

BT Group



Results for the half year to 30 September 2024

BT Group plc

7 November 2024

Allison Kirkby, Chief Executive, commenting on the results, said

“We have accelerated the modernisation of BT Group in the first half of the year. We’ve ramped up our full fibre build and connections, seen further improvements in customer satisfaction, and our cost transformation contributed to growth in EBITDA and normalised free cash flow despite revenue declines driven by our non-UK operations and a competitive retail environment.

“Our nationwide full fibre rollout has set new records, now reaching more than 16 million premises, and we have further extended our industry-leading take-up rate to 35%. Our cost to build continues to reduce, enabling us to increase this year's build target to 4.2 million with no additional capex spend. We also expanded our 5G network to cover 80% of the UK population, more than any other operator. These investments in the UK’s next generation networks are enabling much better experiences, reflected in our improved net promoter scores.

“We are confirming our EBITDA, capex and cash flow guidance for FY25, albeit on lower revenue guidance. We remain firmly on track to meet our long-term cost savings and cash flow targets, and today announce an interim dividend of 2.40pps. The accelerated modernisation of our operations, combined with a focus on connecting the UK, puts us in a strong position to generate significant value for all our stakeholders.”

Solid progress on strategic priorities

- **Record FTTP build rate** of 2.1m in the half with **FTTP footprint** passing 16m premises, around half of the UK, in October. We have increased our FY25 build target to 4.2m within our existing capex envelope driven by build cost efficiencies; on track to reach 25m by December 2026
- **Strong customer demand for Openreach FTTP** with record net adds of 446k in Q2; total premises connected 5.5m with an increased and market-leading take up rate of 35%. Growth in FTTP as a proportion of the broadband base contributed to a reduction in 12-month repair volumes of 0.3m to 3.0m, supporting growth in margin and EBITDA
- **Openreach broadband ARPU** in H1 grew year-on-year by 6% to £16, ahead of the CPI price increases, driven by a greater FTTP take-up and speed mix; Openreach broadband line losses in H1 were 377k, a 2% decline in the broadband base - we continue to see moderately higher competitor losses with a weaker overall broadband and new homes market
- **Retail FTTP base** grew by 35% year-on-year to 3.0m of which Consumer 2.8m and Business 0.2m; **5G base** 12.5m, up 25% year-on-year
- **Consumer postpaid mobile base** at 13.9m; **Consumer broadband base** marginally lower at 8.2m. **Consumer ARPUs** relatively stable despite lower CPI benefits
- **Business revenue** decline due primarily to non-UK trading in our Global and Portfolio channels
- **Cost transformation** on track with £433m gross annualised cost savings during H1 FY25; Total Labour Resource down 2k to 118k and down 4% year-on-year
- **BT Group NPS** of 25.6, up 3.1pts year-on-year, further improving customer experience

Continued EBITDA and normalised free cash flow¹ improvement:

- **Adjusted¹ revenue** £10.1bn, down 3% mainly due to challenging conditions in Business, principally driven by non-UK trading in our Global and Portfolio channels. In the rest of the Group, lower CPI benefit and continued competitive markets in Consumer were broadly offset by growth in Openreach due to the benefit of price increases, Ethernet base growth and improving FTTP volume and mix; **reported revenue** £10.1bn, down 3%
- **Adjusted¹ EBITDA** £4.1bn, up 1%, with revenue flow through more than offset by cost transformation
- **Reported profit before tax** £1.0bn, down 10% primarily due to lower revenue, higher specific costs and higher net finance expenses, partly offset by reduction in reported operating costs
- **Capital expenditure ('capex')** £2.3bn, down 2% with peak reported capex passed in FY24, primarily driven by lower networks spend despite higher FTTP build due to reduced unit costs and efficiencies; cash capex of £2.5bn in line with prior year
- **Net cash inflow from operating activities** £3.0bn; **normalised free cash flow¹** £0.7bn, up 57% due to higher EBITDA, working capital timing and a tax refund
- **Net debt** £20.3bn (31 March 2024: £19.5bn), increased mainly due to our scheduled pension scheme contributions of £0.8bn with cash inflow offset by payment of the final dividend
- **Gross IAS 19 pension deficit** of £4.3bn, a decrease from £4.8bn at 31 March 2024 mainly due to scheduled contributions, partly offset by lower than required asset returns in the period
- **Interim dividend** of 2.40 pence per share (pps) up from 2.31pps in H1 FY24 in line with our policy of paying 30% of prior year's full year dividend pps. FY24 final dividend paid in September was fully covered by normalised free cash flow¹
- **FY25 Outlook:** FY25 guidance reiterated for adjusted EBITDA¹, capital expenditure and normalised free cash flow¹. FY25 revenue guidance revised to down 1-2% primarily reflecting weaker non-UK trading including reduced low-margin kit sales, along with a softer environment in Corporate and Public Sector
- **Mid-term guidance:** Sustained adjusted¹ revenue growth and EBITDA growth ahead of revenue, enhanced by cost transformation from FY26 to FY30; capital expenditure excluding spectrum less than £4.8bn until FY26, reducing by c. £1bn post peak FTTP build; normalised free cash flow of c. £2.0bn in FY27 and c. £3.0bn by the end of the decade

¹ See Glossary on page 9.

