BT Group plc
FY 2020/21 results

13 May 2021

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Philip Jansen
Chief Executive

Building a better BT for the future

Stabilised the business to build strong foundations for the future

Delivered for our customers, colleagues and country during the pandemic

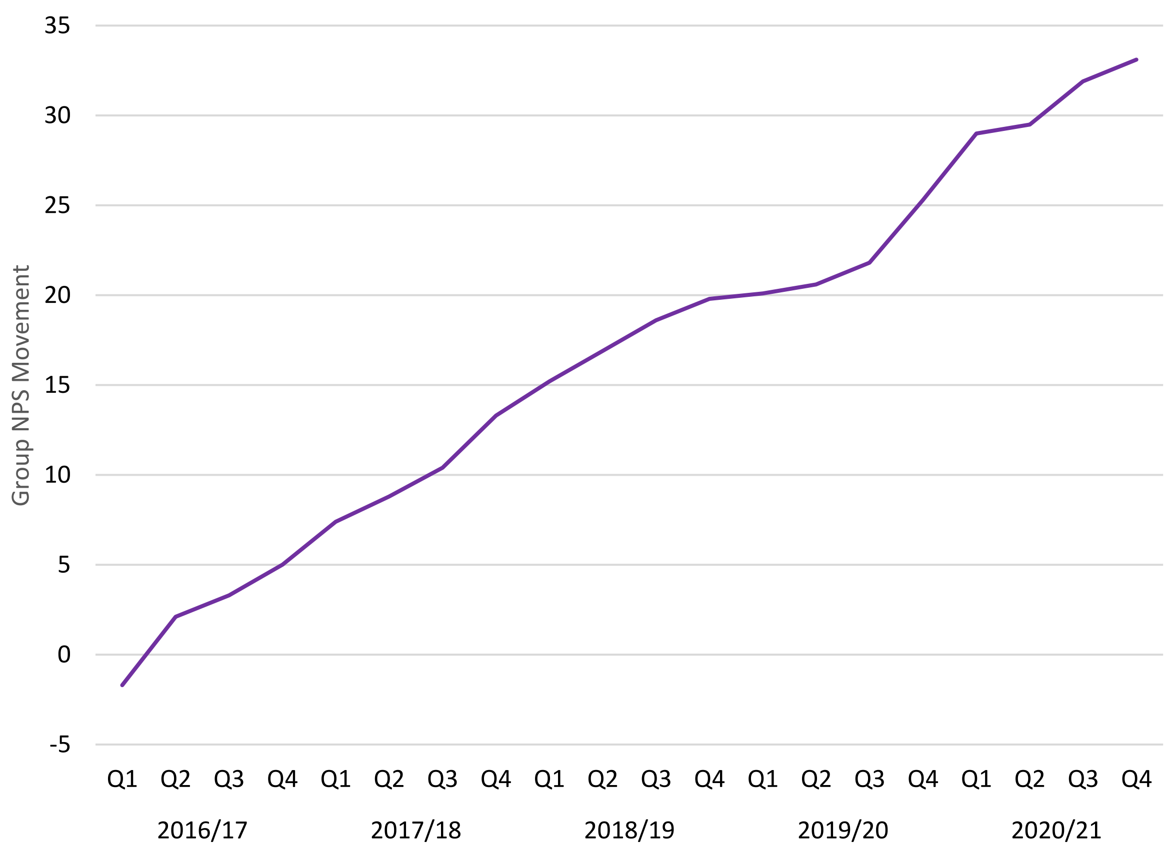
Stronger organisation, well positioned to pivot to growth

Increase and accelerate full fibre build to 25m premises passed by end of December 2026

Building strong foundations for the future

- Fixed network:
  - driven migration to FTTC[1]
  - building FTTP[2] at pace and scale, strong up-take
  - regulatory clarity from WFTMR[3] ; allows for a fair return on investment
- Mobile:
  - extended 4G coverage; 5G now in 160 towns and cities
  - 5G ready connections more than 3.2m
  - secured new 5G spectrum at very competitive cost
- Modernisation programme ahead of target
- Record NPS[4]
- Transparent pricing to support market repair
- Continued business de-risking including pension triennial agreement

Record Group NPS[5]



