

A better business



A better future

BT Group plc

Q1 2012 results

28 July 2011

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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: outlook and progress towards delivering our financial, operational and growth goals; capital expenditure; line of business performance and growth indicators; Global Services' operating cash flow; super-fast broadband roll-out and take-up; and growth in our copper line base.

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Tony Chanmugam, Group Finance Director

Q1 2012 group results

Revenue	£4,764m	5%	
- underlying ex transit		3%	
EBITDA¹	£1,436m	3%	
Profit before tax¹	£533m	20%	
EPS¹	5.2p	18%	
Free cash flow			
- before specific items	£308m	down £151m	
- after specific items	£247m	down £168m	
Net debt	£8,585m	down £294m	

Key financials

Underlying revenue ex transit

- ▶ Down 3%
 - transit down £109m
 - ▶ Fewer working days
 - ▶ FY outlook - down 2% to flat
-

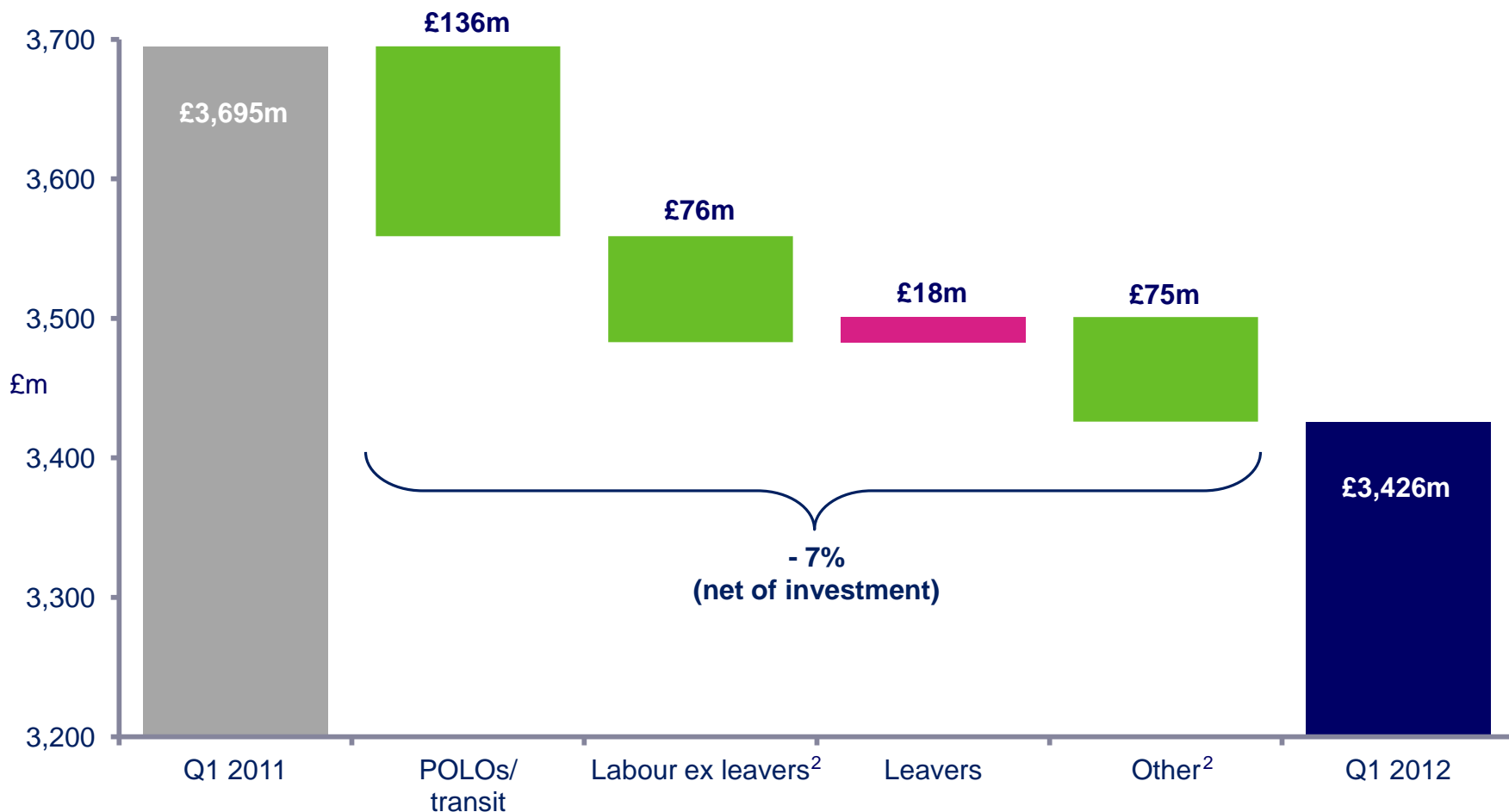
EBITDA¹

- ▶ Up 3%
 - ▶ Retail & Openreach to offset weakness in Wholesale
 - ▶ FY outlook for growth unchanged
-

Free cash flow

£m	Q1 2012	Change	Key points
EBITDA¹	1,436	37	
Capex	(618)	(8)	
Interest & tax	(243)	57	▶ lower debt, tax slightly higher
Working capital & other	(267)	(237)	▶ £200m receipt in prior year
Free cash flow before specifics	308	(151)	▶ outlook - to be above 2011 level in 2012 & 2013
