BT Group plc
H1 2020/21 results

29 October 2020

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This presentation contains certain forward-looking statements which are made in reliance on the safe harbour provisions of the US Private Securities Litigation Reform Act of 1995. These statements relate to analyses and other information which are based on forecasts of future results and estimates of amounts not yet determinable. These statements include, without limitation, those concerning: the potential impact of Covid-19 on our people, operations, suppliers and customers; current and future years' outlook; revenue and revenue trends; EBITDA and profitability; free cash flow; capital expenditure and costs; return on capital employed; return on investment; shareholder returns including dividends and share buyback; net debt; credit ratings; capital markets; our group-wide transformation and restructuring programme, cost transformation plans and restructuring costs; investment in and roll out of our fibre network and its reach, innovations, increased speeds and speed availability; our broadband-based service and strategy; investment in and rollout of 5G; the investment in converged network; improvements to the customer experience and customer perceptions; our investment in TV, enhancing our TV service and BT Sport; the recovery plan, operating charge, regular cash contributions and interest expense for our defined benefit pension schemes; effective tax rate; growth opportunities in networked IT services, the pay-TV services market, broadband, artificial intelligence and mobility and future voice; growth of, and opportunities available in, the communications industry and BT's positioning to take advantage of those opportunities; expectations regarding competition, market shares, prices and growth; expectations regarding the convergence of technologies; plans for the launch of new products and services; retail and marketing initiatives; network performance and quality; the impact of regulatory initiatives, decisions and outcomes on operations; BT's possible or assumed future results of operations and/or those of its associates and joint ventures; investment plans; modernisation plans; adequacy of capital; financing plans and refinancing requirements; divestments; demand for and access to broadband and the promotion of broadband by third-party service providers; improvements to the control environment; and those statements preceded by, followed by, or that include the words 'aims', 'believes', 'expects', 'anticipates', 'intends', 'will', 'should', 'plans', 'strategy', 'future', 'likely', 'seeks', 'projects', 'estimates' or similar expressions.

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Philip Jansen
Chief Executive

H1 2020/21 highlights

- Confidence in operational performance:
  - Q2 and H1 2020/21 results in-line with expectations
  - continued successful execution against strategy despite pandemic
- Improved FY 2020/21 outlook and providing medium-term EBITDA outlook:
  - FY 2020/21 EBITDA outlook: £7.3bn - £7.5bn, from £7.2bn - £7.5bn
  - FY 2022/23 EBITDA outlook: at least £7.9bn
  - FY 2022/23 EBITDA underpins planned reinstated dividend of 7.7 pence per share and value-creating investment plans

Operational confidence underpins improved outlook

H1 2020/21 financial highlights

	H1 2020/21	H1 2019/20	Change
Adjusted revenue[1]	£10,607m	£11,413m	(7)%
Adjusted EBITDA[1]	£3,721m	£3,923m	(5)%
Reported capex	£1,969m	£1,882m	5%
Normalised free cash flow[2]	£422m	£604m	(30)%

[1] before specific items
[2] after net interest paid and payment of lease liabilities, before pension deficit payments (including the cash tax benefit of pension deficit payments) and specific items