Half year to 30 September	2024	2023	Change
Reported measures	£m	£m	%
Revenue	10,117	10,407	(3)
Profit before tax	967	1,076	(10)
Profit after tax	755	844	(11)
Basic earnings per share	7.8p	8.6p	(9)
Net cash inflow from operating activities	3,009	2,324	29
Half year dividend	2.40p	2.31p	4
Capital expenditure	2,269	2,321	(2)
Adjusted measures	£m	£m	%
Adjusted ¹ Revenue	10,138	10,414	(3)
Adjusted ¹ EBITDA	4,132	4,094	1
Adjusted ¹ basic earnings per share	10.7p	10.3p	4
Normalised free cash flow ¹	715	456	57
Net debt ^{1,2}	20,267	19,689	£578m

Customer-facing unit updates

Half year to 30 September	Adjusted ¹ revenue			Adjusted ¹ EBITDA			Normalised free cash flow ¹		
	2024	2023	Change	2024	2023	Change	2024	2023	Change
	£m	£m	%	£m	£m	%	£m	£m	%
Consumer	4,836	4,903	(1)	1,330	1,347	(1)	817	798	2
Business	3,865	4,100	(6)	747	806	(7)	(12)	(65)	82
Openreach	3,118	3,053	2	2,059	1,936	6	355	152	134
Other	5	8	n/m	(4)	5	n/m	(445)	(429)	(4)
Intra-group items	(1,686)	(1,650)	(2)	—	—	—	—	—	—
Total	10,138	10,414	(3)	4,132	4,094	1	715	456	57

Second quarter to 30 September	2024	2023	Change	2024	2023	Change
	£m	£m	%	£m	£m	%
	Consumer	2,437	2,480	(2)	671	674
Business	1,932	2,073	(7)	369	420	(12)
Openreach	1,560	1,527	2	1,038	971	7
Other	2	3	(33)	(7)	(4)	(75)
Intra-group items	(845)	(833)	(1)	—	—	—
Total	5,086	5,250	(3)	2,071	2,061	—

¹ See Glossary on page 9.

² Net debt was £19,479m at 31 March 2024.
n/m: comparison not meaningful

Overview of the half year to 30 September 2024

Our strategic priorities

Our five priorities support our mission to become the UK's most trusted connector of people, devices and machines, while creating significant growth for all our stakeholders - our colleagues, our customers, the country and our investors:

- Deliver Openreach growth and strong returns on FTTP
- Drive Consumer growth through converged solutions
- Capitalise on Business' unrivalled assets to restore growth
- Digitise, automate and reskill to transform the cost base and improve productivity
- Optimise the business portfolio and capital allocation

In May 2024 we sharpened our focus to accelerate the modernisation of our operations, and deliver growth for all our stakeholders:

- Leveraging our significant investments into our networks and platforms to accelerate migrations and deliver the best converged customer experience
- Focusing on the UK where we have a strong competitive advantage. While our global business sits outside this strategy, it shows strong commercial opportunity as we roll out Global Fabric, our network-as-a-service. We will explore ways to optimise the business and potentially partner to achieve scale
- Accelerating transformation; in May 2024 we announced a further target of £3bn gross annualised cost savings by the end of FY29, at a cost to achieve of £1.0bn
- Peak capex has passed as a result of improved efficiency and a clear focus on connectivity in the UK

This sharpened focus allows a clearer path to significant cash flow expansion in the short-term, and a doubling of normalised free cash flow by the end of FY29.

Strategic priorities and transformation

During H1 FY25, we made strong progress against our strategic metrics for FY28-FY30:

- FTTP premises passed increased by 2.1m to 15.9m; target of 25-30m
- Openreach take-up increased to 35% and retail take-up increased by 0.4m to 3.0m; targets of 40-55% and 6.5-8.5m respectively
- 5G UK population coverage increased to 80% and 5G retail connections increased by 1.1m to 12.5m; targets of >98% and 13.0m-14.5m respectively
- Total labour resource decreased by 2k to 118k; target of 75-90k

In May 2024, we announced a further cost transformation target of £3bn gross annualised cost savings by the end of FY29 at a £1.0bn cost to achieve, after successfully delivering on a previous £3bn gross annualised cost savings target 12 months early. We are on track to deliver on this, with £0.4bn gross annualised cost savings achieved in H1 FY25 at a cost to achieve of £0.2bn. We expect c. 40% of the £1.0bn cost to achieve in FY25 as we complete the final year of our previous five-year modernisation programme, with the remainder spread across the remaining years.

Financial outlook

- FY25 guidance reiterated for adjusted EBITDA¹, capital expenditure and normalised free cash flow¹. FY25 revenue guidance revised to down 1-2% primarily reflecting weaker non-UK trading including reduced low-margin kit sales, along with a softer environment in Corporate and Public Sector.
- From FY26 to FY30, we expect sustained adjusted¹ revenue growth and EBITDA growth ahead of revenue enhanced by cost transformation. Capital expenditure will remain at less than £4.8bn until FY26 before reducing by c. £1bn post peak FTTP build. We expect to deliver c. £2.0bn in normalised free cash flow in FY27 and c. £3.0bn by the end of the decade.

	FY25 outlook	End of decade
Change in adjusted¹ revenue	Down 1-2%	Sustained growth
Adjusted¹ EBITDA	c. £8.2bn	Consistent and predictable growth ahead of revenue enhanced by cost transformation
Capital expenditure¹	<£4.8bn	<£4.8bn to FY26 Reduces by c. £1bn post peak FTTP build rate
Normalised free cash flow¹	c. £1.5bn	c. £2.0bn in FY27 c. £3.0bn by end of decade

¹ See Glossary on page 9.

