDAY TIMES

Magic £3 mark

17 Dec '06

FINANCIAL TIMES

**Resurgent BT
planning
£2bn buy back**

5 May '07



A Perfect Day

21 Dec '06

**Breaking News
Q4 Results**

17 May 2007










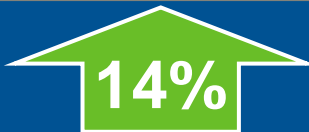



BT Group plc

Q4 results 2006/7

Hanif Lalani – Group Finance Director



BT Group - Financial headlines

	FY 2006/7		Q4 2006/7
Group revenue	£20.2bn		
EBITDA ⁽¹⁾	£5.6bn		
Earnings per share ⁽¹⁾	22.7p		
Free cash flow	£1.4bn ⁽²⁾		
Full year dividend	15.1p		

(1) Before specific items

(2) After paying a deficiency pension contribution of £520m



BT Group - Quarterly Income Statement*

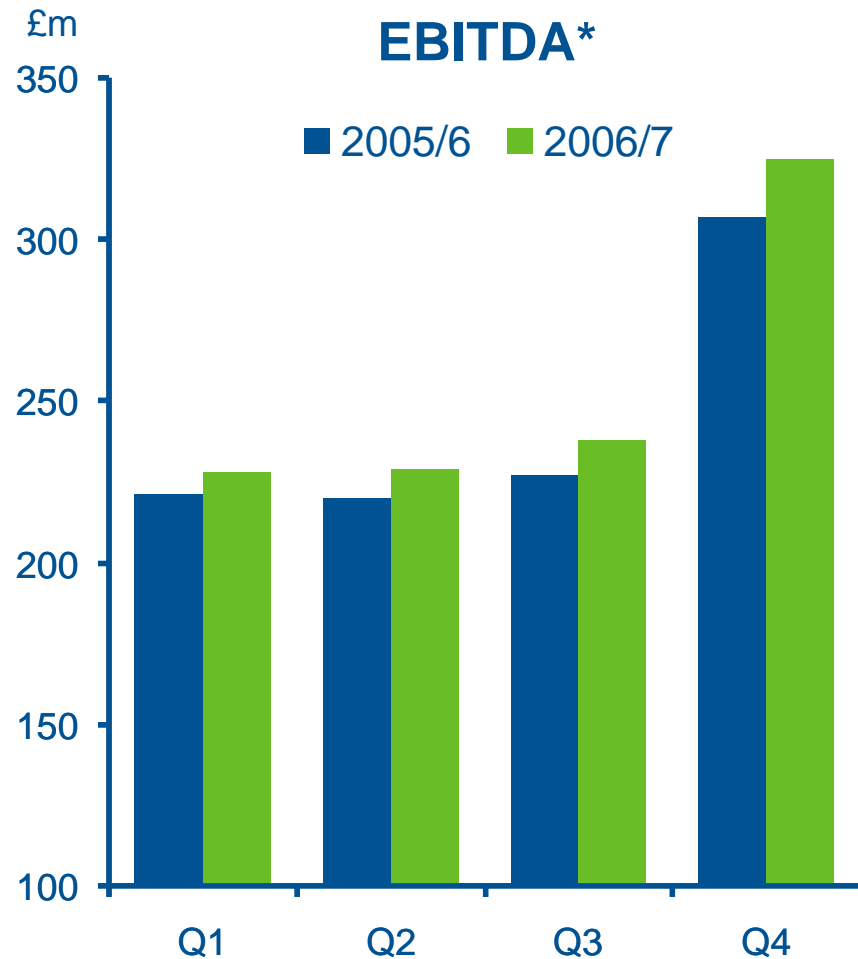
	Q4 2006/7 £m	Q4 2005/6 £m	Better / (Worse) £m
Revenue	5,292	5,134	158
EBITDA (pre leavers)	1,537	1,498	39
Depreciation & amortisation	(773)	(773)	0
Operating profit (pre leavers)	764	725	39
<i>Operating margin</i>	<i>14.4%</i>	<i>14.1%</i>	
Leaver costs	(63)	(67)	4
Associates	1	5	(4)
Finance costs (net)	(70)	(101)	31
Profit before tax	632	562	70
Tax	(155)	(131)	(24)
Profit for the period	477	431	46
Earnings per share	5.8p	5.1p	0.7p

* All numbers are before specific items



Q4 2006/7 - BT Global Services

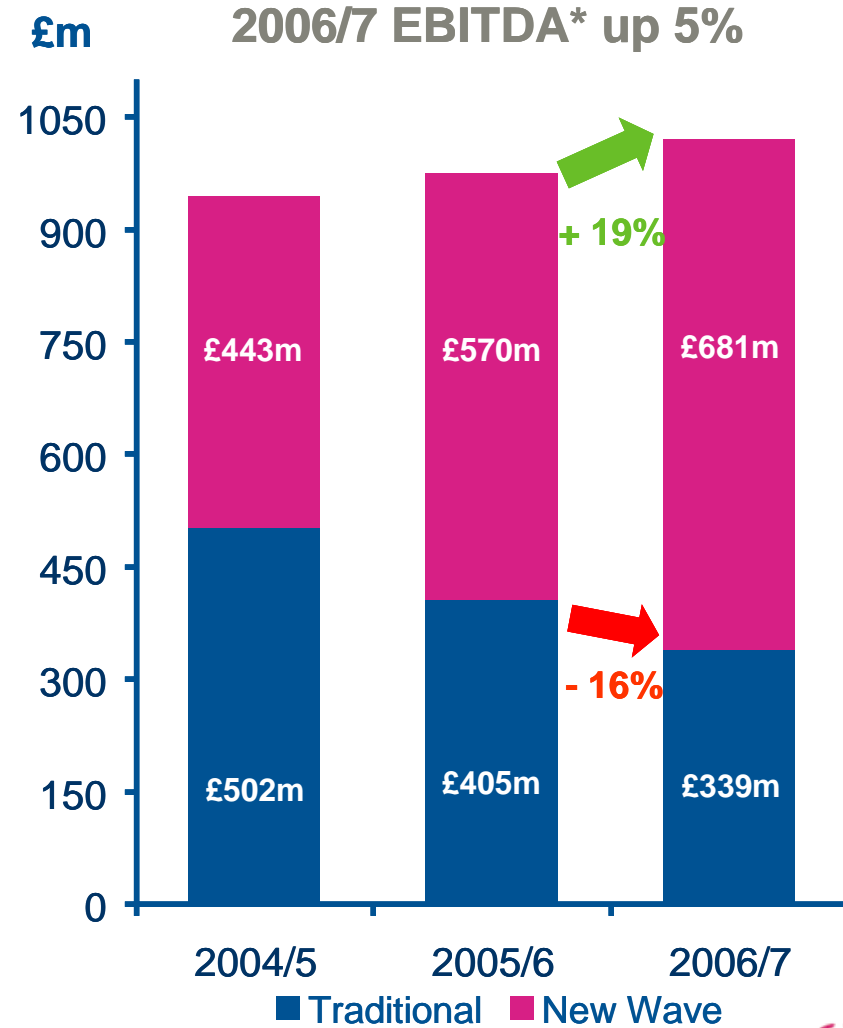
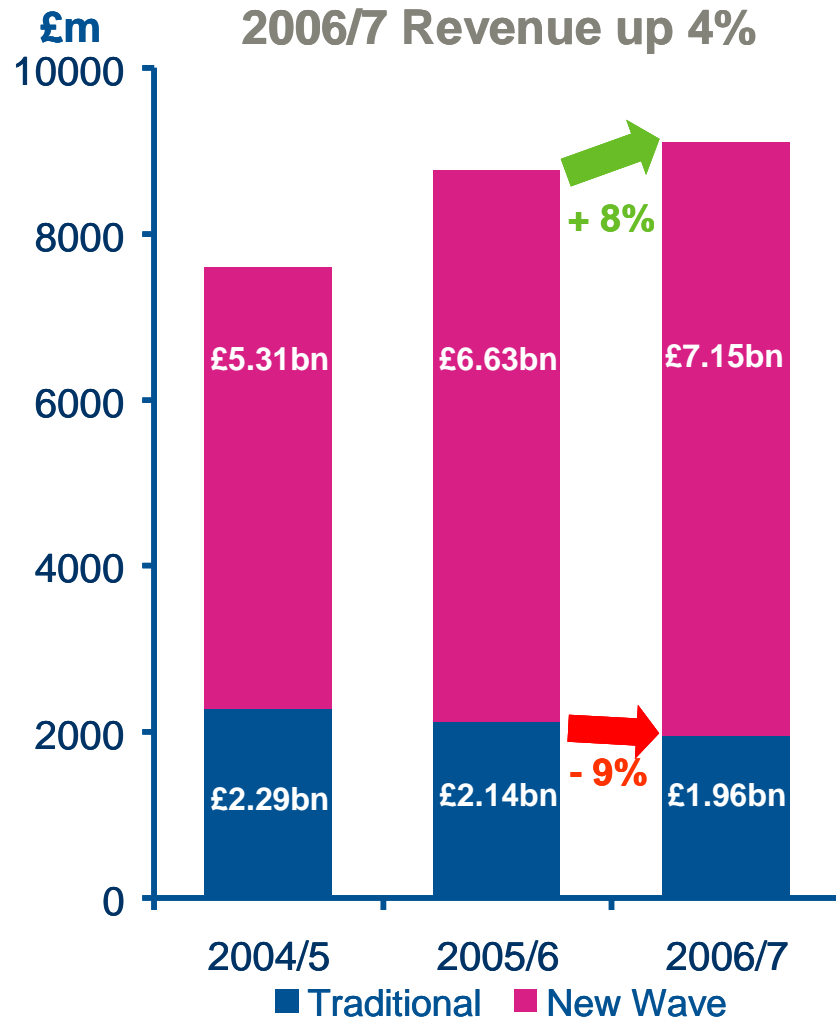
- Revenue £2.5bn up 4%
 - New wave up 9%
 - Traditional down 13%
- Gross profit £754m, down £3m
- SG&A* £429m, down 5%
- EBITDA* £325m up 6%
- Depreciation up 13%
- Operating profit* £135m down £4m