Operational highlights - build the strongest foundations

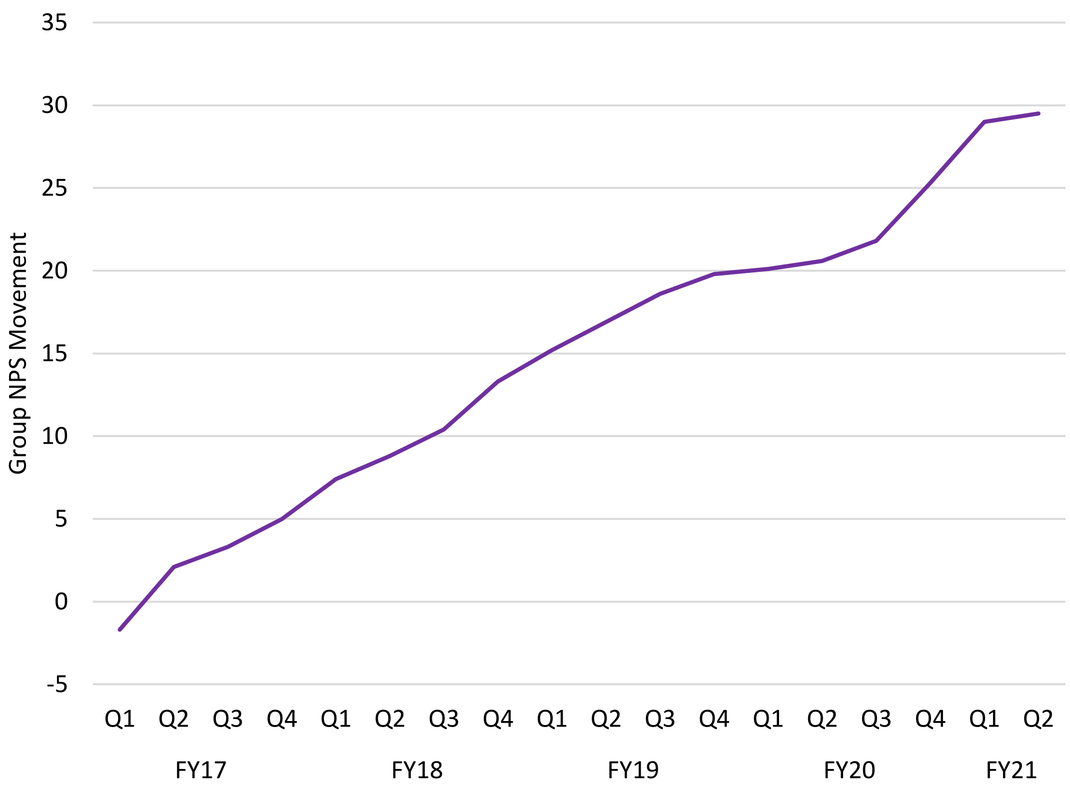
- Mobile:
  - 5G is now live in 112 towns and cities
  - EE winner of all seven RootMetrics' awards including best 5G network
  - encouraging iPhone 12 pre-orders and sales
  - 1.2 million 5G ready users
  - new 5G RAN[1] equipment providers announced
- Fixed:
  - record level build rate of FTTP[2] in Q2: 40,000 premises/week
  - all major CPs[3] now consuming FTTP[2]
  - FTTP[2] sales 13,000 per week
  - focus on improving and scaling the provisioning process and cost
- Modernisation of BT remains firmly on track:
  - annualised savings of c. £350m achieved in H1, with cost to achieve c.£160m
  - additional actions implemented to mitigate Covid-19 impact

[1] Radio access network
[2] Fibre-to-the-premises
[3] Communications providers

Operational highlights - create standout customer experiences

- Competitive, differentiated and compelling products and propositions in the market:
  - Consumer Halo product c.40% of BT broadband base
  - Halo for Business - key initiative within Small Business Support Scheme
  - Full Works Plan for iPhone, a global first for EE, including Apple Music, Apple TV+ and Apple Arcade
  - ‘Best of Both’ approach launched
  - Zoom Meetings with BT managed service and security
- High quality, valued products resonating with customers:
  - 17 quarters of Group NPS[1] improvement
  - 20% reduction in customer complaints to Ofcom for BT consumer broadband
  - EE complaints equal lowest of any UK major MNO[2]

Group NPS Improvement[1]



[1] Group NPS shows the cumulative movement in our customers' perception of BT since April 2016. It's a combined measure of ‘promoters’ minus ‘detractors’ across our business units
[2] Mobile Network Operator

Simon Lowth
Chief Financial Officer

H1 2020/21 results in line with expectations

	H1 2020/21	H1 2019/20	Change
Adjusted revenue[1]	£10,607m	£11,413m	(7)%
Operating costs[2]	£(6,886)m	£(7,490)m	(8)%
Adjusted EBITDA[1]	£3,721m	£3,923m	(5)%

[1] before specific items
[2] before specific items and depreciation and amortisation

H1 2020/21 results in line with expectations

	H1 2020/21	H1 2019/20	Change
Adjusted EBITDA[1]	£3,721m	£3,923m	(5)%
Depreciation and amortisation	£(2,152)m	£(2,121)m	2%
Net finance expense[1]	£(384)m	£(359)m	7%
Share of post tax profit of associates and joint ventures	£1m	£2m	(50)%
Tax[1]	£(236)m	£(289)m	(18)%
Adjusted profit after tax[1]	£950m	£1,156m	(18)%
Specific items	£(94)m	£(88)m	7%
Reported profit for the period	£856m	£1,068m	(20)%
Adjusted earnings per share[1]	9.6p	11.7p	(18)%

