

BT PROVIDES IFRS 15 AND NEW KPI PRO FORMA HISTORICAL DISCLOSURES AND CONFIRMS UNCHANGED OUTLOOK FOR 2018/19 UNDER IFRS 15

- Pro forma financials for 2016/17 and 2017/18 reflect the adoption of the IFRS 15 accounting standard
- Refreshed financial and operational key performance indicators provided for 2016/17 and 2017/18, to improve visibility of the drivers of BT's operational performance
- Compared with IAS 18, BT expects the IFRS 15 accounting change to have an adverse impact on 2018/19 revenue in the high tens of millions of pounds and an adverse impact on 2018/19 EBITDA in the low tens of millions of pounds, with no impact on cash flow
- BT's outlook for 2018/19 including the impact of IFRS 15 remains unchanged

BT Group has today published pro forma financials to reflect the adoption of the IFRS 15 accounting standard that came into effect for BT from 1 April 2018. The pro forma financials are unaudited and provide an indicative historical impact of IFRS 15. BT has also translated the outlook for 2018/19 from the previously used IAS 18 accounting standard to IFRS 15, and confirmed there is no change.

In addition, BT has refreshed the financial and operational key performance indicators (KPIs) provided alongside financial results and has today published pro forma KPIs for 2016/17 and 2017/18. The pro forma KPIs are unaudited and provide an indicative history of the company's performance.

BT will report financial results under IFRS 15 along with the refreshed KPIs from the first quarter of 2018/19, which we expect to announce on Friday 27 July 2018. As previously announced, this will also be the date at which we move to quarterly trading statements at the first and third quarters of the financial year.

The financial impact of IFRS 15 on revenue, EBITDA and normalised free cash flow on a quarterly basis, by customer facing unit, prepared on a consistent basis for the years 2016/17 and 2017/18, is provided on our website (www.btplc.com/IR-announcements), in addition to pro forma disclosures reflecting the new KPIs for the same years.

IFRS 15 accounting standard

IFRS 15 sets out the requirements for recognising revenue and costs from contracts with customers and includes extensive disclosure requirements. The standard requires companies to apportion revenue earned from contracts to individual promises, or performance obligations, on a relative stand-alone selling price basis, using a five-step model. The principal impact for BT relates to mobile handset revenue.

BT will adopt IFRS 15 on a modified retrospective basis in its 2018/19 financial statements. The company has therefore not restated prior year comparatives for the effect of IFRS 15 but has instead reflected the full cumulative impact of adopting this standard in its 1 April 2018 opening reserves.

The impact of the standard is still in the process of being finalised, including the final transition adjustment to retained earnings. As previously disclosed, the estimated likely impact on transition at 1 April 2018 will produce a cumulative increase in retained earnings of between £1.1bn and £1.5bn before tax. The corresponding impact will be recorded as a contract asset and will lead to an additional one-off cash tax payment split equally between 2018/19 and 2019/20. The cumulative increase in retained earnings is mainly due to the acceleration of mobile handset revenue and, to a lesser extent, deferral of costs (notably third party contract acquisition costs primarily associated with mobile postpaid contracts).

Over time BT's financial performance is expected to be similar under the IFRS 15 standard as it would have been under the previous IAS 18 standard as old contracts expire and new ones are signed.

A presentation summarising the key impacts of IFRS 15 on BT is provided on our website (www.btplc.com/IR-announcements).

Outlook

Compared with IAS 18, BT expects the IFRS 15 accounting change to have an adverse impact on 2018/19 revenue in the high tens of millions of pounds and an adverse impact on 2018/19 EBITDA in the low tens of millions of pounds, with no impact on cash flow.

BT's outlook on an IFRS 15 basis remains unchanged for 2018/19 and is therefore confirmed as follows:

	2018/19 outlook IFRS 15 basis
Change in underlying ¹ revenue	down c.2% ⁵
Adjusted ² EBITDA	£7.3bn - £7.4bn
Reported capital expenditure ³	c.£3.7bn
Normalised free cash flow ⁴	£2.3bn - £2.5bn

¹ Including transit, but excluding specific items, foreign exchange movements and the effect of acquisitions and disposals

² Before specific items

³ Excluding BDUK deferral

⁴ Free cash flow before specific items and the cash tax benefit of pension deficit payments

⁵ Down c.2% compared with pro forma IFRS 15 2017/18 revenue

Key Performance Indicators (KPIs)

BT is refreshing the metrics used to explain the company's financial performance from Q1 2018/19. This will improve visibility of the drivers of BT's operational performance, whilst simplifying and better aligning the company's external KPIs to the internal metrics used to manage the business.

Pro forma refreshed financial and operational key performance indicators (KPIs) for 2016/17 and 2017/18 are available on our website (www.btplc.com/IR-announcements).

Reminder of other forthcoming changes to reporting

As outlined in BT's Q2 2017/18 financial results on 2 November 2017, from the first quarter of 2018/19 BT intends to move away from full quarterly reporting at the first and third quarters, and will instead provide quarterly trading statements. The trading statements will contain sufficient financial and operational KPIs to allow users to understand the key drivers of our business performance including the revenue and EBITDA of each unit, and the company will continue to host conference calls. BT will maintain full reporting for its half and full year results.

BT recently announced that its *Business and Public Sector* and *Wholesale and Ventures* units are to be combined to create a new business unit, Enterprise, which will report as a single unit from 1 October 2018.

IFRS 16 'Leases' will be effective for BT from 1 April 2019. We plan to adopt IFRS 16 on a modified retrospective basis and the group will recognise the cumulative effect of initially applying the standard as an adjustment to the opening balance of retained earnings at 1 April 2019. We are quantifying the implications of this standard. Our operating lease obligations, which are currently off balance sheet, will be valued in accordance with the requirements of IFRS 16 and recorded on balance sheet after adoption, along with a corresponding right of use asset.

Ends

For further information:

Enquiries about this news release should be made to the BT Group Investor Relations team on 020 7356 4909. From outside the UK dial + 44 20 7356 4909. All news releases can be accessed on our [website](#). You can also subscribe to receive all BT announcements [here](#) and you can follow us on Twitter [here](#).

About BT

BT's purpose is to use the power of communications to make a better world. It is one of the world's leading providers of communications services and solutions, serving customers in 180 countries. Its principal activities include the provision of networked IT services globally; local, national and international telecommunications services to its customers for use at home, at work and on the move; broadband, TV and internet products and services; and converged fixed-mobile products and services. BT consists of four customer-facing units: Consumer, Enterprise, Global Services and Openreach.

For the year ended 31 March 2018, BT Group's reported revenue was £23,723m with reported profit before taxation of £2,616m.

British Telecommunications plc (BT) is a wholly-owned subsidiary of BT Group plc and encompasses virtually all businesses and assets of the BT Group. BT Group plc is listed on stock exchanges in London and New York

For more information, visit www.btplc.com