* Before leavers



BT Global Services - growth

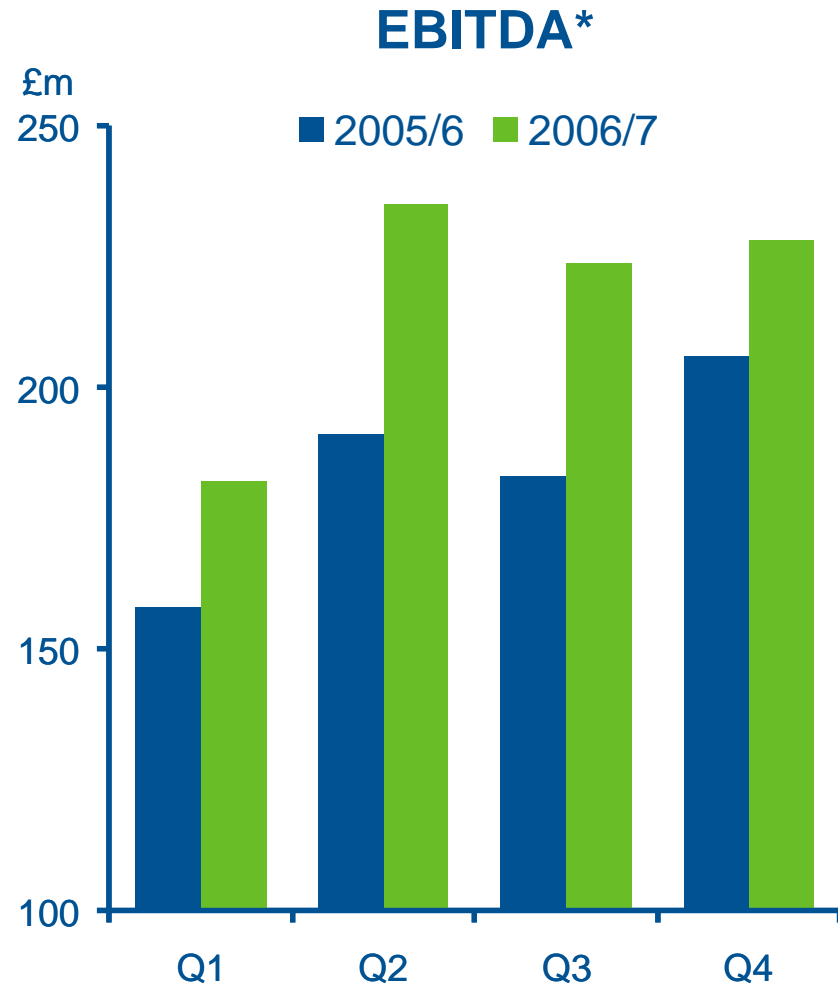


* Pre leavers
 Estimated allocation of SG&A across revenue split



Q4 2006/7 - BT Retail

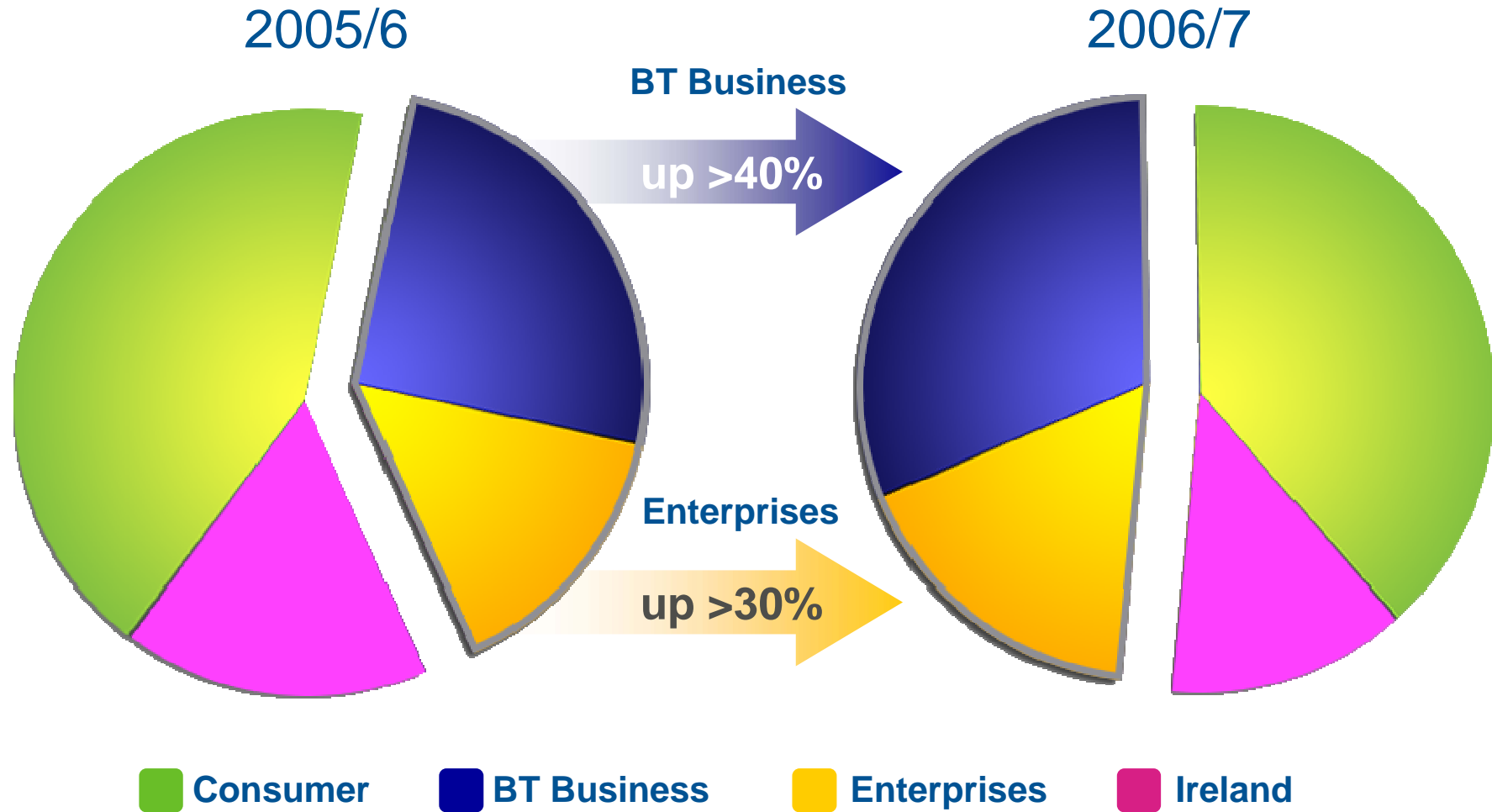
- Revenue £2.1bn up £3m
 - New wave up 28%
 - Traditional down 6%
- Gross profit up 4%
 - Margin improved by 1 percentage point
- SG&A* £376m, flat
- EBITDA* £228m up 11%
- Operating profit* £179m up 7%



* Before leavers



BT Retail – EBITDA contribution*

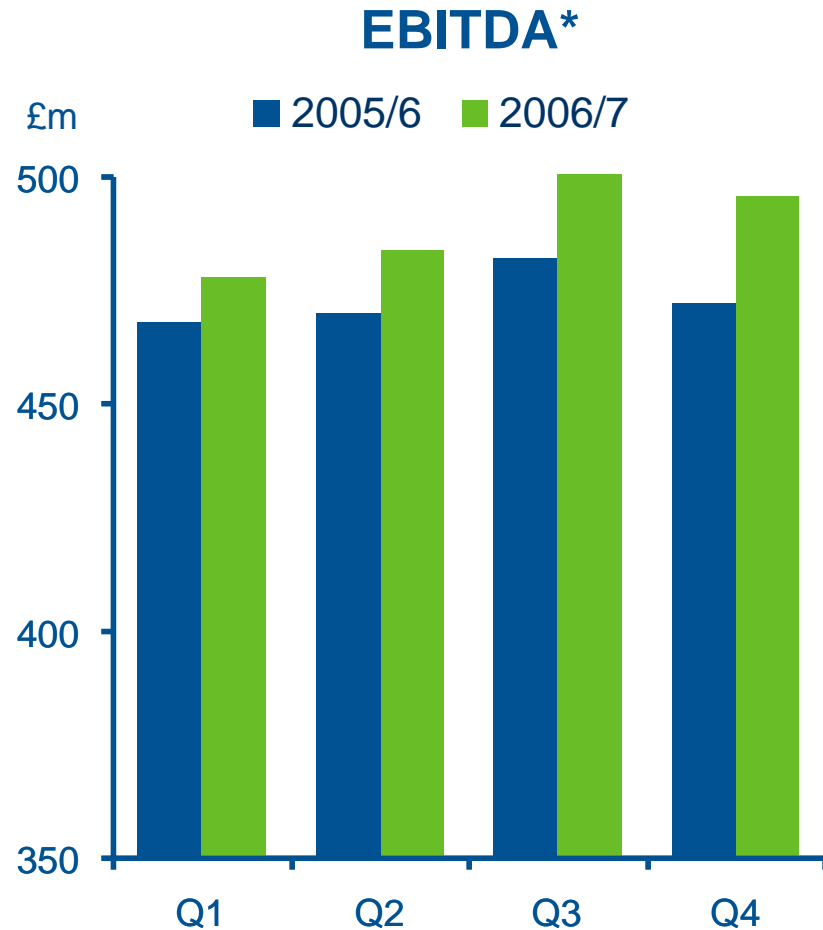


* Excluding central BT Retail costs



Q4 2006/7 - BT Wholesale

- Revenue £1.9bn up 3%
 - External up 1%
 - Internal up 5%
- Gross variable profit up 4%
- Network and SG&A* up 2%
- EBITDA* £496m up 5%
- Depreciation up 15%
- Operating profit* £167m down 10%



