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A better future

BT Group plc

Q3 2010/11 Results

3 February 2011

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Ian Livingston

Q3 2010/11 group results

Revenue	£5,038m	3%	
EBITDA¹	£1,484m	7%	
EPS¹	5.4p	32%	
Free cash flow			
- before specific items	£569m	up £43m	
- after specific items	£515m	up £210m	
Net debt	£8,674m	down £1,438m	

¹ before specific items

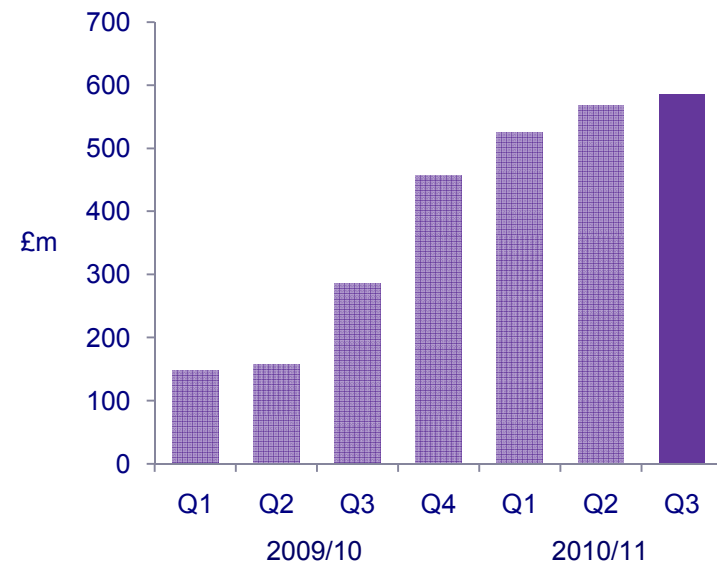
Q3 2010/11 line of business overview

Global Services

	Q3 2010/11	Change
Revenue	£1,974m	(7)%
EBITDA	£141m	15%

- ▶ Underlying revenue down 6%
 - decline in wholesale and MTRs
 - reduced UK calls & lines
 - one-off adjustment c.£20m
- ▶ Net operating costs down 8%
- ▶ EBITDA up 15%
- ▶ Operating cash inflow of £49m YTD
 - improved working capital
 - more even cash profile over year
- ▶ Order intake £1.7bn, up 8%

Rolling 12 month EBITDA



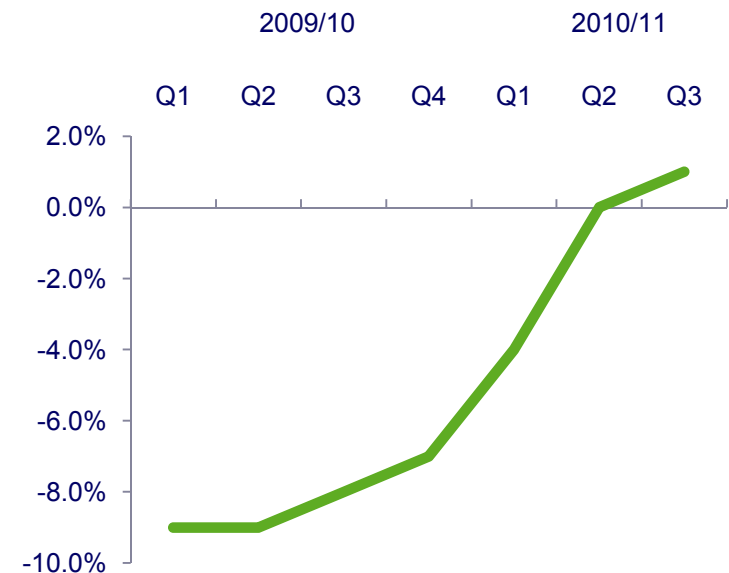
Q3 2010/11 line of business overview

Retail

	Q3 2010/11	Change ¹
Revenue	£1,967m	(3)%
EBITDA	£452m	4%

- ▶ Improving revenue trend
 - Consumer, Business & Enterprises all improved
 - Business up 1% driven by IT services and mobility
 - Consumer down 4% (Q2 down 6%)
- ▶ Net operating costs down 4%
 - 6% decline in labour costs
- ▶ All units grew profits