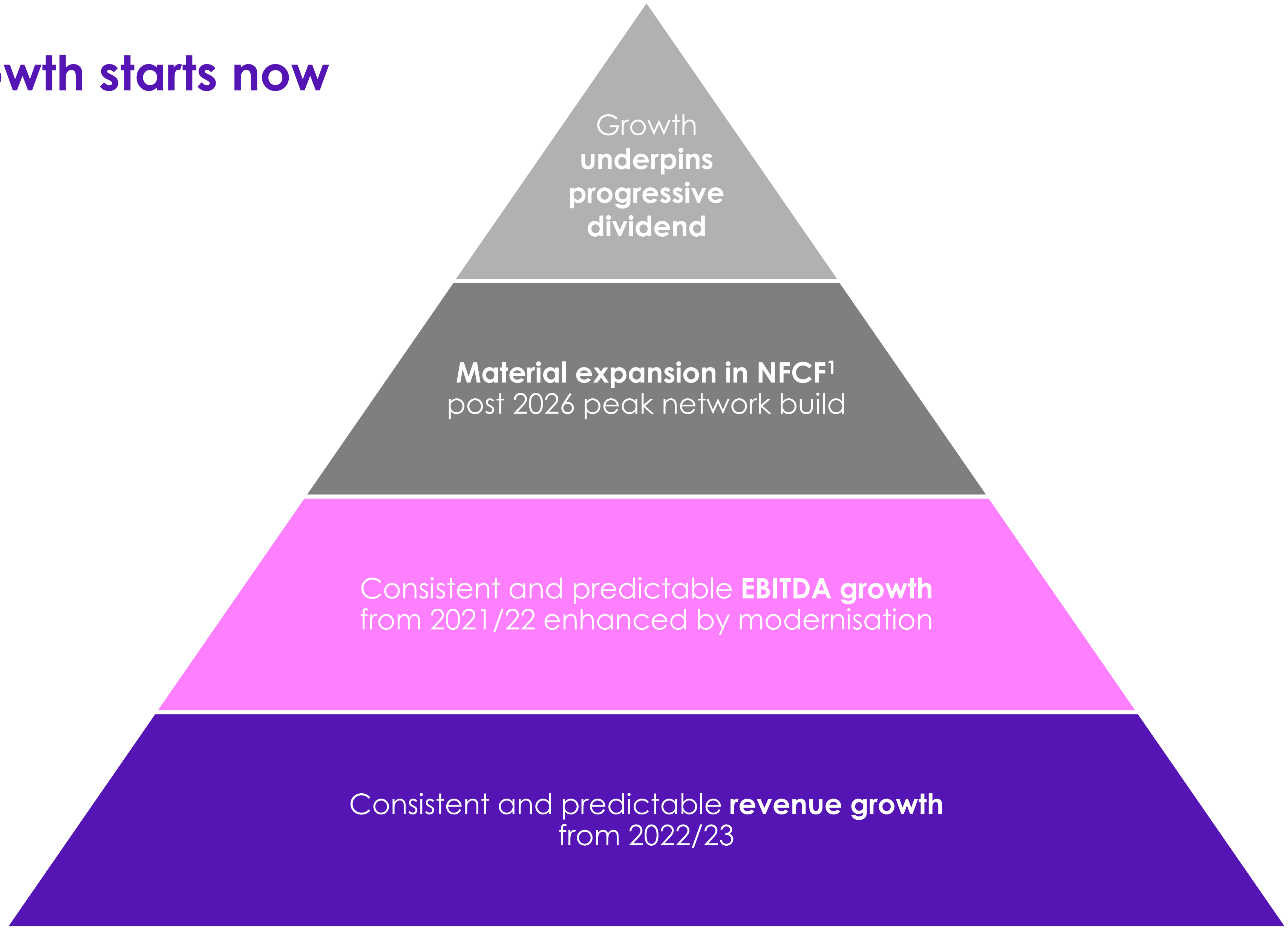
[1] Fibre-to-the-cabinet; [2] Fibre-to-the-premises; [3] Wholesale Fixed Telecoms Market Review; [4] Net promoter score
[5]Group NPS shows the cumulative movement in our customers' perception of BT since April 2016. It's a combined measure of 'promoters' minus 'detractors' across our business units