* Before leavers



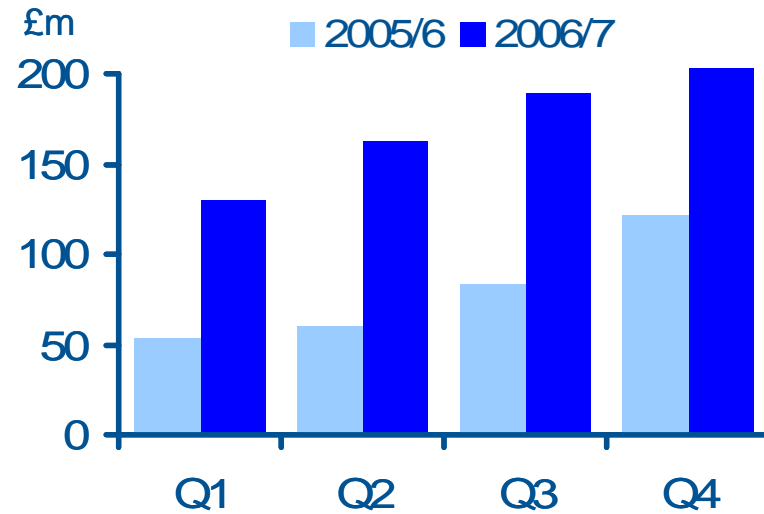
Q4 2006/7 - openreach

a BT Group business 

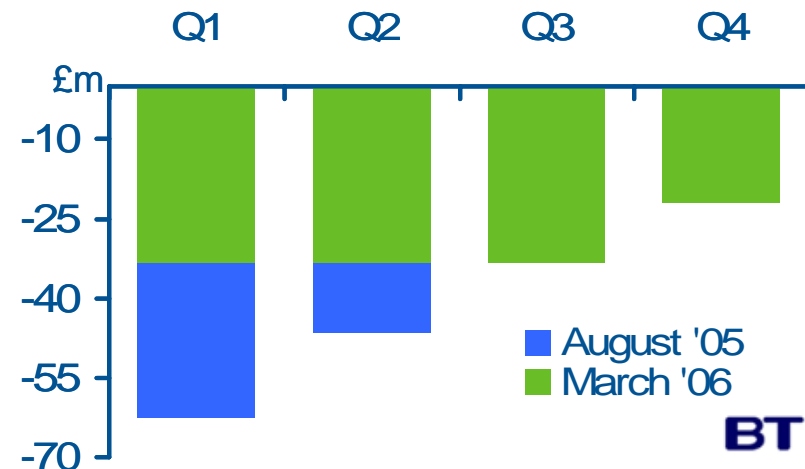
- Revenue £1.3bn up 2%
 - External up £82m
 - Internal down £56m
- Operating costs 6% higher at £838m
- EBITDA* £487m, down 4%
- Depreciation down 23%
- Operating profit* £310m, up 11%

* Before leavers

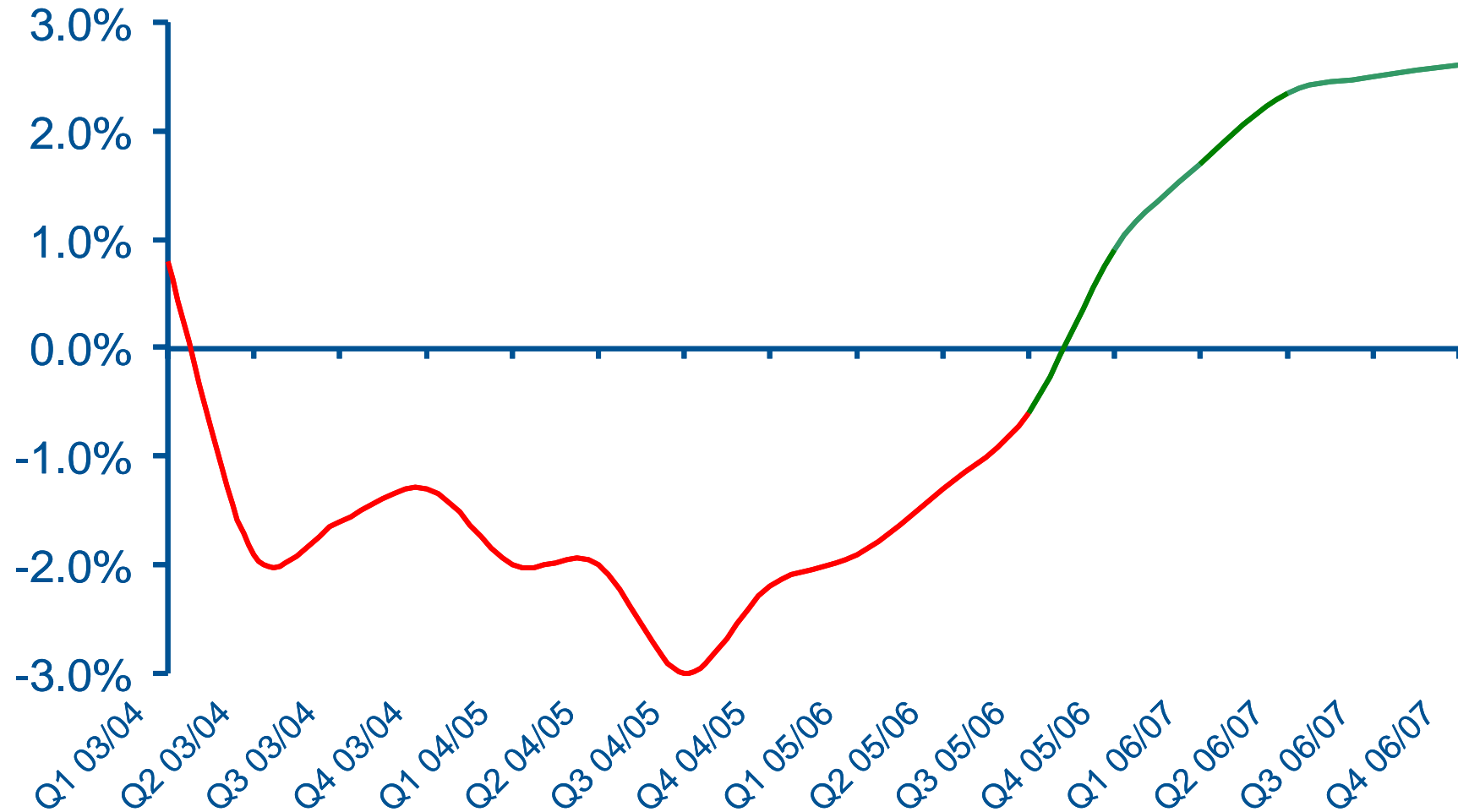
External Revenue



2006/7 impact of WLR price cuts



EBITDA* - fifth consecutive quarter of growth



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



BT Group - free cash flow

	Q4 2006/7 £m	Better / (Worse) £m	FY 2006/7 £m
EBITDA*(post leavers)	1,474	43	5,633
Interest & Tax	(164)	85	(1,061)
Capex	(836)	(44)	(3,209)
Working capital	713	8	(52)
Other	15	13	187
	1,202	105	1,498
Pension (deficit funding)	(20)	(20)	(520)
Tax rebate	376	376	376
Free cash flow	1,558	461	1,354