BT Business YoY revenue change



¹ prior year restated for the impact of customer account moves

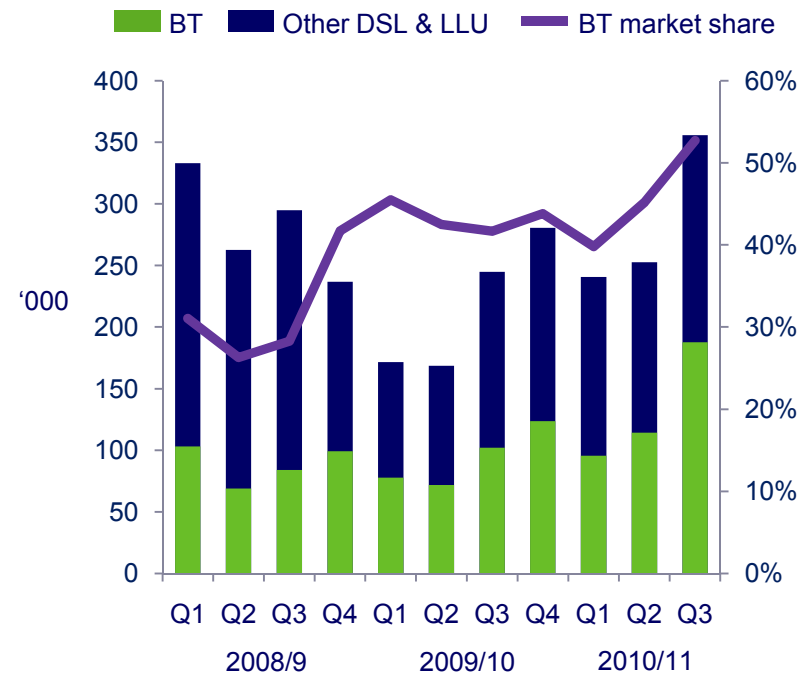
Q3 2010/11 line of business overview

Retail

- ▶ Active customer losses improved
 - 35% reduction QoQ
- ▶ Consumer ARPU up 7%
- ▶ 53% share of broadband net adds¹
 - best share in 8 years
- ▶ Infinity
 - increased level of take up
 - Race to Infinity
 - 365,000 votes
 - 10 exchanges to be enabled
- ▶ BT Vision
 - increased net adds
 - new innovations

¹ DSL + LLU

Broadband net adds



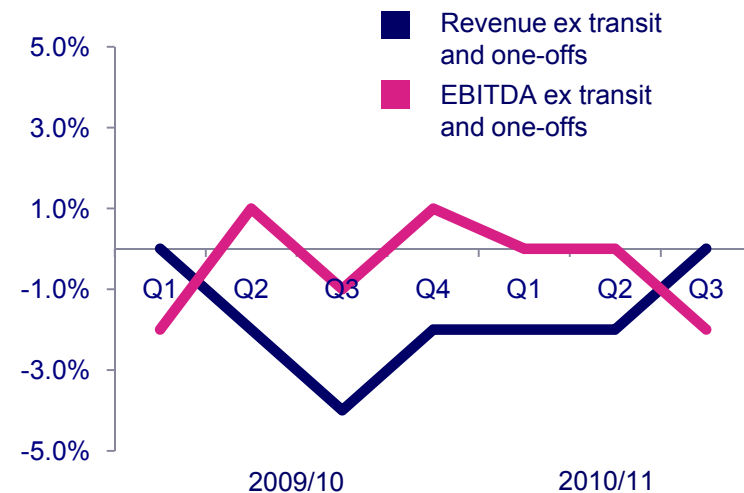
Q3 2010/11 line of business overview

Wholesale

	Q3 2010/11	Change
Adjusted revenue	£1,070m	flat ¹
EBITDA	£330m	(2)% ²

- ▶ Managed network services revenue up 9%
- ▶ Net operating costs flat¹
- ▶ IP Voice contract signed with KCOM Group