Dividend

- In line with our policy, we are today declaring an interim dividend of 2.40 pence per share (pps) (H1 FY24: 2.31pps), which is 30% of last year's full year dividend, in line with our policy
- We reconfirm our progressive dividend policy which is to maintain or grow the dividend each year whilst taking into consideration a number of factors including underlying medium-term earnings expectations and levels of business reinvestment
- The Board expects to continue with this policy for future years, and to declare two dividends per year with the interim dividend being fixed at 30% of the prior year's full year dividend
- The dividend will be paid on 5 February 2025 to shareholders on the register of members on 27 December 2024. The ex-dividend date is 24 December 2024

Principal risks and uncertainties

A summary of the group's principal risks and uncertainties is provided in note 15.

Group results for the half year to 30 September 2024

Income statement

- Reported revenue was £10,117m, down 3% mainly due to challenging conditions in Business, principally driven by non-UK trading in our Global and Portfolio channels. In the rest of the Group, lower CPI benefit and continued competitive markets in Consumer were broadly offset by growth in Openreach due to the benefit of price increases, Ethernet base growth and improving FTTP volume and mix.
- Reported operating costs were £8,599m, down 2% year-on-year due to tight cost control, partly offset by cost inflation.
- Adjusted¹ EBITDA of £4,132m, up 1% with revenue flow through more than offset by cost transformation.
- Reported profit before tax of £967m, down 10%, primarily due to lower revenue, higher specific costs and higher net finance expenses, partly offset by reduction in reported operating costs.

Specific items (Note 5 to the condensed consolidated financial statements)

- Specific items resulted in a net charge after tax of £288m (H1 FY24: £167m). The main components were restructuring charges of £187m (H1 FY24: £170m), fair value loss on preference shares related to the prior period BT Sport JV disposal of £44m and interest expense on retirement benefit obligation of £99m (H1 FY24: £60m); partly offset by a tax credit on specific items of £77m (H1 FY24: £55m).

Tax

- The effective tax rate on reported profit was 21.9% (H1 FY24: 21.5%) which is lower than the UK corporation tax rate of 25% primarily due to the UK patent box tax regime.
- The effective tax rate on adjusted profit was 21.7% (H1 FY24: 22.1%) for the same reasons.
- We received a net income tax refund globally of £72m (H1 FY24: £26m payment) predominately driven by £95m received in the UK following the closure of prior period tax returns.
- We expect a large proportion of our capital expenditure to be eligible for full expensing which will eliminate our current year UK tax liability.
- The charge for the period comprises deferred tax in the UK and current and deferred tax overseas.

Capital expenditure

- Capital expenditure was £2,269m, down 2%, primarily driven by a reduction in IT capex and build and non-network infrastructure including workplace modernisation spend and provision unit efficiencies, partially offset by increased FTTP provisioning volumes.
- Cash capital expenditure is in line with prior year at £2,463m, with the difference to reported capital expenditure primarily representing the timing of capital creditor spend offset by lower government grant repayments.

Net cash inflow from operating activities and normalised free cash flow

- Net cash inflow from operating activities was £3,009m, up 29%.
- Normalised free cash flow¹ was £715m, up £259m driven by higher EBITDA, working capital timing and a tax refund. Working capital includes a small timing benefit related to higher cash flows from utilisation of a supply chain financing programme, partly offset by lower net cash flows from the sale of contract assets and receivables relating to mobile handsets.
 - a reconciliation of these measures to our free cash flow is shown in Additional Information on page [32](#).
- Net cash cost of specific items adjusted from normalised free cash flow¹ was £270m (H1 FY24: £204m), primarily relating to restructuring payments.

Net debt and liquidity

- Net financial debt (which excludes lease liabilities) at 30 September 2024 was £15.5bn (31 March 2024: £14.5bn), increasing mainly due to our scheduled pension scheme contributions of £0.8bn.
- Net debt¹ (which includes lease liabilities) at 30 September 2024 was £20.3bn (31 March 2024: £19.5bn). The difference to the movement in net financial debt reflects lease movements.
- BT Group holds cash and current investment balances of £2.7bn; the current portion of loans and other borrowings is £2.2bn.
- Our £2.1bn revolving credit facility, which matures in March 2027, remains undrawn at 30 September 2024.
- We continue to target a BBB+/Baa1 credit rating over the cycle, with a BBB/Baa2 floor.
- During H1 FY25 all of the major agencies confirmed their ratings at BBB or equivalent with stable outlook.

Pensions (Note 6 to the condensed consolidated financial statements)

- The IAS 19 deficit has decreased to £4.3bn at 30 September 2024, net of tax £3.3bn (FY24: £4.8bn, net of tax £3.8bn), mainly due to scheduled contributions partly offset by lower than assumed asset returns.
- The 2023 BTPS funding valuation included a future funding commitment for BT to provide additional deficit contributions should the funding deficit be more than £1bn behind plan at two consecutive semi-annual assessment dates. At the 30 June 2024 assessment date, the funding position was within this limit.

Sports JV performance

- Our joint venture with Warner Bros. Discovery ("Sports JV"), which has been rebranded to TNT Sports since last year, continues to deliver a compelling sports offering. We recognised a share of loss after tax of £4m after adjustments made to align with the group's accounting policies. Further details are provided in note 12.