* Before specific items



Pension and Tax

Pension

Deficit funding

- Paid £520m in 2006/7
- Paid £320m in April

Next valuation in Dec '08

IAS19

- 31 Mar '07 deficit £0.4bn
- 30 Apr '07 in surplus

2007/8 pension interest credit c.£420m

Tax

Q4 effective tax rate 24.5%

Tax repayment

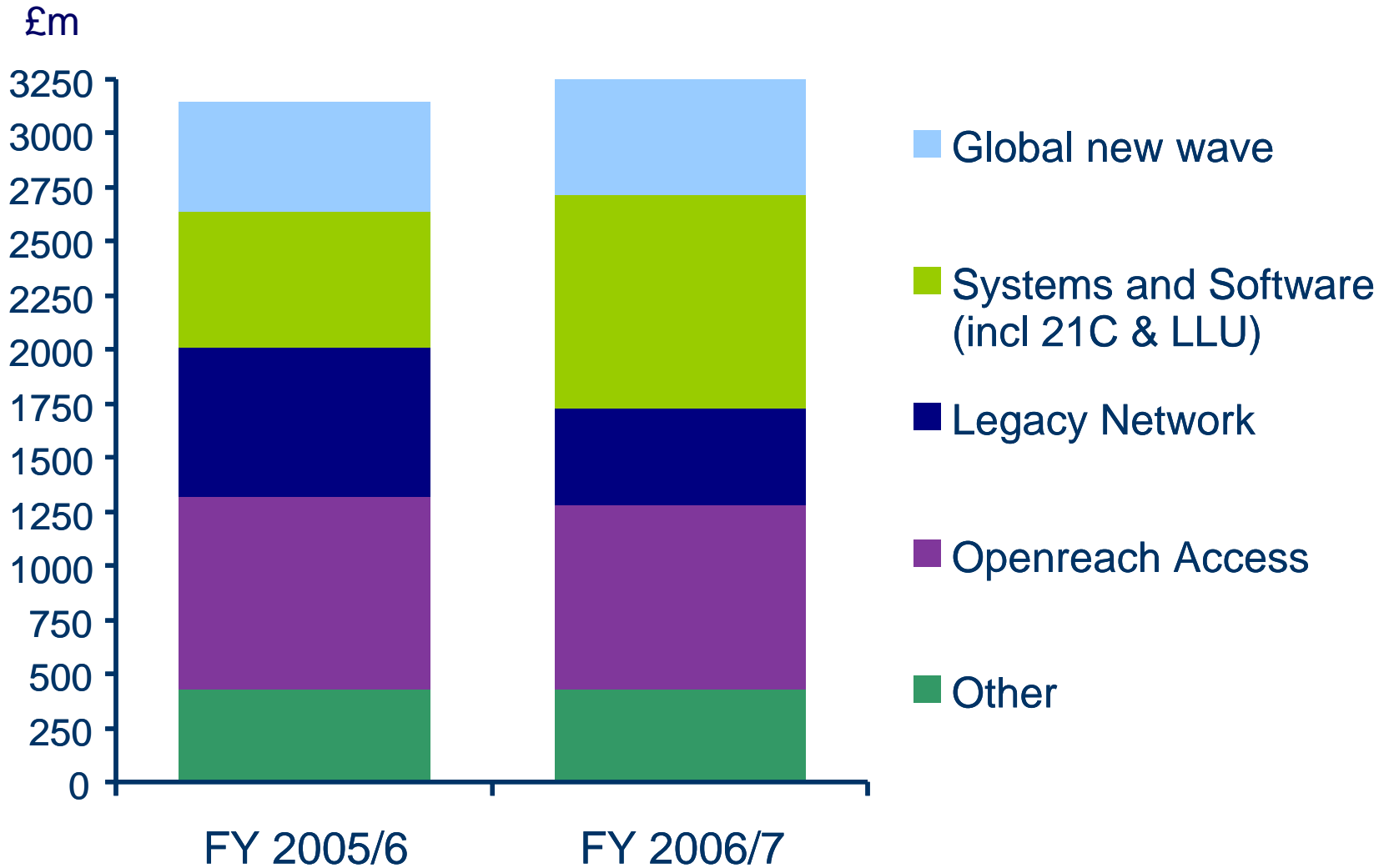
- £376m received in Q4
- £0.5bn received in April
- Total interest received £0.1bn

2007/8 effective tax rate c.25% - 26%

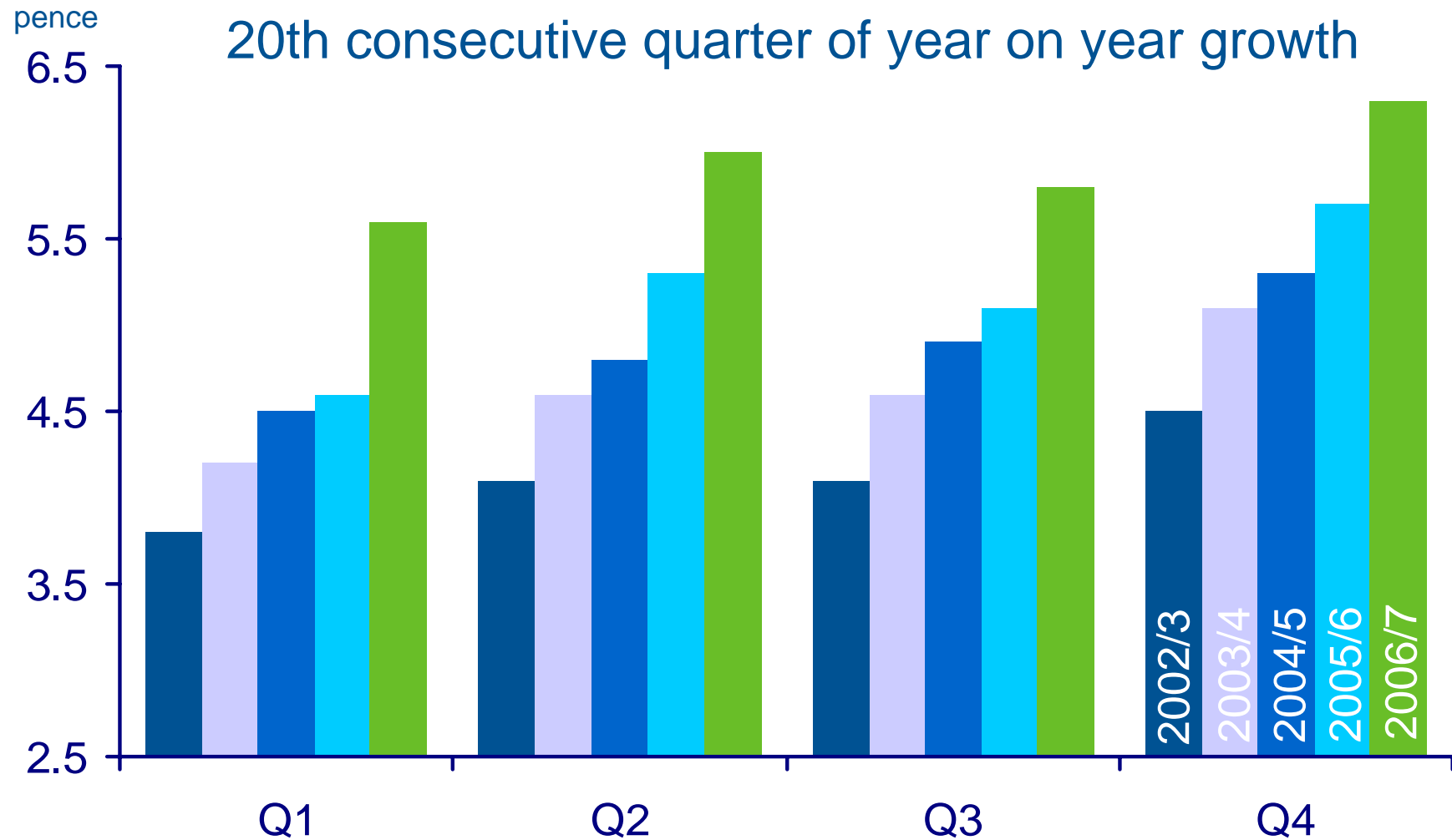
2008/9 onwards

- Tax rate expected to remain below statutory level

Capital expenditure – FY 2006/7



Earnings per share*



* UKGAAP, April 2001 – March 2004, before exceptional items and goodwill from continuing activities and leavers

* IFRS, April 2004 – March 2007, before specific items and leaver costs



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Ben Verwaayen – CEO



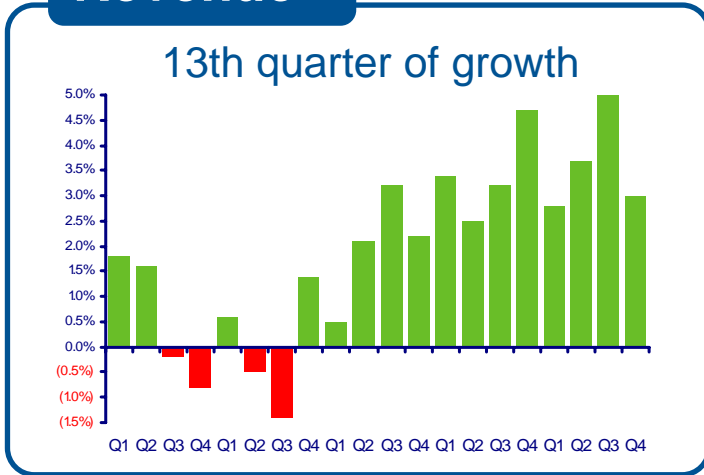
Transformation continues

- Regulatory certainty
- Financial stability
- Service delivery
- Global capability
- Management ability