Specific items	(61)	(17)	▶ GS restructuring & property rationalisation
Free cash flow after specifics	247	(168)	

Q1 2012 cost transformation



£269m opex¹ reduction in Q1

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

7 ² adjusted for £22m of labour related costs which were treated as Other costs in 2011

Other financial points

- ▶ Depreciation & amortisation
 - Q1 increase reflects shorter lived assets
 - FY expected to be broadly level YoY
- ▶ Interest
 - average rate of 7.9%¹ on lower debt
 - coupon step down
- ▶ Tax
 - effective tax rate of 24.1%
 - Q2 specific deferred tax credit of c.£80m
- ▶ Pension
 - £1.8bn IAS 19 deficit post tax
 - down £3.9bn YoY

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Ian Livingston, Chief Executive

Q1 2012 line of business results summary¹

	Global Services	Retail	Wholesale	Openreach
Underlying revenue ex transit	 2%	 4%	 1%	 5%
EBITDA	 6%	 1%	 9%	 5%
Operating cash flow movement	 £22m	 £1m	 £98m	 £48m

Q1 2012 line of business overview

Global Services

	Q1 2012	Change ¹
Revenue	£1,905m	(5)%
Underlying revenue ex transit		(2)%
EBITDA	£138m	6%

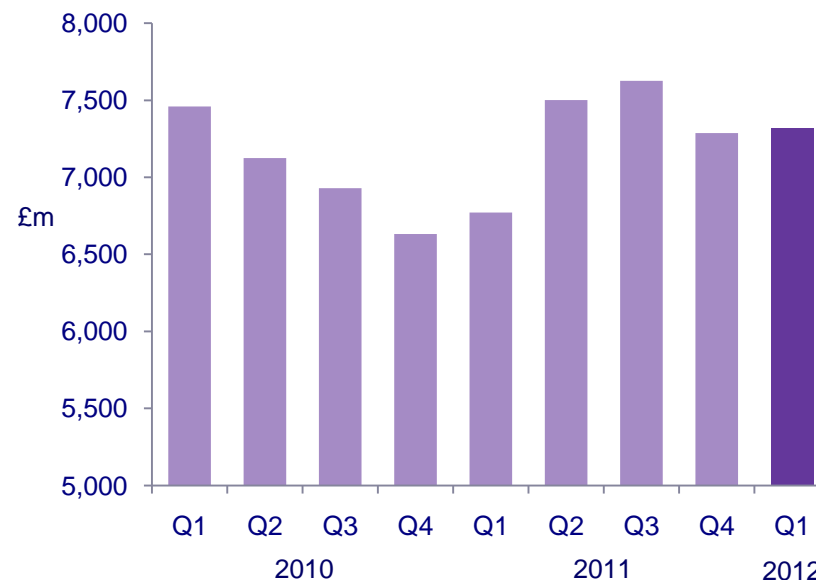
Financials

- ▶ Underlying revenue ex transit down 2%
- ▶ Net operating costs down 6%
 - down 3% ex transit

Growth indicators

- ▶ 12 month rolling order intake up 8%
- ▶ AsiaPac – good pipeline
- ▶ LatAm – largest ever BT contract in region
- ▶ UK – better performance