¹ See Glossary on page [9](#).

Operating review

Measures discussed in the operating review are on an adjusted basis and unless otherwise stated commentary is on half year results.

Consumer: Trading well through known headwinds, with strong growth in FTTP and 5G

	Second quarter to 30 September				Half year to 30 September			
	2024	2023	Change		2024	2023	Change	
	£m	£m	£m	%	£m	£m	£m	%
Revenue ¹	2,437	2,480	(43)	(2)	4,836	4,903	(67)	(1)
Operating costs ¹	1,766	1,806	(40)	(2)	3,506	3,556	(50)	(1)
EBITDA ¹	671	674	(3)	—	1,330	1,347	(17)	(1)
Depreciation & amortisation ¹					873	840	33	4
Operating profit ¹					457	507	(50)	(10)
Capital expenditure					570	538	32	6
Normalised free cash flow ¹					817	798	19	2

- Adjusted revenue¹ decline of 1% impacted by the expected challenging pricing comparator in the first half of the year as well as a slightly lower broadband base. Postpaid mobile base was down due to the strategic decision to run down our lower ARPU Plusnet base, which in turn increased mobile ARPU
- Adjusted EBITDA¹ decline of 1% due to revenue flow through and higher input costs. This was partially offset by continued strong cost control and higher equipment margin
- Depreciation and amortisation¹ was up, driven by increased investment in new EE digital capabilities, including marketplace and EE ID
- Capital expenditure was higher due to increased customer premises equipment
- Normalised free cash flow¹ was up with additional cash flows from working capital initiatives offset by lower EBITDA and higher capital expenditure. Net working capital movements include cash flows of £241m from higher utilisation of a supply chain financing programme and £(179)m from lower net cash flows from the sale of contract assets and receivables relating to mobile handsets
- Postpaid mobile ARPU £20.1, up 1.0% year-on-year. Base at 13.9m with net adds of 16k during H1. Churn remains low at 0.9%
- Broadband ARPU £41.8, up 0.5% year-on-year with positive mix effects offsetting the expected tougher pricing comparative. Broadband base marginally lower at 8.2m with net losses of 49k during H1; our New EE broadband and converged product base continues to grow with more than half of customers now taking a postpaid mobile contract. Churn has increased to 1.3% due to an increasingly competitive broadband market, particularly in areas where we do not have FTTP
- Continued growth in the FTTP base with an increase of 347k in H1; the FTTP base was 2.8m customers, up 33% year-on-year. 5G Connected base was 10.5m customers, up 17% year-on-year
- During the first half of the year EE won the RootMetrics UK's Best Network award for the 11th year in a row. EE was recognised for providing the most reliable network for our customers and the best network experience for video streaming, mobile & gaming. This position was further strengthened in Q2 with the launch of 5G Stand Alone, and a UK industry first with WiFi 7
- Customer satisfaction improved across all three Consumer brands for the first time in nearly three years

¹ Financials and commentary are based on adjusted measures; see Glossary on page 9.

Business: Tough trading conditions, especially non-UK

	Second quarter to 30 September				Half year to 30 September			
	2024	2023	Change		2024	2023	Change	
	£m	£m	£m	%	£m	£m	£m	%
Revenue ¹	1,932	2,073	(141)	(7)	3,865	4,100	(235)	(6)
Operating costs ¹	1,563	1,653	(90)	(5)	3,118	3,294	(176)	(5)
EBITDA ¹	369	420	(51)	(12)	747	806	(59)	(7)
Depreciation & amortisation ¹					477	490	(13)	(3)
Operating profit ¹					270	316	(46)	(15)
Capital expenditure					328	361	(33)	(9)
Normalised free cash flow ¹					(12)	(65)	53	82

- Adjusted¹ revenue decline of 6% principally driven by non-UK trading in our Global and Portfolio channels. UK revenues saw a small decline, around half of which was due to the change in recognition in wholesale managed broadband revenue² of £38m which impacted H1 FY24 comparative figures
- Adjusted¹ EBITDA decline of 7% was driven by flow through of revenue, offset by cost control
- Depreciation and amortisation¹ decline was driven by fully amortised software
- Capital expenditure was down due to higher customer project spend in the prior year
- Normalised free cash flow¹ increased primarily due to lower capital expenditure and the timing of working capital, partially offset by lower EBITDA
- FTTP base increased 57% year-on-year to 194k. 5G base increased 86% year-on-year to 2.1m
- Voice over IP now nearly two thirds of total voice base; mobile base continues to grow
- Retail order intake was £6.2bn on a 12-month rolling basis, up 1%
- Simplified the product portfolio by 36 products in the past 6 months, on the way to achieve the ambition to halve the number of products from more than 300 to 150; units on legacy networks decreased by 14%
- In October, BT Business announced the latest milestone in its delivery of Global Fabric, its transformative networks-as-a-service platform, with over 45 Points of Presence now installed globally and extensive live testing underway ahead of the customer launch in early 2025
- NPS maintained while managing customer migrations to new platforms

¹ Financials and commentary are based on adjusted measures; see Glossary on page 9.