BT Group strategy - positive results, positive trends

Revenue



EBITDA*



EPS*



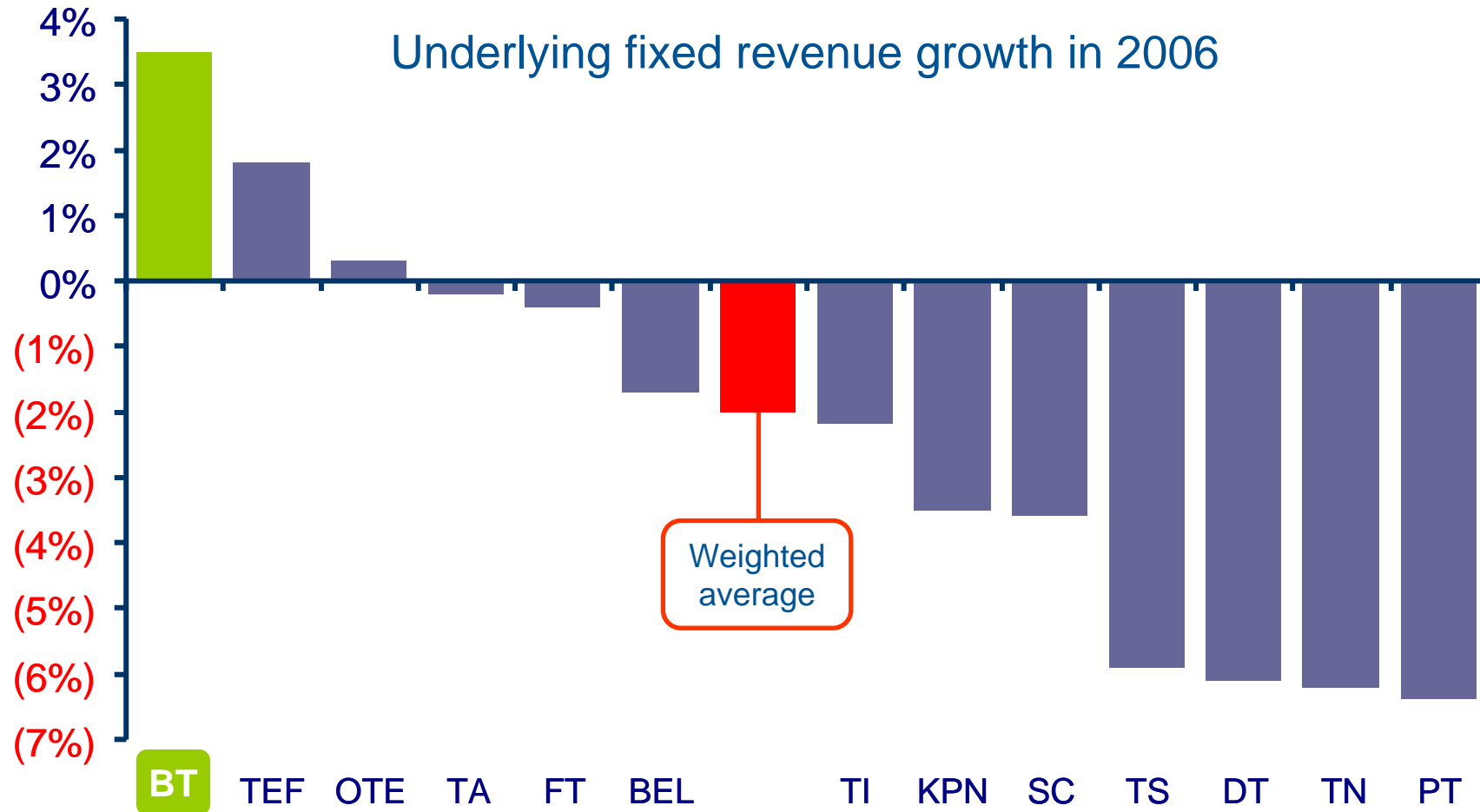
Dividends



* Before specific items and leavers



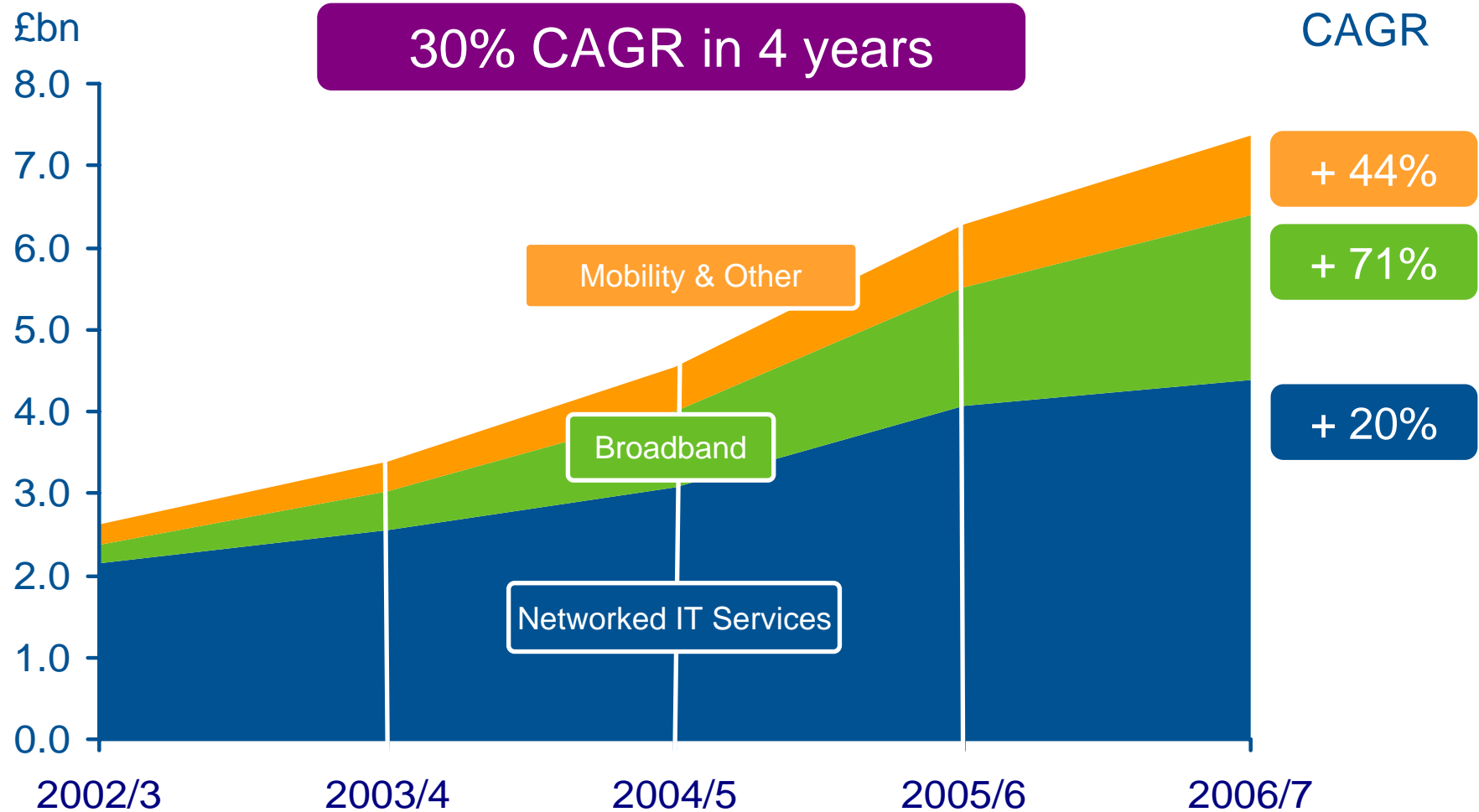
Fixed line revenue trends



Source Lehman Brothers equity research estimates (April 2007)