12 month rolling order intake



Q1 2012 line of business overview

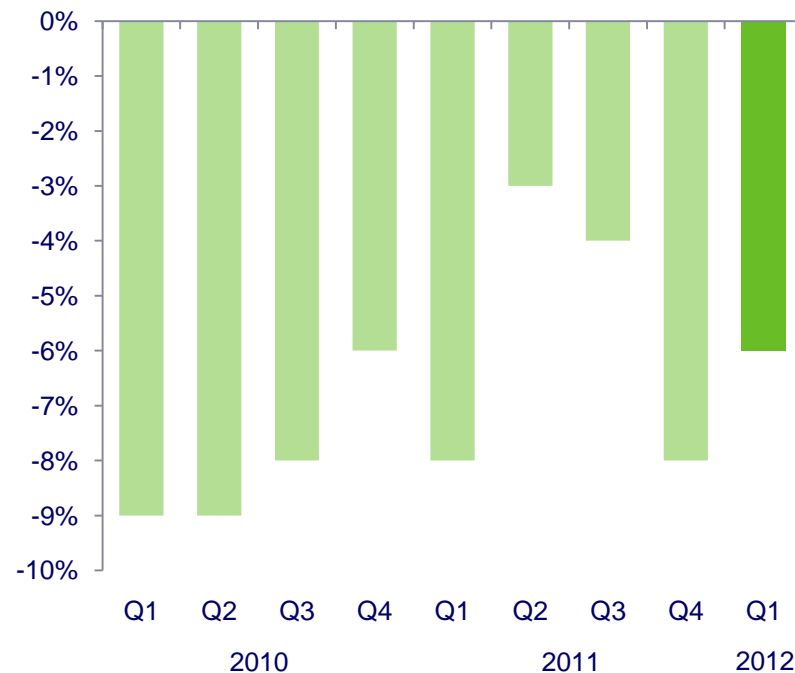
Retail

	Q1 2012	Change ¹
Revenue	£1,830m	(4)%
EBITDA	£446m	1%

Financials

- ▶ Revenue
 - Consumer down 6% - lower calls & lines revenue
 - Business flat despite fewer working days
 - weak start, stronger finish to quarter
- ▶ Net operating costs down 6%
 - total labour costs down 9%
- ▶ EBITDA up 1%

YoY change in net operating costs



Q1 2012 line of business overview

Retail

Growth indicators

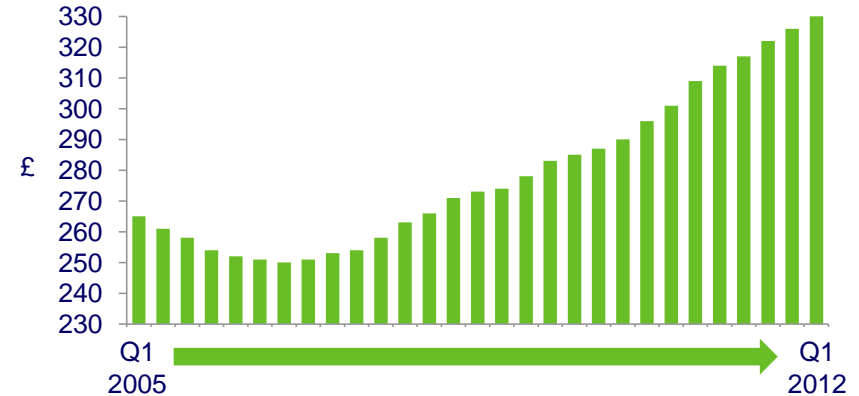
Consumer

- ▶ Consumer ARPU up 5% YoY to £330
- ▶ 56% share of broadband net adds¹
 - 59% including cable, highest ever
 - attraction of bundles
- ▶ Currently >200,000 BT Infinity customers
 - Q1 net adds c.50% above Q4
 - around a third of BT Infinity base new to BT Retail
- ▶ BT Vision – currently >600,000 customers