² As communicated in the Q3 FY24 results, £38m external wholesale revenue was incorrectly recognised by Business in H1 FY24. H1 FY24 results have not been restated; the correction was booked within Q3 FY24 to ensure the results for the nine months to 31 December 2023 were correctly stated. The impact on H1 FY24 is immaterial.

Openreach: Revenue and EBITDA growth; FTTP build on track and service levels maintained

	Second quarter to 30 September				Half year to 30 September			
	2024	2023	Change		2024	2023	Change	
	£m	£m	£m	%	£m	£m	£m	%
Revenue ¹	1,560	1,527	33	2	3,118	3,053	65	2
Operating costs ¹	522	556	(34)	(6)	1,059	1,117	(58)	(5)
EBITDA ¹	1,038	971	67	7	2,059	1,936	123	6
Depreciation & amortisation ¹					974	992	(18)	(2)
Operating profit ¹					1,085	944	141	15
Capital expenditure					1,329	1,390	(61)	(4)
Normalised free cash flow ¹					355	152	203	134

- Adjusted revenue¹ growth of 2% was driven by CPI linked price increases, improving mix of FTTP in the broadband base and growth in the Ethernet base, partially offset by declines in the base of broadband and voice only lines
- Adjusted EBITDA¹ growth of 6% was driven by revenue flow through, continued cost transformation including lower total labour resource, partially offset by pay inflation
- Depreciation and amortisation¹ was slightly down driven by the timing of certain copper assets becoming fully depreciated which more than offsets growth in fibre depreciation
- Capital expenditure reduction was driven by lower unit costs for both FTTP build and FTTP provision partially offset by higher FTTP build and provision volumes
- Normalised free cash flow¹ increase was primarily driven by higher EBITDA and lower capital expenditure
- Q2 was the third consecutive quarter of over 1m premises passed with FTTP, at an average build rate of 81k per week in the quarter. In the last 12 months we have built FTTP to over 4m premises
- Increased FY25 FTTP build target by 200k premises to 4.2m, while continuing to expect a year-on-year reduction in capex driven by build cost efficiencies
- Current FTTP footprint of over 16m with over 4.3m premises passed in rural locations
- FTTP customer base surpassed 5.5m during the quarter; strong FTTP demand with orders up 26% year-on-year; take up rate grew to 35% with record net adds of 446k
- Openreach broadband ARPU grew by 6% year-on-year, ahead of the CPI price increases, driven by the increased proportion of FTTP in the base and improving speed mix of FTTP
- Broadband line losses of 181k (Q1: 196k); H1 year-on-year we continue to see moderately higher competitor losses combined with a weaker overall broadband and new homes market. Over 80% of our line losses occur where we have not built FTTP
- Maintained 30/30 Ofcom Copper Quality of Service measures and 5/5 Ethernet Ofcom Quality of Service measures
- Openreach delivered a solid performance for on time FTTP provision of 93% in Q2
- End customer satisfaction remains high with Openreach maintaining an Excellent Trustpilot rating based on c.110k reviews and 93% of customers survey responses scoring us between 8 to 10 in Q2

¹ Financials and commentary are based on adjusted measures; see Glossary on page 9.

Glossary

Adjusted	Adjusted measures (including adjusted revenue, adjusted operating costs, adjusted operating profit, and adjusted basic earnings per share) are before specific items. Adjusted results are consistent with the way that financial performance is measured by management and assist in providing an additional analysis of the reporting trading results of the group.
Adjusted EBITDA	Earnings before interest, tax, depreciation and amortisation, before specific items, share of post tax profits/losses of associates and joint ventures and net finance expense.
Free cash flow	Net cash inflow from operating activities after net capital expenditure.
Capital expenditure	Additions to property, plant and equipment and intangible assets in the period.
Normalised free cash flow	Free cash flow (net cash inflow from operating activities after net capital expenditure) after net interest paid, payment of lease liabilities, net cash flows from the sale of cash flows related to contract assets, monies received as prepayment for the sale of redundant copper, dividends received from non-current assets investments, associates and joint ventures, and net purchase or disposal of non-current asset investments, before pension deficit payments (including their cash tax benefit), payments relating to spectrum, and specific items. It excludes cash flows that are determined at a corporate level independently of ongoing trading operations such as dividends paid, share buybacks, acquisitions and disposals, repayment and raising of debt, cash flows relating to loans with joint ventures, and cash flows relating to the Building Digital UK demand deposit account which have already been accounted for within normalised free cash flow. For non-tax related items the adjustments are made on a pre-tax basis.
Net debt	Loans and other borrowings and lease liabilities (both current and non-current), less current asset investments and cash and cash equivalents, including items which have been classified as held for sale on the balance sheet. Amounts due to joint ventures, loans and borrowings recognised in relation to monies received from the sale of cash flows of contract assets and as prepayment for the forward sale of redundant copper are excluded. Currency denominated balances within net debt are translated into sterling at swapped rates where hedged. Fair value adjustments and accrued interest applied to reflect the effective interest method are removed.
Specific items	Items that in management's judgement need to be disclosed separately by virtue of their size, nature or incidence. In the current period these relate to our assessment of our provision for historic regulatory matters, restructuring charges, divestment-related items, Sports JV-related items and net interest expense on pensions. In determining whether an event or transaction is specific, management considers quantitative as well as qualitative factors such as the frequency or predictability of occurrence.

We assess the performance of the group using a variety of alternative performance measures. Reconciliations from the most directly comparable IFRS measures are in Additional Information on pages [32](#) to [33](#).