Group revenue - new wave driving transformation



BT Global Services - Q4 2006/7 order intake

£3.4bn



(Hong Kong) 5yrs \$20m

5yrs £578m CREDIT SUISSE



with CSC 5yrs > £30m



ANGLO AMERICAN

with HP 7yrs \$450m

4yrs €22m

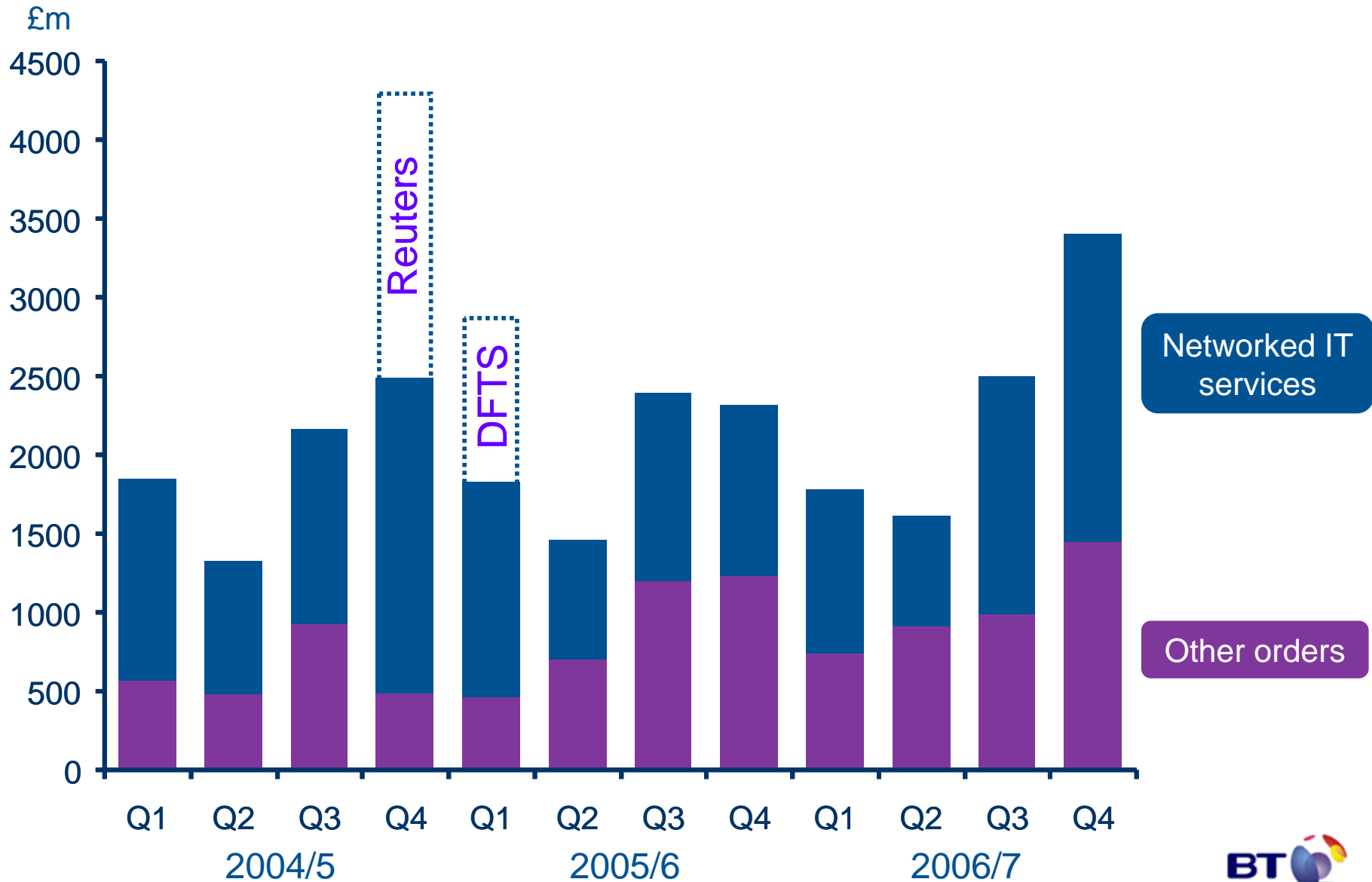


Sandwell
Metropolitan Borough Council

15yrs £296m

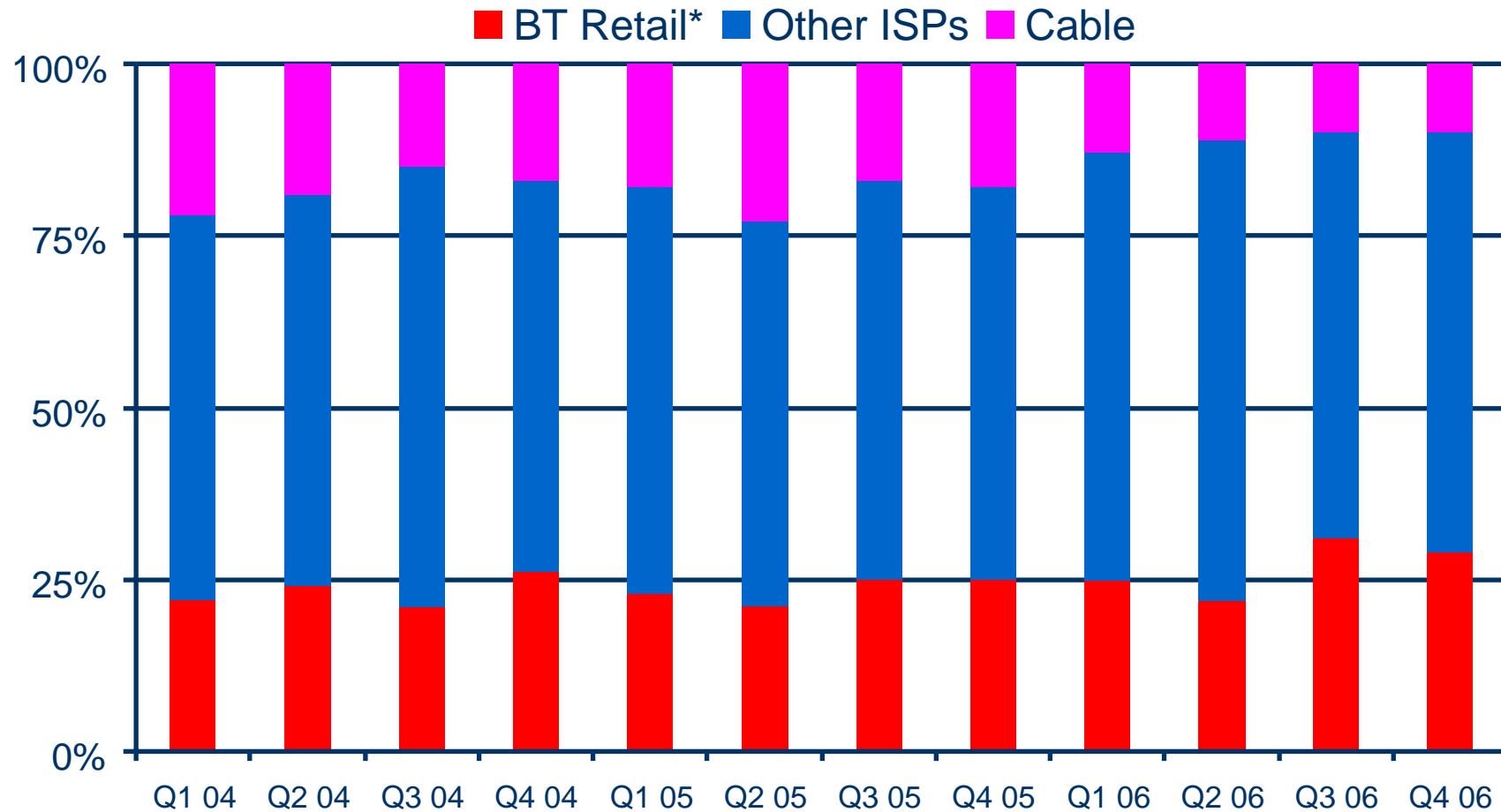
Signed 207 new customers

BT Global Services - total order intake trend



Broadband - in the UK

Market share of net adds **including cable**

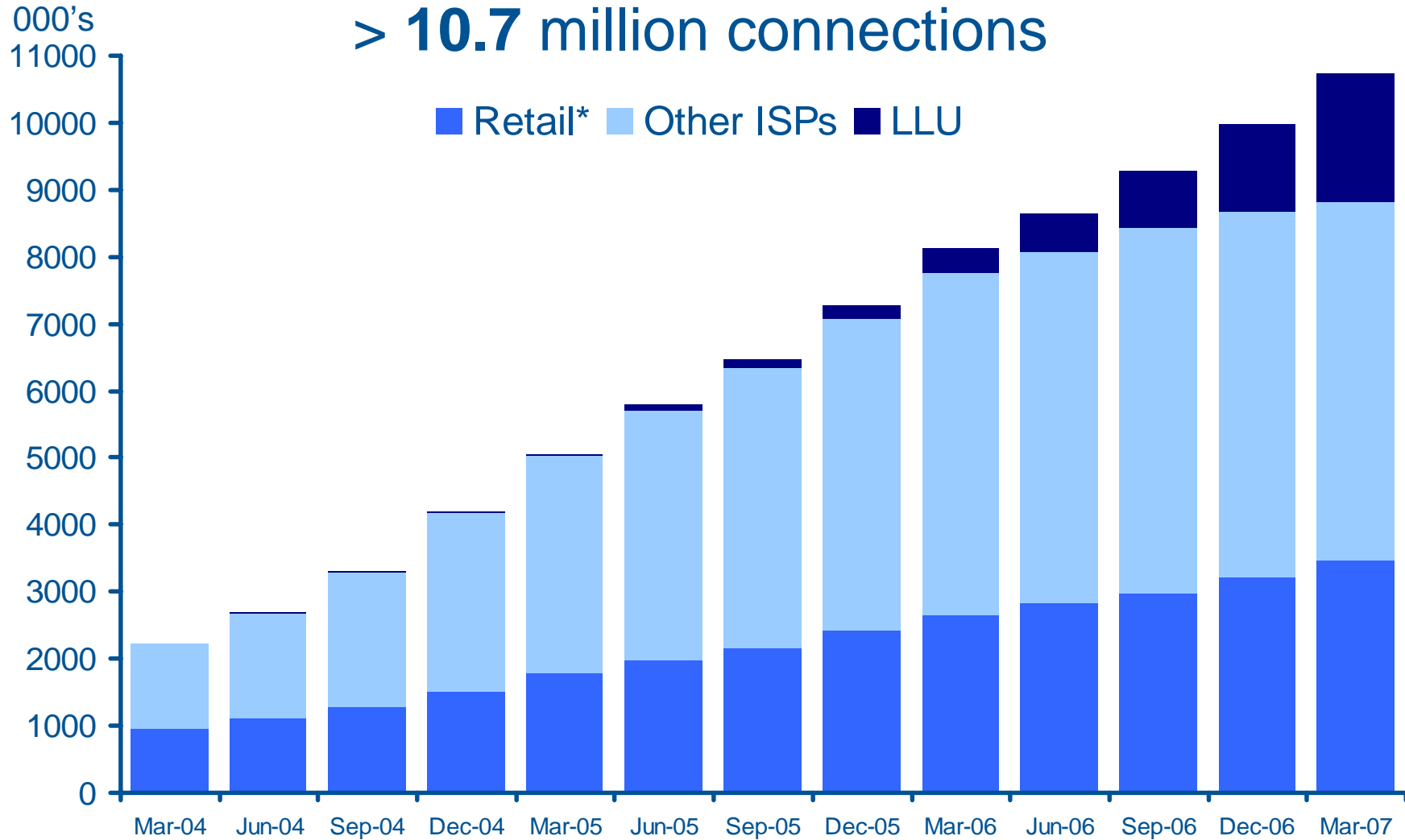


* excludes Plusnet

Chart based on broadband providers 31 March 2007 data



Broadband - total DSL market



* excludes Plusnet



Broadband – BT, No1 retail broadband provider

BT Total Broadband

245k* net additions in Q4

32% of DSL + LLU

Q4 gross installs 456k

And

Jan '07 **Plusnet** acquired
- customer base 195k

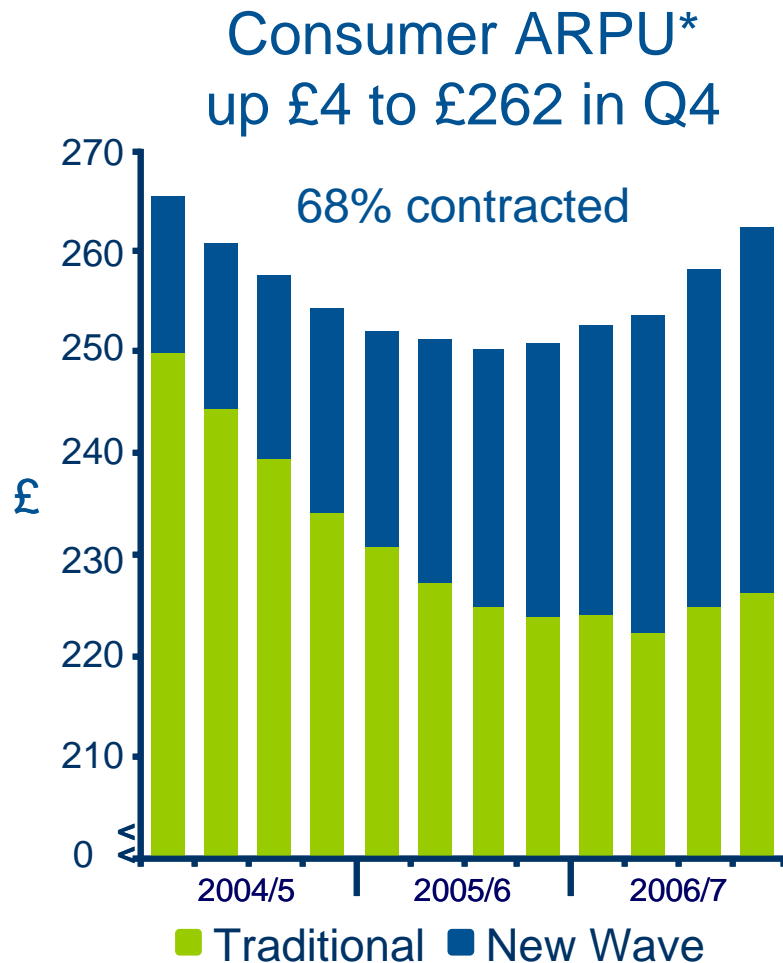
- No1 by market share
- No1 trusted ISP
- Reader Digest survey
- No1 ISP
- Mac magazine 2007 awards
- No1 performing ADSL
broadband provider - Epiteiro
- No1 broadband provider
of VoIP services

No1 for value

* excludes Plusnet



Consumer - ARPU improvement



Value added services

Home IT advisor

- 40,000 users

VoIP

- 1.4 million registered users

BT Digital Vault

- 125,000 users

Home hubs

- Over 1 million

BT Vision

- National marketing campaign underway



* Rolling 12 months





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BT Vision Advert – Duration 2:15



Business – helping business do what they do best

Value added services

IT Manager

23,000 customers

BT Office Anywhere offers any time, any place, any where, any device capabilities