Delivering through Covid-19 for colleagues, customers and country

- Keep **colleagues** safe and protected:
  - no staff furloughed; no redundancies as a direct result of the pandemic
  - plan to pay £1,500 cash and shares bonus for frontline staff
- Keep **customers** connected:
  - launched 'Top Tips on Tech' adverts and Lockdown Learning
  - EE unlimited data for NHS staff extended until June
  - introduced small business support scheme
  - Lifelines hit 100k virtual visits
- Keep the **country's** critical national infrastructure running:
  - connected 200 vaccination centres
  - connected mass testing centres and all 17 Nightingale Hospitals in the UK

'Top Tips on Tech' campaign

Pivot to growth starts now

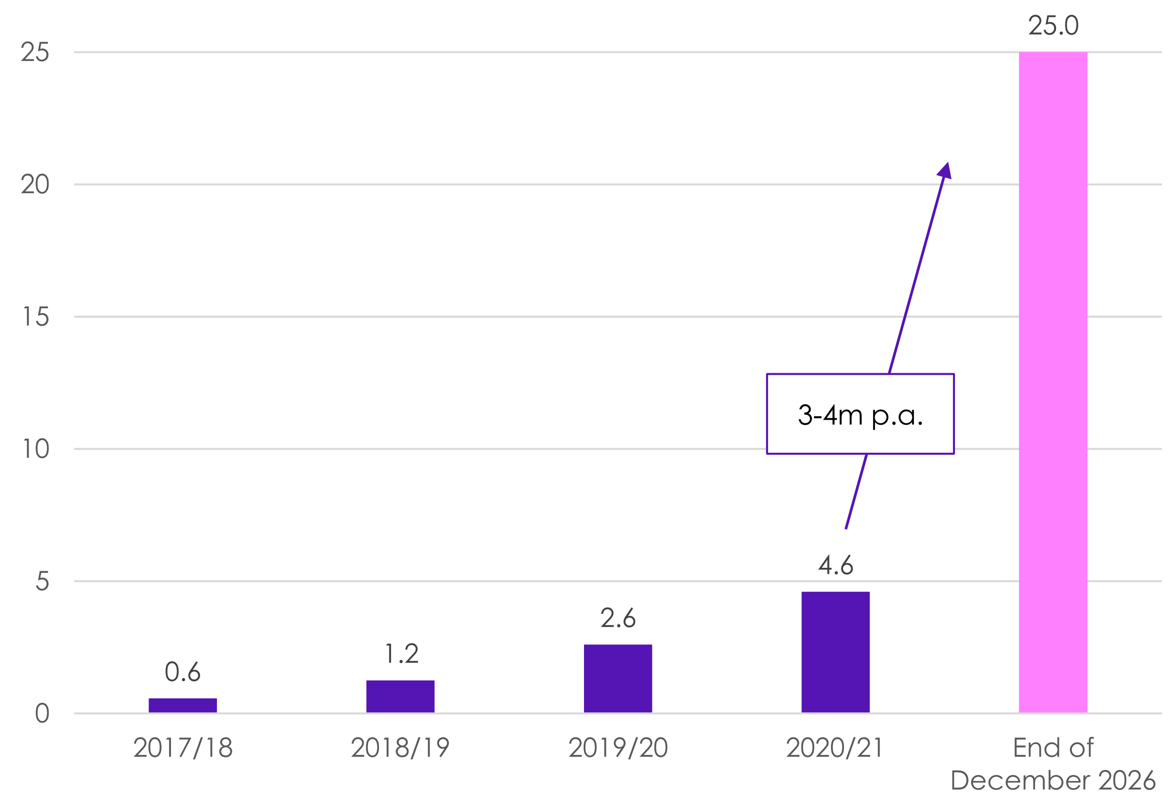


[1] Normalised free cash flow

BT to increase and accelerate FTTP build to 25m premises by end of 2026

- Record FTTP build of 2m premises in 2020/21
- Encouraging take up, all major CPs[1] now selling FTTP
- Maximises opportunity from cash tax super-deduction and positive outcome of 5G spectrum auction
- Accelerating to peak build of c.4m premises passed per annum
- Investigating funding of 5m build via JV structure with external parties