Condensed consolidated financial statements

Group income statement

Half year ended 30 September 2024	Note	Before specific items (Adjusted)	Specific items (note 5)	Total (Reported)
		£m	£m	£m
Revenue	2,3	10,138	(21)	10,117
Operating costs	4	(8,354)	(245)	(8,599)
<i>Of which net impairment losses on trade receivables and contract assets</i>		(75)	—	(75)
Operating profit (loss)		1,784	(266)	1,518
Finance expense		(537)	(99)	(636)
Finance income		88	—	88
Net finance expense		(449)	(99)	(548)
Share of post tax profit (loss) of associates and joint ventures		(3)	—	(3)
Profit (loss) before tax		1,332	(365)	967
Taxation		(289)	77	(212)
Profit (loss) for the period		1,043	(288)	755
Earnings per share				
- basic		10.7p	(2.9)p	7.8p
- diluted		10.5p	(2.9)p	7.6p

Half year ended 30 September 2023	Note	Before specific items (Adjusted)	Specific items (note 5)	Total (Reported)
		£m	£m	£m
Revenue	2,3	10,414	(7)	10,407
Operating costs	4	(8,674)	(155)	(8,829)
<i>Of which net impairment losses on trade receivables and contract assets</i>		(72)	—	(72)
Operating profit (loss)		1,740	(162)	1,578
Finance expense		(526)	(60)	(586)
Finance income		91	—	91
Net finance expense		(435)	(60)	(495)
Share of post tax profit (loss) of associates and joint ventures		(7)	—	(7)
Profit (loss) before tax		1,298	(222)	1,076
Taxation		(287)	55	(232)
Profit (loss) for the period		1,011	(167)	844
Earnings per share				
- basic		10.3p	(1.7)p	8.6p
- diluted		10.0p	(1.7)p	8.3p

Group statement of comprehensive income

	Half year ended 30 September	
	2024 £m	2023 £m
Profit for the period	755	844
Other comprehensive income (loss)		
Items that will not be reclassified to the income statement		
Remeasurements of the net pension obligation	(224)	(1,501)
Tax on pension remeasurements	56	375
Items that have been or may be reclassified subsequently to the income statement		
Exchange differences on translation of foreign operations	(97)	2
Fair value movements on assets at fair value through other comprehensive income	(6)	1
Movements in relation to cash flow hedges:		
– net fair value (losses) gains	(397)	(99)
– recognised in income and expense	533	32
Share of post tax other comprehensive income in associates and joint ventures	(4)	(4)
Tax on components of other comprehensive income that have been or may be reclassified	(35)	15
Other comprehensive income (loss) for the period, net of tax	(174)	(1,179)
Total comprehensive income (loss) for the period	581	(335)

Group balance sheet

	Note	30 September 2024	31 March 2024
		£m	£m
Non-current assets			
Intangible assets		12,666	12,920
Property, plant and equipment		22,989	22,562
Right-of-use assets		3,469	3,642
Derivative financial instruments		832	1,020
Investments		26	29
Joint ventures and associates	12	300	307
Trade and other receivables		564	641
Preference shares in joint venture	12	309	451
Contract assets		275	330
Retirement benefit surplus		103	70
Deferred tax assets		1,101	1,048
		42,634	43,020
Current assets			
Inventories		359	409
Trade and other receivables		3,224	3,565
Preference shares in joint ventures	12	180	82
Contract assets		1,275	1,410
Current tax receivable		420	423
Derivative financial instruments		66	50
Investments		2,385	2,366
Cash and cash equivalents		309	414
		8,218	8,719
Current liabilities			
Loans and other borrowings		2,233	1,395
Derivative financial instruments		140	94
Trade and other payables		5,596	6,327
Contract liabilities		855	906
Lease liabilities		762	766
Current tax liabilities		180	92
Provisions		230	238
		9,996	9,818
Total assets less current liabilities		40,856	41,921
Non-current liabilities			
Loans and other borrowings		16,669	17,131
Derivative financial instruments		522	445
Contract liabilities		175	175
Lease liabilities		3,963	4,189
Retirement benefit obligations		4,428	4,882
Other payables		442	637
Deferred tax liabilities		1,739	1,533
Provisions		391	411
		28,329	29,403
Equity			
Share capital		499	499
Share premium		1,051	1,051
Own shares		(311)	(311)
Merger reserve		998	998
Other reserves		715	716
Retained earnings		9,575	9,565
Total equity		12,527	12,518
		40,856	41,921