BT Web Clicks smart advert and publicity searches

BT Tradespace B2B community network and trade services

BT Office Anywhere



What is Office Anywhere?

BT's Office Anywhere brings you a big advance in multifunctional technology. With your pocket-sized Office Anywhere handset you can work as effectively when you're out and about as you can at your desk.

Tariff options

Tailor a BT Office Anywhere package to suit your requirements, including bundles from 250 inclusive minutes to 700⁺, unlimited calls to UK² landlines via mobile VoIP in Wi-Fi locations³ and a choice of data packages.



Also new to market

BT Web Consult & Build

BT Dedicated

BT eShop



Managed Services for other operators

BT Wholesale

White Label Managed Services

- Allows CPs to offer own brand services
- CPs benefit from BT's national reach
- Includes network operation and support
- Includes back office systems

IP Stream price reductions

- Implemented May 1st
- Cuts between 5% and 17% net



Enabling services through:

LLU

- 1,585 exchanges
- 2 million lines (May 1st)

WLR

- Right first time > 99%

Service quality

- Now local responsibility
 - “Pride in patch”
- > 150,000 joints replaced and sealed



Delivering value for our customers

• Corporates

- Networked IT services
- Local service, global delivery
- Expanded portfolio of capabilities

• Consumer

- BT Together
- BT Total Broadband
- BT Fusion & BT Vision

• Business

- BT Business One Plan
- BT IT Manager
- BT Office Anywhere

• Other operators

- Managed services
- Broadband
- LLU & WLR

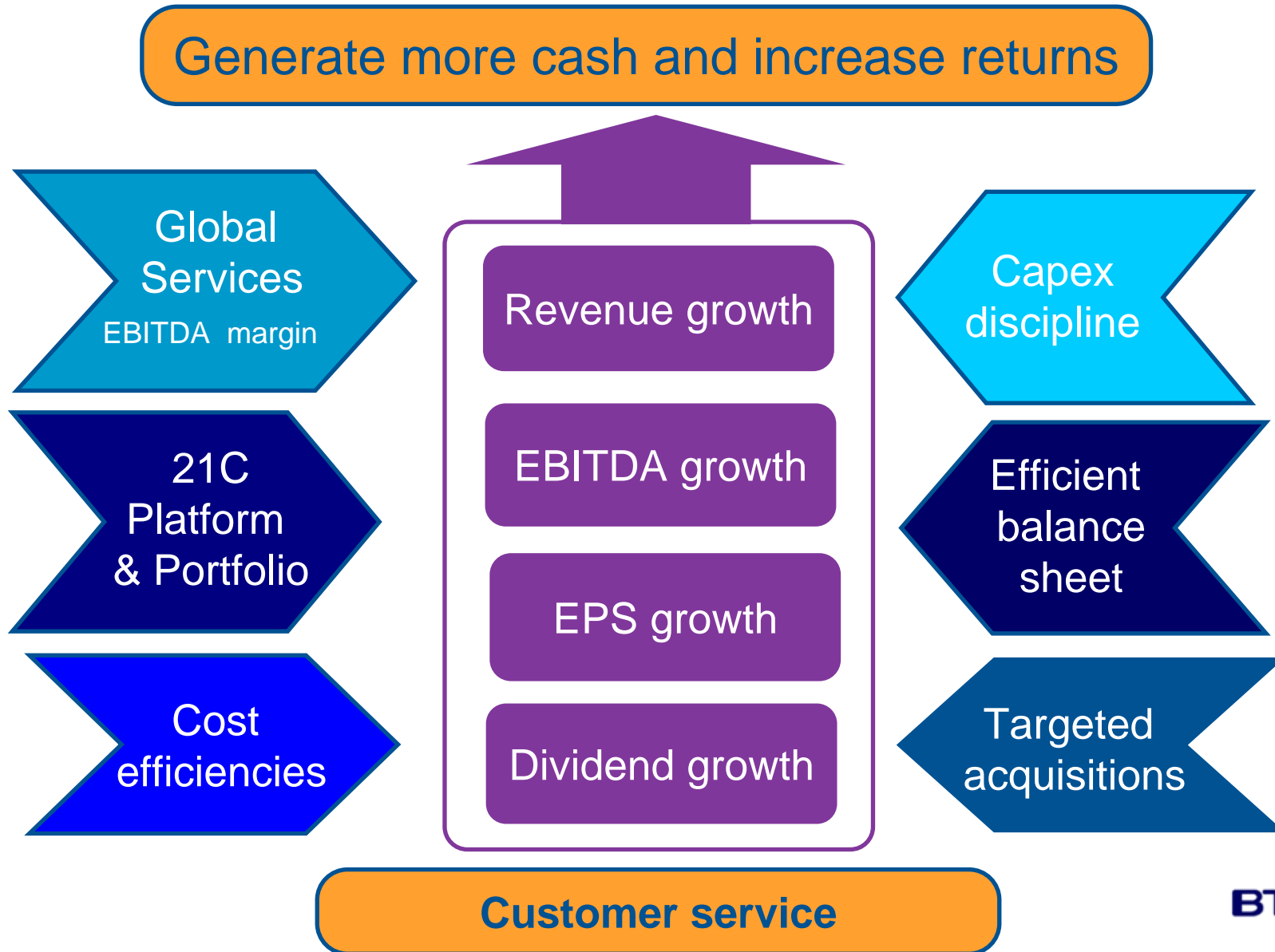
Higher
quality

Simpler

Faster

More
efficient

What investors tell us



From traditional telco...