FTTP premises passed (millions)



[1] Communications Provider

Simon Lowth
Chief Financial Officer

2020/21 results in line with our expectations

Full year to 31 March	2020/21	2019/20	Change
Adjusted revenue[1]	£21,370m	£22,824m	(6)%
Operating costs[2]	£(13,955)m	£(14,917)m	(6)%
Adjusted EBITDA[1]	£7,415m	£7,907m	(6)%

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

Customer facing units results summary

	Adjusted Revenue[1]				Adjusted EBITDA[2]			
	Q4 2020/21	Change YoY	FY 2020/21	Change YoY	Q4 2020/21	Change YoY	FY 2020/21	Change YoY
Consumer	£2,391m	(4)%	£9,885m	(5)%	£518m	(17)%	£2,128m	(12)%
Enterprise	£1,363m	(10)%	£5,449m	(8)%	£436m	(13)%	£1,704m	(12)%
Global	£908m	(16)%	£3,731m	(14)%	£156m	(11)%	£596m	(6)%
Openreach	£1,346m	4%	£5,244m	3%	£726m	1%	£2,937m	3%
Other	£5m	(38)%	£23m	(17)%	£(24)m	(100)%	£50m	(7)%
Intra-group	£(727)m	3%	£(2,962)m	2%	-	-	-	-
Total	£5,286m	(6)%	£21,370m	(6)%	£1,812m	(10)%	£7,415m	(6)%

[1] Before specific items.
[2] EBITDA before specific items, share of post tax profits/losses of associates and joint ventures and net non-interest related finance expense

2020/21 results in line with our expectations

	FY 2020/21	FY 2019/20	Change YoY
Adjusted EBITDA[1]	£7,415m	£7,907m	(6)%
Depreciation and amortisation	£(4,347)m	£(4,296)m	1%
Net finance expense[1]	£(773)m	£(757)m	2%
Share of post tax profit of associates and joint ventures[1]	£8m	£6m	33%
Tax[1]	£(428)m	£(536)m	(20)%
Adjusted profit after tax[1]	£1,875m	£2,324m	(19)%
Specific items	£(499)m	£(507)m	(2)%
Reported profit for the period	£1,472m	£1,734m	(15)%
Adjusted earnings per share[1]	18.9p	23.5p	(20)%

[1] Before specific items

Cash tax super-deduction supports our future cashflow and fibre build plan

	FY 2020/21	FY 2019/20	Change YoY
Adjusted EBITDA[1]	£7,415m	£7,907m	(6)%
Interest	£(764)m	£(706)m	8%
Tax (ex cash tax benefit of pension deficit payments)	£(469)m	£(644)m	(27)%
Payment of lease liabilities	£(782)m	£(651)m	(20)%
Change in working capital and other	£259m	£204m	27%
Cash available for investment and distribution	£5,659m	£6,110m	(8)%
Cash capital expenditure	£(4,200)m	£(4,099)m	2%
Normalised free cash flow[2]	£1,459m	£2,011m	(27)%
Payments for the acquisition of spectrum[3]	£(702)m	-	-
Net cash flow from specific items	£(390)m	£(112)m	(248)%
Reported free cash flow	£367m	£1,899m	(81)%
Net Debt	£(17,802)m	£(17,969)m	(1)%

Likely to pay no UK tax in 2021/22 and 2022/23

[1] Before specific items; [2] After net interest paid, before pension deficit payments (including the cash tax benefit of pension deficit payments) and specific items; [3] £227m will be refunded this financial year

Modernisation tracking ahead of target

- Examples of modernisation progress so far:
  - reducing by a quarter the number of buildings in which desk-based colleagues are located
  - migrated the majority of our legacy broadband customers onto our strategic products, closing over half of the legacy product variants
  - launched the first digital journeys for our SME[1] customers, who can now order many of our SME Halo packages online
- Ahead of target, taking £764m of gross annualised cost out of the business over the last year, over three quarters of our 2022/23 target
- Fewer than 100,000 full time equivalent employees across the Group, a 5% reduction from last year