[1] before specific items

H1 2020/21 normalised cash flow primarily reflects impact of Covid-19

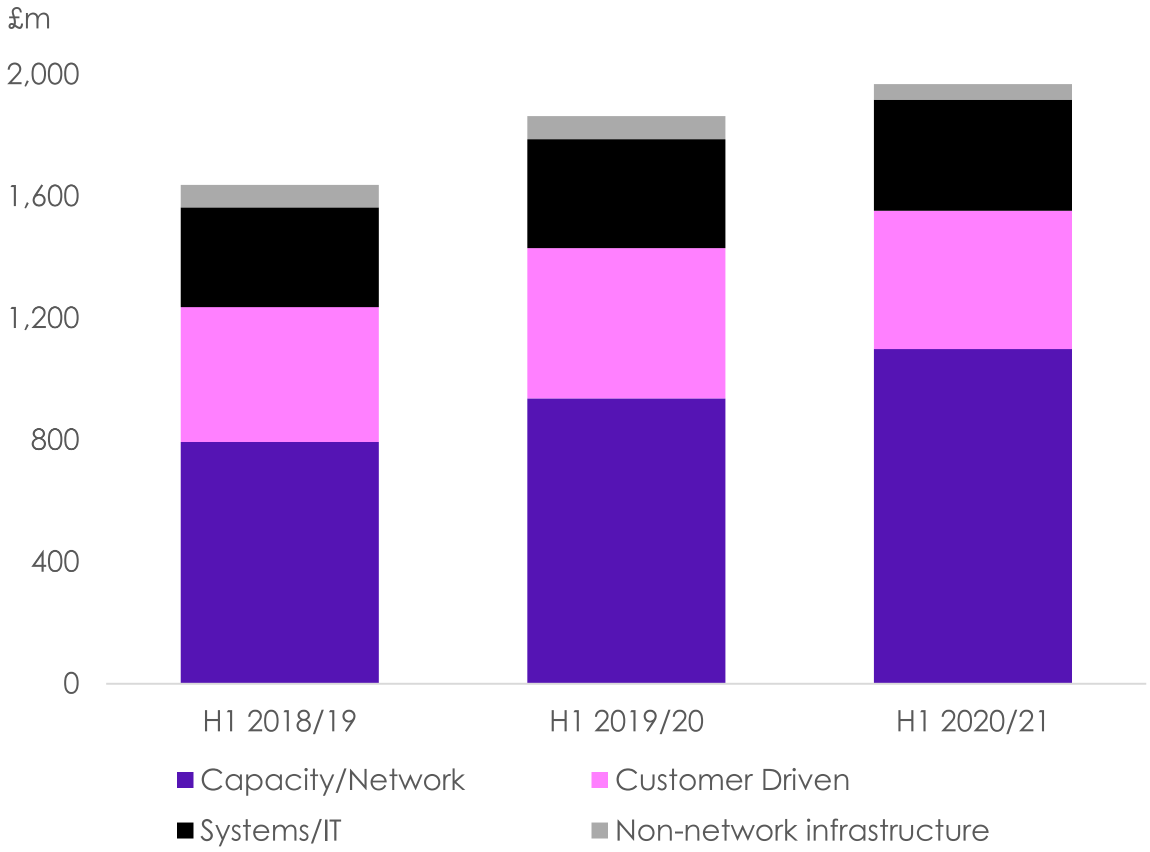
	H1 2020/21	H1 2019/20	Change
Adjusted EBITDA[1]	£3,721m	£3,923m	(5)%
Interest[2]	£(403)m	£(354)m	14%
Tax (ex cash tax benefit of pension deficit payments)	£(167)m	£(397)m	(58)%
Lease payments	£(363)m	£(311)m	17%
Change in working capital and other	£(281)m	£(194)m	45%
Cash available for investment and distribution	£2,507m	£2,667m	(6)%
Cash capital expenditure	£(2,085)m	£(2,063)m	1%
Normalised free cash flow[3]	£422m	£604m	(30)%
Net cash flow from specific items	£(221)m	£67m	n/m[4]
Reported free cash flow	£201m	£671m	(70)%

[1] before specific items
[2] restated following reclassification of lease interest paid
[3] after net interest paid and payment of lease liabilities, before pension deficit payments (including the cash tax benefit of pension deficit payments) and specific items
[4] not meaningful

Capex increase from investments in FTTP and mobile

- Reported capex £2.0bn, up 5%
- Capex components:
  - capacity/network: £1.1bn, up 9%
  - customer driven: £455m, up 2%
  - systems/IT: £364m, up 3%
  - non-network infrastructure: £52m, down 32%
- Continue to expect reported capex for the full year to be between £4.0bn and £4.3bn

Capital expenditure[1]