Keys to our evolution

Real time

Global

Open

... to leading services provider with global capabilities



Real time processes

Service delivery process transformation

The way it is

Days to complete



Collaboration Platform

Customer Management Platform

Service Management (NT) Platform

Platform Network Service Inventory & Design

Domain Management Platform

Test Network

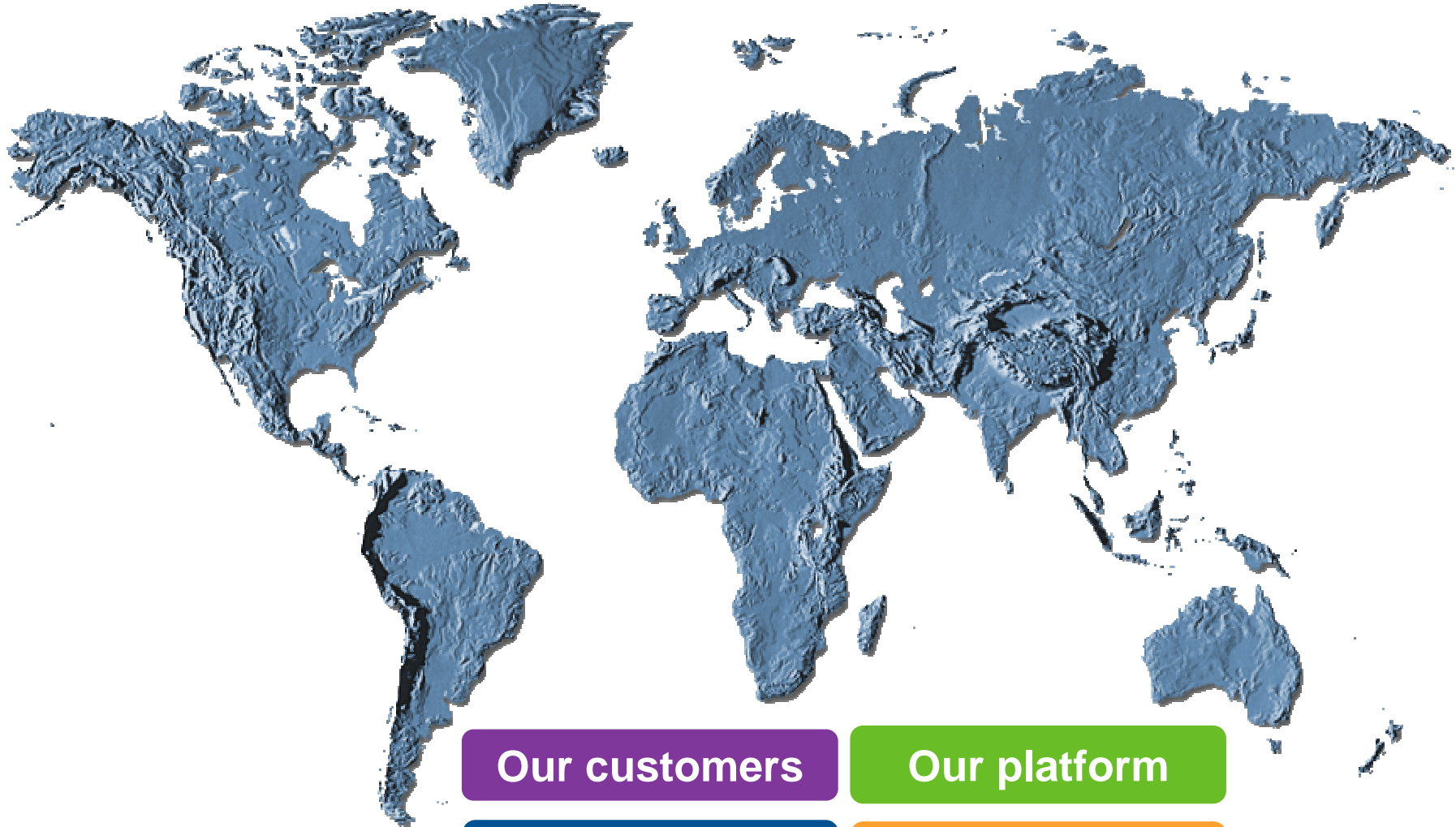
Customer Self Service

The way it will be

Minutes to deliver



Global delivery, local service



Our customers

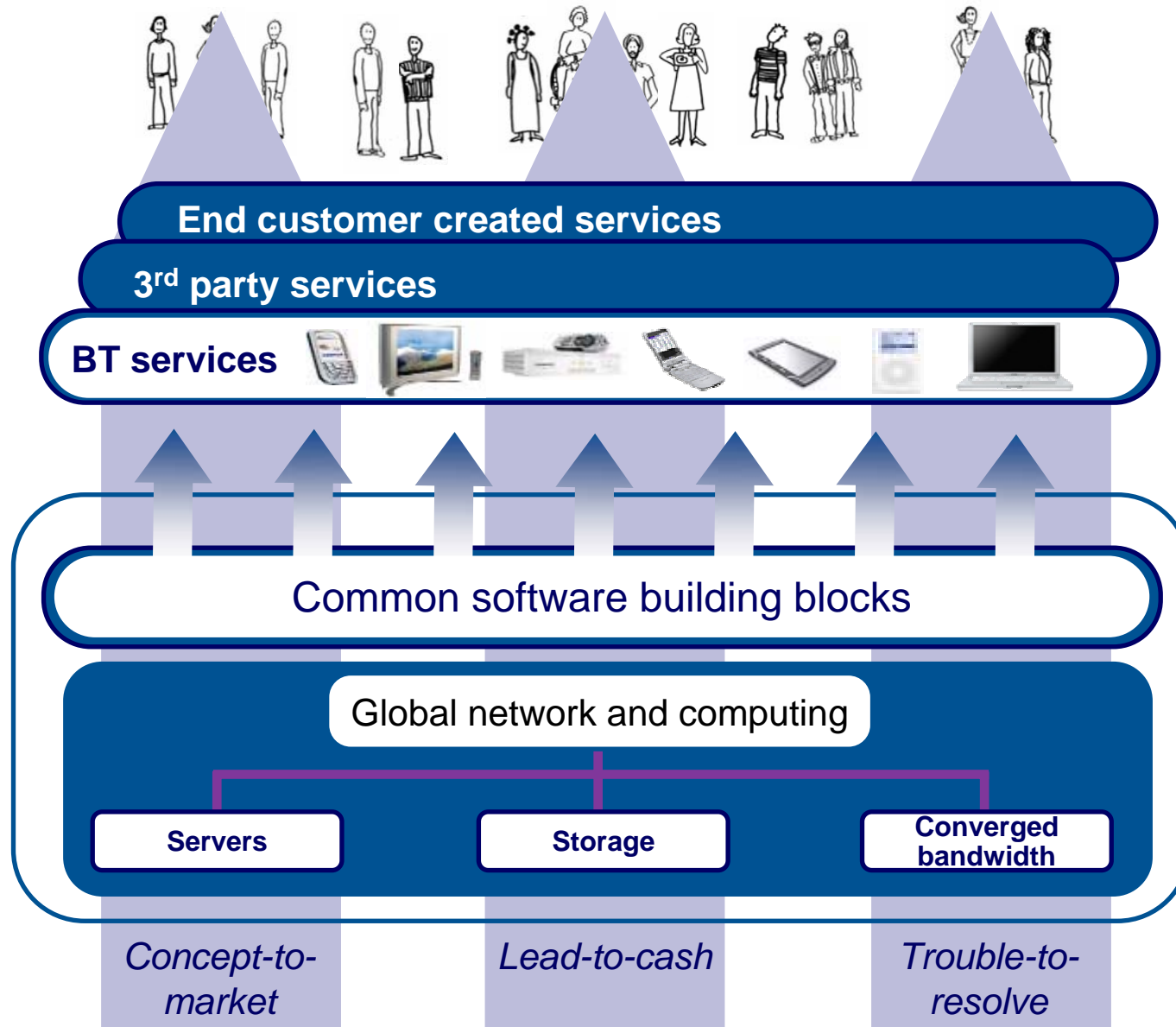
Our platform

Our suppliers

Our capabilities



Open platforms



Transformation to Service Provider

• To enable

- Customer to focus on what they do best
- Software solutions
- Global delivery and reach

• To deliver

- Right first time service
- Where our customers are
- A simplified organisation

• To reduce

- Complexity
- Cost base
- Time to market

• To improve

- Customer service
- Efficiency
- Free cash flow

Bringing it all Together



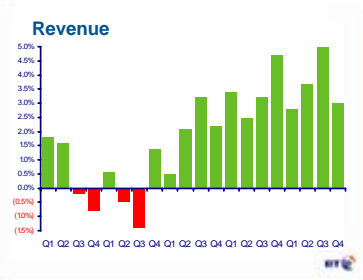
Strategy built around convergence & innovation

- 14% growth in new wave revenues



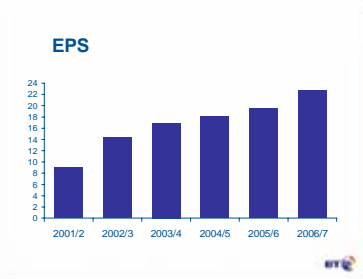
Corporate evolution

- From traditional telco to leading services provider with global capabilities



Strong momentum with track record of delivery

- **Twenty** quarters of **EPS** growth
- **Thirteen** quarters of **revenue** growth
- **Five** quarters of **EBITDA** growth



Continue to grow **revenue**, **EBITDA***, **EPS*** and **dividends** in 2007/8

* Before specific items and leavers



BT Group plc

Q4 results 2006/7