Modernisation of BT

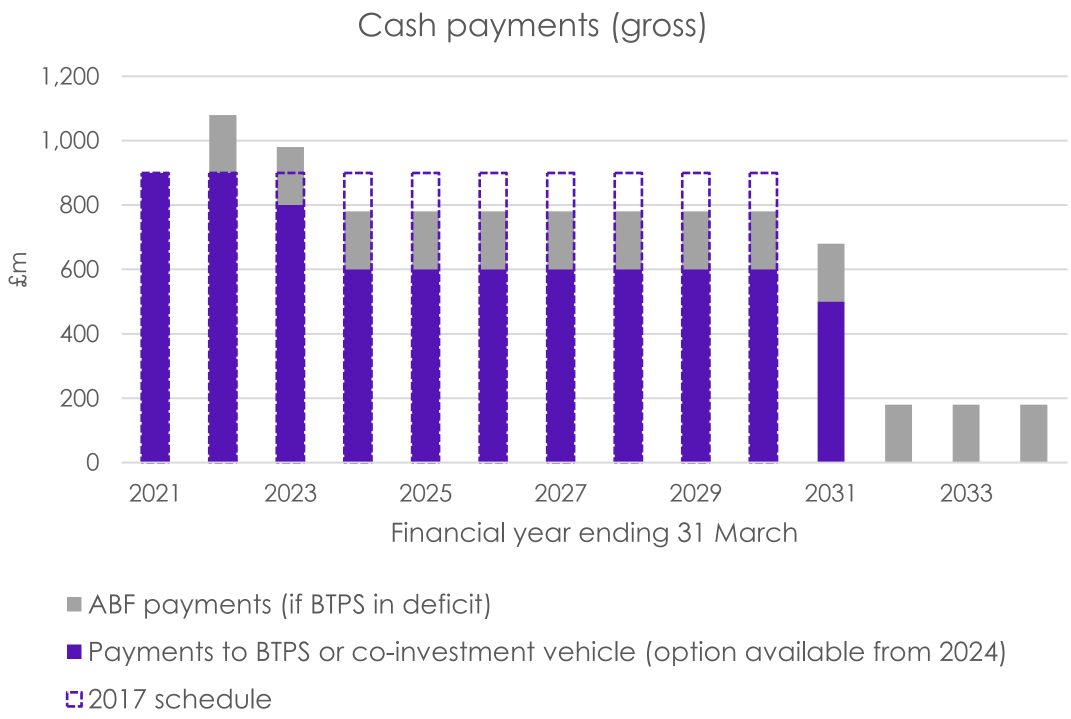
	Targets		Progress
	March 2023	March 2025	FY 2020/21
Annualised gross savings	£1.0bn	£2.0bn	£764m
Cost to achieve	£0.9bn	£1.3bn	£438m

[1] Small-medium enterprise

Triennial agreement supported by asset-backed funding

- Funding deficit at 30 June 2020 of £7.98bn
- Deficit repair plan consisting of two elements:
  - £2bn met through an asset backed funding (ABF) arrangement, secured against the EE business
  - remainder met over existing 10 year period with annual cash contributions reducing from £900m to £600m from 2023/24
- New "stabiliser" mechanism reduces risk of future trapped surplus and provides more certainty over how any future deficits will be funded
- IAS 19 deficit at 31 March 2021 of £5.1bn, up £0.2bn on H1