[1] 2018/19 and 2019/20 capital expenditures exclude BDUK clawback

Solid progress on the modernisation of BT

- Examples of modernisation progress so far:
  - continued to simplify our organisational structure, standardise and automate our end to end processes, and further leverage shared services
  - retired eight legacy broadband products of 25 in total
  - doubled the percentage of Ethernet orders fast-tracked to use existing nearby fibre to c.40% of all orders
  - signed a number of deals with leading software vendors in order to supply our modular IT architecture
- Launched review of UK redundancy and paid leaver terms
- Challenging every element of our cost base and taken actions to reduce discretionary costs to mitigate impacts of Covid-19
- Net reduction in Group full time equivalent roles of 3,600 since year end
- Moving forwards with targeted disposals:
  - completed the sale of selected domestic operations and infrastructure in Latin America

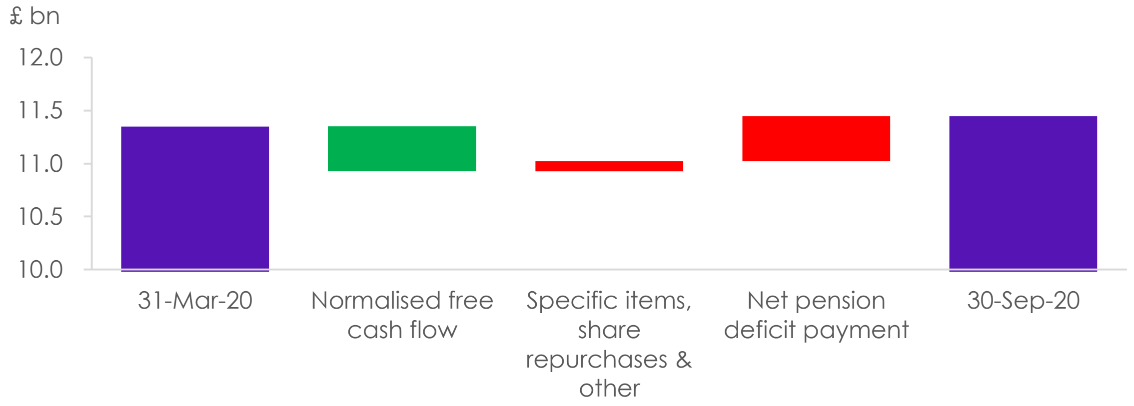
Modernisation of BT

	Targets		Progress
	March 2023	March 2025	H1 2020/21
Annualised gross savings	£1.0bn	£2.0bn	£352m
Cost to achieve	£0.9bn	£1.3bn	£163m

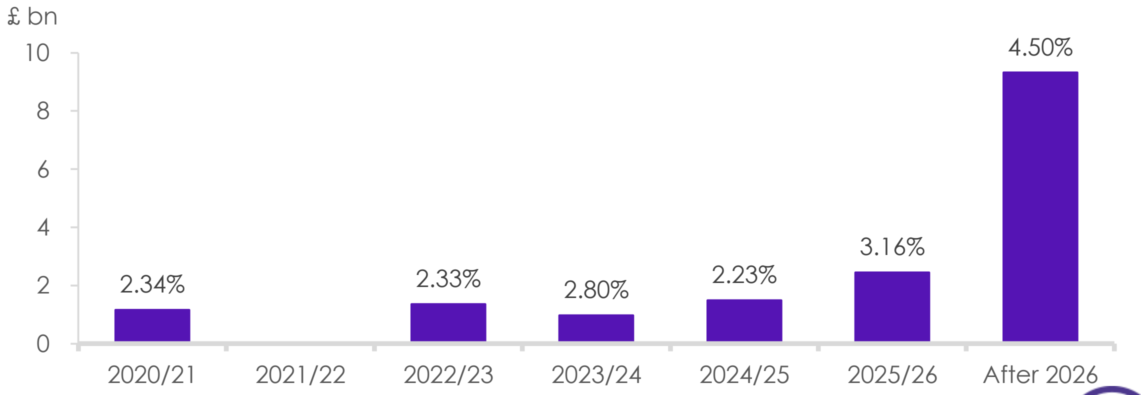
Strong cash position and credit ratings confirmed

- Net financial debt £11.3bn:
  - payments into pension schemes offset by normalised free cash flow
- Remain well placed for any period of uncertainty in capital markets
- Cash and current investments of £6.5bn and undrawn credit of £2.1bn
- Credit ratings confirmed:
  - Fitch at BBB, outlook stable
  - Moody's at Baa2, outlook negative
  - S&P Global at BBB, outlook stable