Revenue and EBITDA trend



¹ prior year restated for customer account moves and adjusted for changes in the internal trading model

² prior year restated for customer account moves

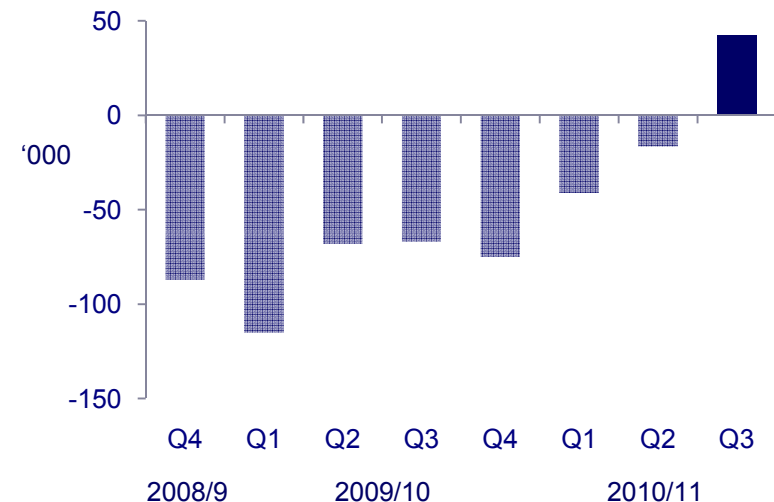
Q3 2010/11 line of business overview

Openreach

	Q3 2010/11	Change
Adjusted revenue	£1,240m	flat ¹
EBITDA	£550m	13%

- ▶ External revenue up 16%
 - end-user growth
 - PoP build out
- ▶ Growth in copper line base
- ▶ Net operating costs down 8%¹, before leavers down 5%¹
- ▶ Fibre roll out
 - weather impacted roll out, now progressing again at good pace

QoQ change in total copper lines



¹ prior year adjusted for changes in the internal trading model

Pensions

	31 Dec 2009	31 Mar 2010	31 Dec 2010
IAS 19 deficit (net of tax)	£6.4bn	£5.7bn	£2.7bn
BTPS assets	£33.8bn	£35.3bn	£36.4bn
BTPS liabilities (IAS 19)	£42.5bn	£43.0bn	£40.0bn
AA bond rate	5.65%	5.50%	5.40%
Real discount rate	2.08%	1.83%	1.98%

- ▶ Includes benefit from change to CPI
- ▶ Asset returns of c.7% real in 12 months to 31 December 2010
- ▶ £525m deficit payment made in December 2010
- ▶ Pensions Regulator review ongoing

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more progress

more to do

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Tony Chanmugam

Key financials summary

£m	Q3 2010/11	Q3 2009/10	Change
▶ Revenue	5,038	5,198	(3)%
– down 2% excl. transit/MTRs			
▶ EBITDA¹	1,484	1,386	7%
– operating costs ² reduced by £235m			
– lower leaver costs			