Group statement of changes in equity

	Share Capital	Share Premium	Own Shares	Merger Reserve	Other Reserves	Retained earnings	Total Equity
	£m	£m	£m	£m	£m	£m	£m
At 1 April 2024	499	1,051	(311)	998	716	9,565	12,518
Profit for the period	—	—	—	—	—	755	755
Other comprehensive income (loss) before tax	—	—	—	—	(500)	(228)	(728)
Tax on other comprehensive (loss) income	—	—	—	—	(35)	56	21
Transferred to the income statement	—	—	—	—	533	—	533
Total comprehensive income (loss) for the period	—	—	—	—	(2)	583	581
Dividends to shareholders	—	—	—	—	—	(556)	(556)
Share-based payments	—	—	—	—	—	30	30
Net buyback of own shares	—	—	—	—	—	(50)	(50)
Other movements	—	—	—	—	1	3	4
At 30 September 2024	499	1,051	(311)	998	715	9,575	12,527
At 1 April 2023	499	1,051	(422)	998	957	11,431	14,514
Profit for the period	—	—	—	—	—	844	844
Other comprehensive income (loss) before tax	—	—	—	—	(96)	(1,505)	(1,601)
Tax on other comprehensive (loss) income	—	—	—	—	15	375	390
Transferred to the income statement	—	—	—	—	32	—	32
Total comprehensive income (loss) for the period	—	—	—	—	(49)	(286)	(335)
Dividends to shareholders	—	—	—	—	—	(530)	(530)
Share-based payments	—	—	—	—	—	36	36
Net buyback of own shares	—	—	62	—	—	(111)	(49)
Transfer to realised profit	—	—	—	—	20	(20)	—
Other movements	—	—	—	—	1	2	3
At 30 September 2023	499	1,051	(360)	998	929	10,522	13,639

Group cash flow statement

	Half year to 30 September	
	2024	2023
	£m	£m
Cash flow from operating activities		
Profit before taxation	967	1,076
Share of post tax loss (profit) of associates and joint ventures	3	7
Net finance expense	548	495
Operating profit	1,518	1,578
Other non-cash charges	58	49
(Profit) loss on disposal of businesses	—	(38)
(Profit) loss on disposal of property, plant and equipment and intangible assets	(4)	3
Depreciation and amortisation, including impairment charges	2,348	2,356
Decrease (increase) in inventories	49	(54)
Decrease (increase) in trade and other receivables	253	(689)
Decrease (increase) in contract assets	190	124
(Decrease) increase in trade and other payables	(573)	(263)
(Decrease) increase in contract liabilities	(48)	18
(Decrease) increase in other liabilities ¹	(824)	(699)
(Decrease) increase in provisions	(30)	(35)
Cash generated from operations	2,937	2,350
Income taxes refunded (paid)	72	(26)
Net cash inflow from operating activities	3,009	2,324
Cash flow from investing activities		
Interest received	64	66
Dividends received from joint ventures, associates and investments	—	13
Proceeds on disposal of businesses	25	74
Proceeds on disposal of current financial assets ²	7,441	5,525
Purchases of current financial assets ²	(7,458)	(5,461)
Proceeds on disposal of property, plant and equipment and intangible assets	5	—
Purchases of property, plant and equipment and intangible assets ³	(2,463)	(2,455)
Decrease (increase) in amounts owed by joint ventures	84	38
Settlement of minimum guarantee liability with sports joint venture	(103)	(111)
Net cash outflow from investing activities	(2,405)	(2,311)
Cash flow from financing activities		
Equity dividends paid	(556)	(532)
Interest paid	(476)	(463)
Repayment of borrowings ⁴	(1,346)	(485)
Proceeds from bank loans and bonds	1,833	1,899
Payment of lease liabilities	(383)	(360)
Cash flows from collateral received (paid)	301	(101)
(Decrease) increase in amounts owed to joint ventures	(1)	(1)
Proceeds from exercise of employee share options	3	35
Repurchase of ordinary share capital	(79)	(55)
Net cash outflow from financing activities	(704)	(63)
Net decrease in cash and cash equivalents	(100)	(50)
Opening cash and cash equivalents	356	381
Net decrease in cash and cash equivalents	(100)	(50)
Effect of exchange rate changes	(5)	(3)
Closing cash and cash equivalents⁵	251	328

¹ Includes pension deficit payments of £791m (H1 FY24: £702m).

² Primarily consists of investment in and redemption of amounts held in liquidity funds.

³ Property, plant and equipment, engineering stores and software additions of £2,269m (H1 FY24: £2,321m) and capital accruals movements of £194m (H1 FY24: £134m).

⁴ Repayment of borrowings includes the impact of hedging.

⁵ Net of bank overdrafts of £58m (H1 FY24: £30m).

Notes to the condensed consolidated financial statements

1. Basis of preparation and accounting policies

Basis of preparation

These unaudited condensed consolidated financial statements (the "financial statements") comprise the financial results of BT Group plc for the half years to 30 September 2024 and 2023 together with the balance sheet at 31 March 2024. The financial statements for the half year to 30 September 2024 have been reviewed by the auditors and their review opinion is on page 30. The financial statements have been prepared in accordance with the Disclosure Guidance and Transparency Rules sourcebook (DTR) of the Financial Conduct Authority and with UK-adopted IAS 34 'Interim Financial Reporting'. The financial statements should be read in conjunction with the Annual Report 2024 which was prepared in accordance with UK-adopted International Financial Reporting Standards (IFRS).

Management have produced forecasts which confirm the group has adequate resources to continue in operation for a period of at least twelve months from the date of approval of this report, notwithstanding the net current liabilities position of £1,778m at 30 September 2024 (£1,099m net current liabilities at 31 March 2024). Consequently, the directors consider it appropriate to adopt the going concern basis of accounting in preparing the condensed consolidated financial statements for the half year to 30 September 2024. When reaching this conclusion, the directors took into account:

- The group's overall financial position (including trading during the year and ability to repay term debt as it matures without recourse to refinancing); and
- Exposure to principal risks (including severe but plausible downsides).

At 30 September 2024, the group had cash and cash equivalents of £251m (net of bank overdrafts) and current asset investments of £2,385m. The group also had access to committed borrowing facilities of £2.1bn. These facilities were undrawn at period-end and are not subject to renewal until March 2027.