Movements in financial net debt



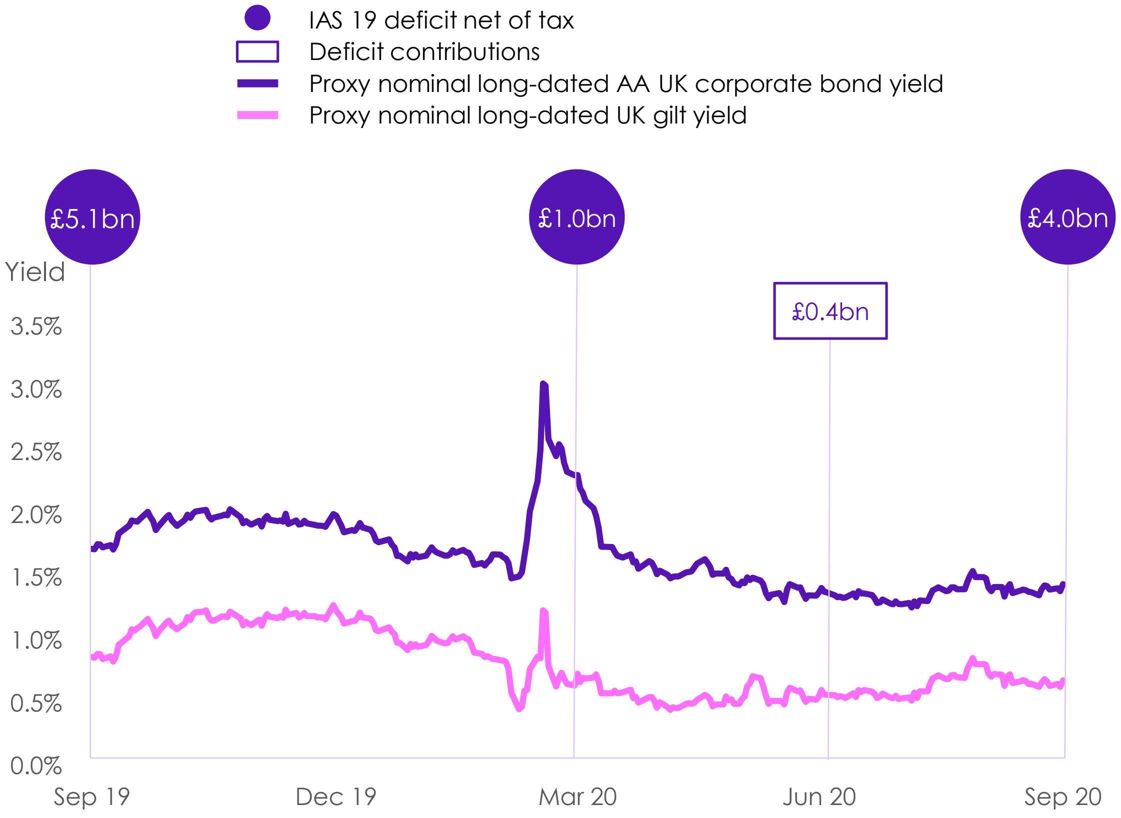
Term debt maturity profile



IAS 19 pension deficit increase due to reversion in credit markets, and triennial negotiations progressing

- IAS 19 deficit of £4.0bn, net of tax, at 30 September 2020, up £3.0bn since 31 March 2020, reflecting:
  - decrease in the real discount rate, reflecting a fall in credit spreads
  - partially offset by deficit contributions over the period, and higher than expected asset returns
- Discussions with the BT Pension Scheme trustee on triennial funding valuation progressing; aiming to conclude in first half of 2021
- Considering a number of options for funding the deficit including potentially non-cash contributions