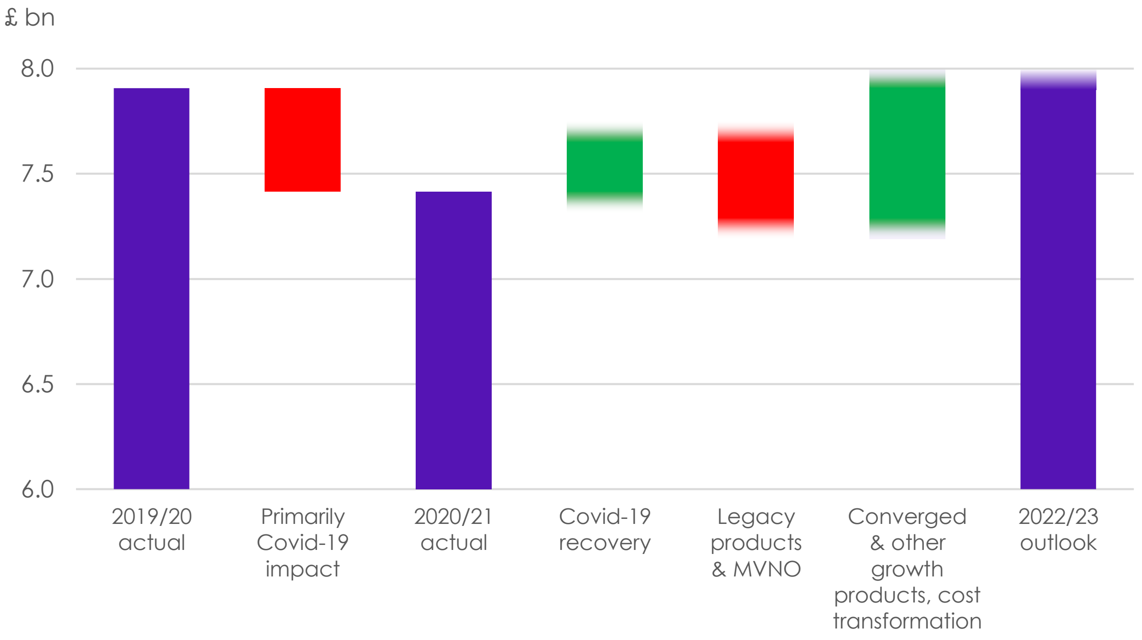
2020 deficit repair plan



Increasing confidence in our outlook and growth momentum

	2021/22 outlook
Change in adjusted revenue[1]	Flat
Adjusted EBITDA[1]	£7.5bn - 7.7bn
Capital expenditure	c.£4.9bn
Normalised free cash flow[2]	c.£1.1bn – 1.3bn
Dividend	7.7pps

Adjusted EBITDA[1] progression to 2022/23



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

Summary

- Results in-line with our expectations
- Strong foundations laid for the future
- Well positioned to pivot to growth
- Growth underpins reintroduction of progressive dividend
- Increase and accelerate FTTP build to 25m premises by end of December 2026

Driving growth and value for all our stakeholders

Appendix

Consumer – Q4 Covid impact as expected, strong foundations for the future

- Revenue down 5%:
  - Mobile: closure of retail stores, lower out of bundle usage and roaming
  - Fixed & Other: lower out of contract price rises, copper price reductions.
- EBITDA down 12%:
  - driven by revenue decline, strategic base growth, front line bonus, partly offset by H1 sports right rebates
- Strong foundations for growth are in place:
  - record FTTP growth to 753k customers
  - 5G ready base >3.2m
  - Q4 mobile postpaid & broadband churn both at 1.0%
- Cautiously optimistic into FY21/22:
  - retail stores and pubs & clubs re-opening
  - growing customer base on index-linked contracts
  - continued converged growth with Halo 3+

	Q4 2020/21	Change YoY	FY 2020/21	Change YoY
Revenue	£2,391m	(4)%	£9,885m	(5)%
EBITDA	£518m	(17)%	£2,128m	(12)%
Capex			£1,082m	14%

Unlocking our doors and evolving our service

Enterprise – impacted by Covid-19; transformation, partnerships and innovation to support growth

- Revenue down 8%:
  - due to continued declines in legacy products, in particular traditional fixed voice volumes and usage
  - ongoing impacts of Covid-19 and divestments
- EBITDA down 12%:
  - due to declines in legacy products and Covid-19, partly offset by lower costs from our transformation programme
- Rolling 12-month order intakes down 27%
- Launched Complete Mobility, which allows our customers to design, configure and deliver a mobile experience for their employees
- Connected more than 179 vaccination centres across England and Wales
- Collaborated with North Lanarkshire Council to set up the UK's first 5G-enabled immersive classroom
- Extended our partnership with Google to bring free digital skills learning content and business mentoring to SMEs

	Q4 2020/21	Change YoY[1]	FY 2020/21	Change YoY[1]
Revenue	£1,363m	(10)%	£5,449m	(8)%
EBITDA	£436m	(13)%	£1,704m	(12)%
Capex			£492m	(1)%