¹ before specific items

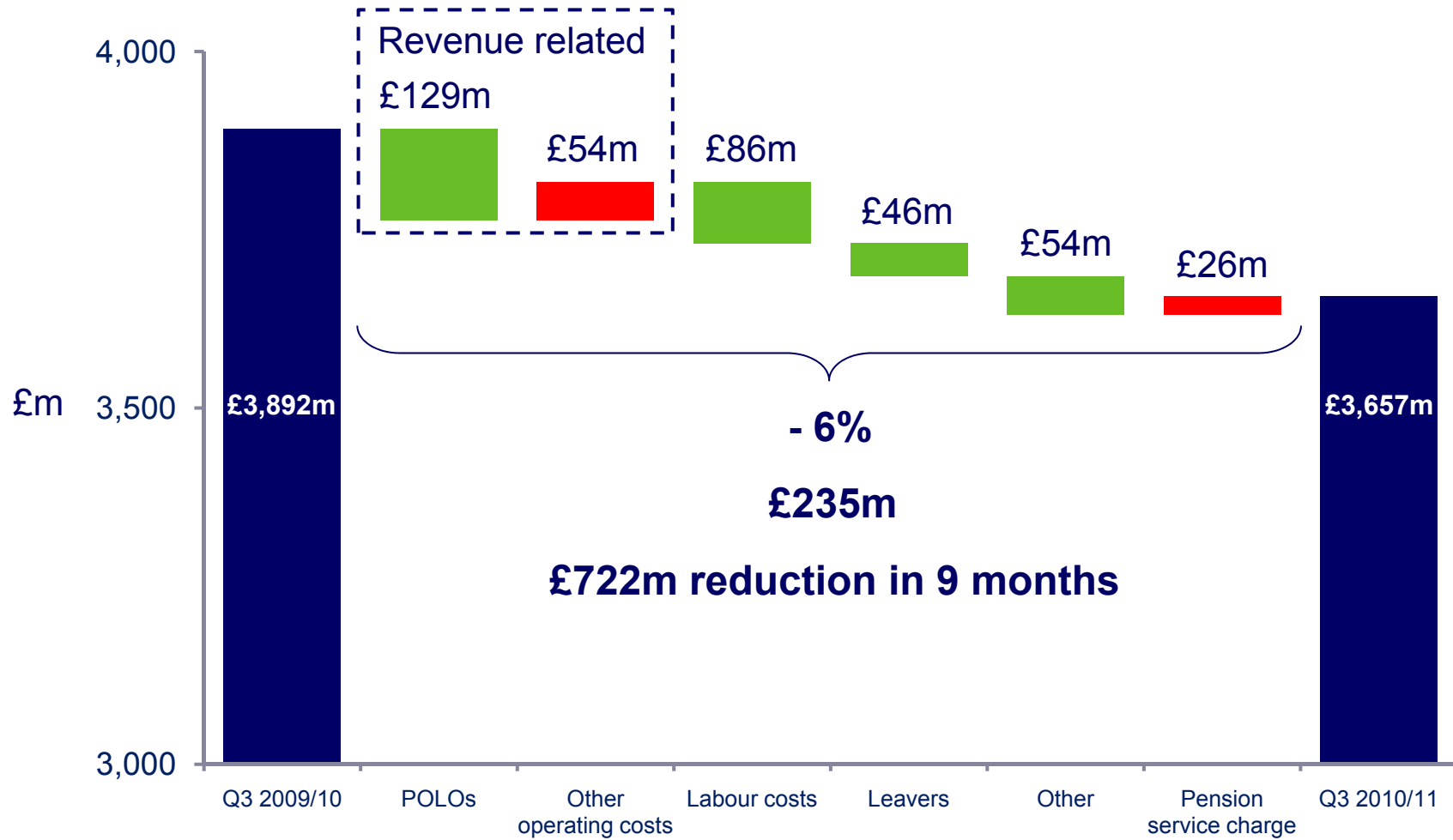
² before specific items, depreciation & amortisation and other operating income

Key financials summary

£m	Q3 2010/11	Q3 2009/10	Change
EBITDA¹	1,484	1,386	98
Capex	(670)	(548)	(122)
Interest	(267)	(314)	47
Tax	(94)	(44)	(50)
Working capital/other	116	46	70
Free cash flow before specifics	569	526	43
Specific items	(54)	(221)	167
Free cash flow after specifics	515	305	210
Net debt	8,674	10,112	1,438

¹ before specific items

Q3 2010/11 group cost reductions¹



c.£900m opex reduction in 2010/11

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



2010/11 – 2012/13 outlook

- ▶ 2010/11
 - Revenue expected to be c.£20bn
 - Adjusted EBITDA¹ expected to be c.£5.8bn
 - Free cash flow² expected to be £2bn
- ▶ Global Services operating cash flow expected to be c.£100m in 2010/11 and c.£200m in 2011/12
- ▶ 2011/12 to 2012/13 outlook otherwise unchanged

¹ before specific items

² before pension deficit payment and cash specific items. Specific items are expected to result in cash outflow of around £200m in 2010/11

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Q&A