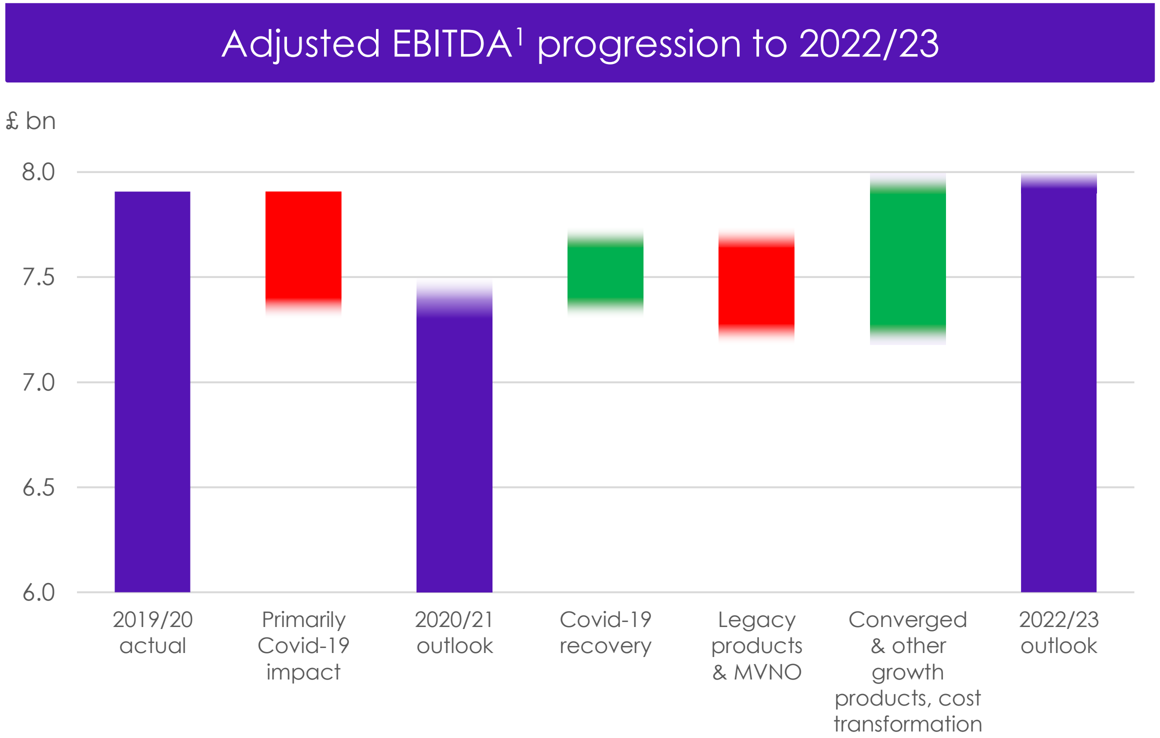
Movements in bond yields and the pension deficit



Yields shown are indicative only and not representative of actual discount rates used

2020/21 EBITDA outlook narrowed & outlook for 2022/23 of £7.9bn

	2020/21 outlook
Change in adjusted revenue[1]	Down 5% to 6%
Adjusted EBITDA[1]	£7.3bn - 7.5bn
Reported capex	£4.0bn - 4.3bn
Normalised free cash flow[2]	£1.2bn - 1.5bn



Expect adjusted EBITDA[1] of at least £7.9bn in 2022/23 and sustainable growth thereafter

[1] before specific items
[2] after net interest paid and payment of lease liabilities, before pension deficit payments (including the cash tax benefit of pension deficit payments) and specific items

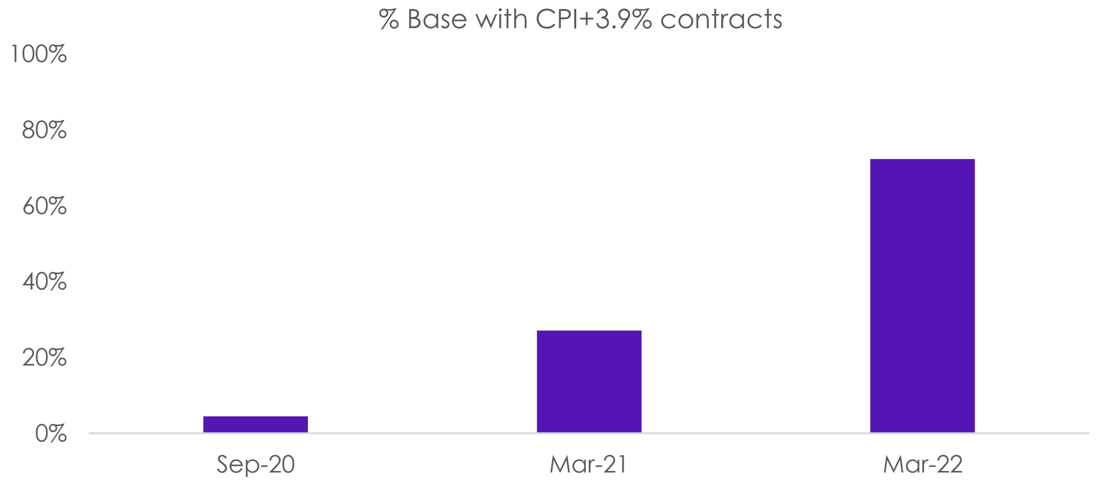
Philip Jansen
Chief Executive

Consumer – foundation for strategic growth in place but headwinds remain

- Revenue down 6%:
  - BT Sport impact, including pubs & clubs
  - roaming significantly lower
  - declining voice only base
- EBITDA down 9%:
  - revenue decline partly offset by sports rights rebates, tight management of costs including lower headcount
  - higher bad debt
- H2 headwinds expected from:
  - lower pubs & clubs sport revenue, lower roaming and higher costs from major handset launches
  - investment in fairness commitments
- Broadband and mobile churn both at 1.1%, down 0.1ppt YoY
- 5G ready base >1.2m; 600,000 customers now on FTTP
- Standardised CPI+3.9% annual pricing starting 31 March 2021:
  - phased migration from September as customers join and regrade across all products and brands