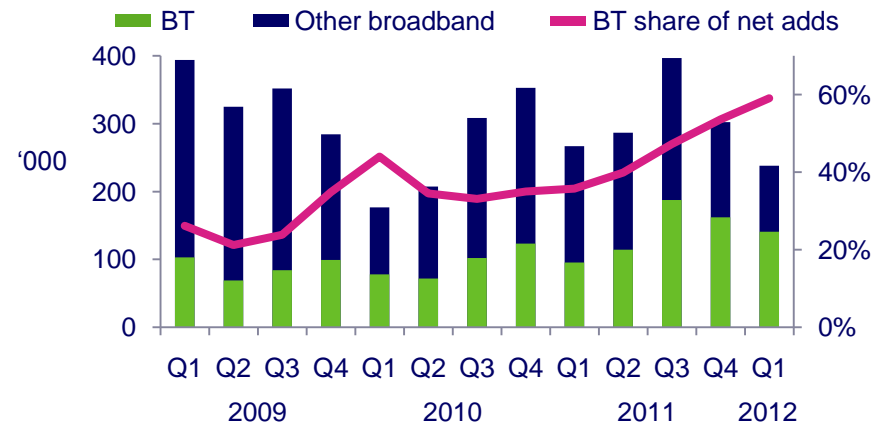
Business

- ▶ IT services & mobility revenue up 7%

Consumer ARPU



Broadband market net adds²



Q1 2012 line of business overview

Wholesale

	Q1 2012	Change ¹
Revenue	£1,004m	(5)%
Underlying revenue ex transit		(1)%
EBITDA	£307m	(9)%

Financials

- ▶ Underlying revenue ex transit down 1%
 - broadband lines migrating to LLU & impact of regulatory decisions
- ▶ Net operating costs down 3%
 - up 4% ex transit
- ▶ EBITDA down 9%
 - changing product mix
 - network migration costs

Growth indicators

- ▶ IP Exchange now >150 CP customers
- ▶ Ethernet circuits almost trebled YoY
- ▶ c.50 CPs selling or trialling fibre services

Q1 2012 line of business overview

Openreach

	Q1 2012	Change ¹
Revenue	£1,255m	5%
EBITDA	£538m	5%

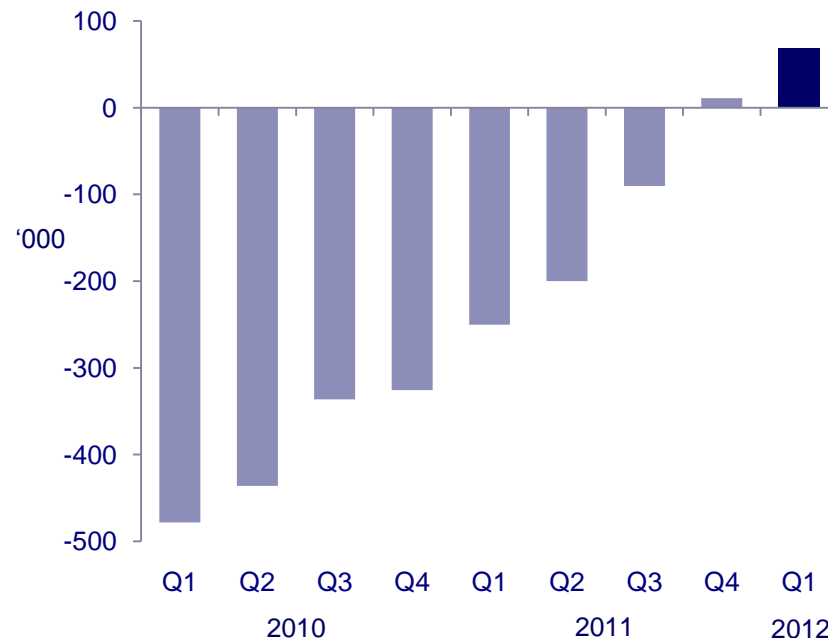
Financials

- ▶ Revenue up 5%
 - strongest growth since formation
 - investment starting to deliver
- ▶ Net operating costs up 4%
 - more engineering activity

Growth indicators

- ▶ Copper lines increased by 18,000
- ▶ Over 5m premises passed with fibre
- ▶ Over 500 cabinets with >10% fibre take-up

12 month change in total copper lines



In summary

- ▶ Revenue trend to improve
- ▶ Line of business trends to continue
- ▶ Q1 results add to our confidence in delivering our outlook

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Q&A