First 5G-enabled immersive classroom

Extended our Google partnership

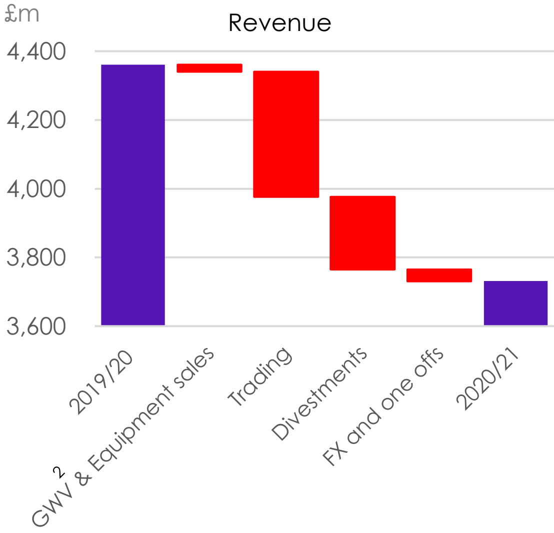
[1]On 1 April 2020, Supply Chain and Pelipod, which serve several parts of BT, were transferred from Enterprise to the central procurement team and as a result are now reported in Group 'Other' financial results. The prior year comparative for the Enterprise and Other CFU results has been restated to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

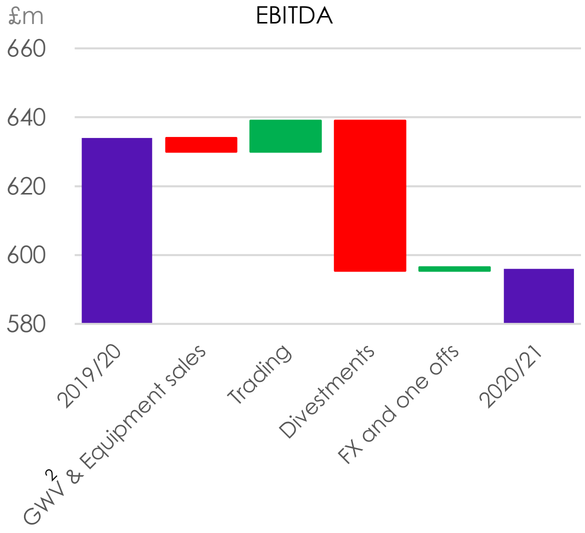
Global – Covid-19 impact mitigated by transformation

- Revenue down 14%:
  - Covid-19, divestments, mature and legacy declines, and FX[1]
  - excluding divestments and FX revenue was down 9%
- EBITDA down 6%:
  - revenue decline, divestments, and FX movements
  - excluding divestments, one-offs and FX EBITDA was up 3%
- Rolling 12 month order book down 15% at £3.7bn; impact of Covid-19, divestments and large renewals in prior year
- Challenging market conditions resulting from Covid-19, including reduced spending and more caution from our multinational customers is expected to continue into 2021/22

	Q4 2020/21	Change YoY	FY 2020/21	Change YoY
Revenue	£908m	(16)%	£3,731m	(14)%
EBITDA	£156m	(11)%	£596m	(6)%
Capex			£188m	(16)%

Global full year revenue and EBITDA movements





[1] Foreign Exchange
[2] Global Wholesale Voice

Openreach – FTTP rollout reached record levels, now 4.6m premises passed

- Revenue up 3%:
  - primarily due to higher rental bases in fibre, up 15%, and Ethernet, up 7% at quarter end
  - partly offset by declines legacy copper products
- EBITDA up 3%:
  - driven by revenue growth
  - partly offset by higher operating costs, with increased service costs and FTTP provisions, pay inflation, and a special frontline bonus
- Capex up 7%:
  - due to investments in the network and connecting our customers
- FTTP rollout has now reached 4.6m:
  - achieved a record 2 million in year build
  - record levels in fourth quarter with average run rate of 43k premises passed per week

	Q4 2020/21	Change YoY	FY 2020/21	Change YoY
Revenue	£1,346m	4%	£5,244m	3%
EBITDA	£726m	1%	£2,937m	3%
Capex			£2,249m	7%

Service levels maintained despite pandemic