	H1 2020/21	H1 2019/20	Change
Revenue	£4,873m	£5,194m	(6)%
EBITDA	£1,075m	£1,180m	(9)%
Capex	£505m	£455m	11%

Customer migration to contractual CPI+3.9% pricing

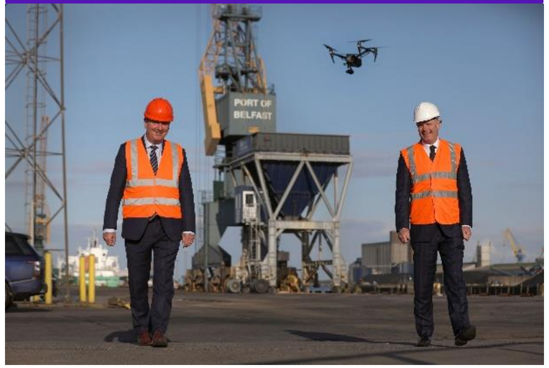


Enterprise – reducing cost base, supporting SMEs, commercialising 5G

- Revenue down 9%:
  - Covid-19 related impact on business activity
  - ongoing declines in legacy products
- EBITDA down 13%:
  - lower revenue partially offset by reduced operating costs
- Further impacts of Covid-19 from business insolvencies expected in H2, particularly SME[2] customers
- Rolling 12-month order intakes: retail up 3%; wholesale down 1%
- Small Business Support Scheme progress:
  - partnership with Square announced to help customers accept contactless mobile payments
  - bursary scheme launched
- 5G development extended:
  - landmark partnership agreed with Belfast Harbour
  - partnership with Stirling University on its 'Living Laboratory' project

	H1 2020/21	H1 2019/20[1]	Change
Revenue	£2,710m	£2,987m	(9)%
EBITDA	£833m	£955m	(13)%
Capex	£229m	£229m	-

5G enabled Belfast Harbour



Square payments system

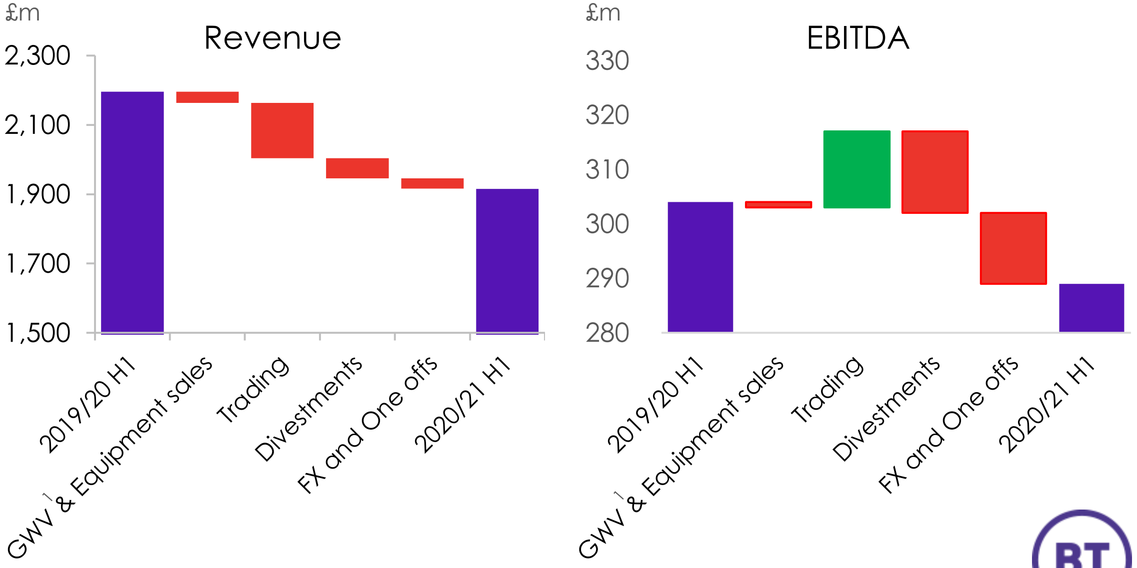
[1]On 1 April 2020, Supply Chain and Pelipod, which serve several parts of BT, were transferred from Enterprise to the central procurement team and as a result are now be reported in Group 'Other' financial results. The prior year comparative for Enterprise and Other CFU results has been restated to reflect this. Refer to the announcement on 29 June 2020 for further information
[2] Small-medium enterprise

Global – EBITDA progression despite impact of Covid-19 and divestments

- Revenue down 13%:
  - Covid-19 related lower non-contracted business, and milestone slippage
  - divestments, legacy portfolio declines and FX[3] movements
  - excluding divestments and FX revenue was down 10%
- EBITDA down 5%:
  - revenue decline, divestments, prior year favourable one-offs, and FX[3] movements
  - offset by transformation and Covid-19 mitigation actions
  - excluding divestments, one-offs, and FX[3], EBITDA was up 6%
- Completed the sale of selected domestic operations and infrastructure in Latin America
- Continued headwind from reduced spend and a cautious approach from MNCs[2] due to Covid-19
- Rolling 12-month order intake up 10%

	H1 2020/21	H1 2019/20	Change
Revenue	£1,916m	£2,196m	(13)%
EBITDA	£289m	£304m	(5)%
Capex	£81m	£96m	(16)%

Global's H1 revenue and EBITDA movements



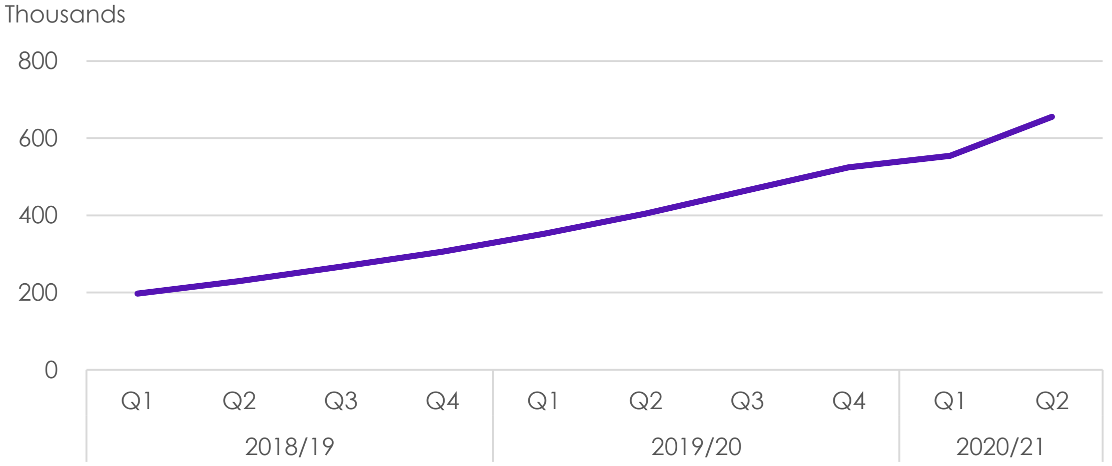
[1]Global Wholesale Voice
[2]Multi-national customers
[3] Foreign exchange

Openreach – FTTP build on track, looking forward to clarity on rural subsidy and regulation

- Revenue up 2%:
  - higher fibre and Ethernet volumes
  - partly offset by declines in legacy copper products
- EBITDA up 3%:
  - revenue growth
  - partly offset by investment in people to deliver a better service
- Delivered reductions in discretionary spend during H1
- Further 51 exchange areas to stop selling legacy copper services:
  - total number of exchange locations up to 169 over the next 12 months, covering 1.8m premises
- Looking forward to clarity on £5bn Government subsidy allocation in rural areas and WFTMR[1] from Ofcom

	H1 2020/21	H1 2019/20	Change
Revenue	£2,585m	£2,536m	2%
EBITDA	£1,453m	£1,417m	3%
Capex	£1,072m	£1,015m	6%

FTTP connected premises



[1] Wholesale Fixed Telecoms Market Review

Summary

- Confidence in operational performance:
  - Q2 and H1 2020/21 results in-line with expectations
  - continued successful execution against strategy despite pandemic
- Improved FY 2020/21 outlook and providing medium-term EBITDA outlook:
  - FY 2020/21 EBITDA outlook: £7.3bn - £7.5bn, from £7.2bn - £7.5bn
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Operational confidence underpins improved outlook