The information for the year ended 31 March 2024 does not constitute the group's statutory accounts as defined in section 434 of the Companies Act 2006. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditor has reported on those accounts; their report (i) was unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006 in respect of the accounts for the year to 31 March 2024.

A reference to a year expressed as FY25 is to the financial year ended 31 March 2025.

Accounting policies changes and restatements

Other than as stated below, the financial statements have been prepared in accordance with the accounting policies as set out in the financial statements for the year to 31 March 2024 and have been prepared under the historical cost convention as modified by the revaluation of financial assets and liabilities (including derivative financial instruments) at fair value.

New and amended accounting standards effective during the year

The following new and amended standards are effective during the year, none of which had a material impact on the financial statements of the group:

- Lease liability in a Sale and Leaseback (Amendments to IFRS 16 Leases)
- Classification of liabilities as current or non-current and non current liabilities with covenants (Amendments to IAS 1 Presentation of Financial Statements)
- Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures - supplier finance arrangements

IFRS Interpretations Committee agenda decisions

The IFRS Interpretations Committee (IFRIC) periodically issues agenda decisions which explain and clarify how to apply the principles and requirements of IFRS standards. Agenda decisions are authoritative and may require the group to revise accounting policies or practice to align with the interpretations set out in the decision.

We regularly review IFRIC updates and assess the impact of agenda decisions. No agenda decisions finalised in the half year to 30 September 2024 have been assessed as having a significant impact on the group.

New and amended accounting standards that have been issued but are not yet effective

The IASB has issued IFRS 18 Presentation and Disclosure in Financial Statements which replaces IAS 1 Presentation of Financial Statements. BT is evaluating the impact of this new standard on its financial statements. It will be effective for BT for the first time for FY28.

IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information, and IFRS S2 Climate-related Disclosures have been issued but not yet endorsed by the UK Endorsement Board. We continue to report in line with our regulatory obligations, namely the FCA Premium Listing Rule 9.8.6(8), and amendment to the Companies Act 2006, following the TCFD framework. We have reviewed the IFRS S1 and S2 standards and will closely monitor the UK Technical Advisory Committee's assessment and subsequent endorsement of the standards as part of the UK Sustainability Reporting Standards. After the release of the UK Sustainability Reporting Standards, we aim to take part in the consultation process and review our processes and disclosures with reference to these standards.

2. Operating results – by customer-facing unit

	Consumer	Business	Openreach	Other	Total
Half year to 30 September 2024	£m	£m	£m	£m	£m
Segment revenue	4,836	3,865	3,118	5	11,824
Internal revenue	(20)	(54)	(1,612)	—	(1,686)
Adjusted¹ external revenue	4,816	3,811	1,506	5	10,138
Adjusted EBITDA ²	1,330	747	2,059	(4)	4,132
Depreciation and amortisation ¹	(873)	(477)	(974)	(24)	(2,348)
Adjusted¹ operating profit (loss)	457	270	1,085	(28)	1,784
Specific operating profit (loss) (note 5)					(266)
Operating profit					1,518

Half year to 30 September 2023					
Segment revenue	4,903	4,100	3,053	8	12,064
Internal revenue	(24)	(36)	(1,590)	—	(1,650)
Adjusted¹ external revenue	4,879	4,064	1,463	8	10,414
Adjusted EBITDA ²	1,347	806	1,936	5	4,094
Depreciation and amortisation ¹	(840)	(490)	(992)	(32)	(2,354)
Adjusted¹ operating profit (loss)	507	316	944	(27)	1,740
Specific operating profit (loss) (note 5)					(162)
Operating profit					1,578

¹ Before specific items, see Glossary on page 9.

² Adjusted EBITDA is defined in the Glossary on page 9. For the reconciliation of adjusted EBITDA, see Additional Information on page 32.

3. Operating results – disaggregation of external revenue

Half year to 30 September 2024	Consumer	Business	Openreach	Other	Total
	£m	£m	£m	£m	£m
ICT and managed networks	—	1,633	—	—	1,633
Fixed access subscriptions	2,164	1,026	1,461	—	4,651
Mobile subscriptions	1,813	609	—	—	2,422
Equipment and other services	839	543	45	5	1,432
Total adjusted¹ revenue	4,816	3,811	1,506	5	10,138
Specific items (note 5)					(21)
Total revenue					10,117

Half year to 30 September 2023

ICT and managed networks	—	1,798	—	—	1,798
Fixed access subscriptions	2,197	1,107	1,426	—	4,730
Mobile subscriptions	1,833	592	—	—	2,425
Equipment and other services	849	567	37	8	1,461
Total adjusted¹ revenue	4,879	4,064	1,463	8	10,414
Specific items (note 5)					(7)
Total revenue					10,407

¹ See Glossary on page 9.

4. Operating costs

	Half year to 30 September	
	2024	2023 (Restated ¹)
	£m	£m
Operating costs by nature		
Wages and salaries	2,017	2,110
Social security costs	216	210
Other pension costs	171	185
Share-based payment expense	30	37
Total staff costs	2,434	2,542
Capitalised direct labour	(710)	(645)
Net staff costs	1,724	1,897
Indirect labour costs	653	604
Capitalised indirect labour	(388)	(394)
Net indirect labour costs	265	210
Net labour costs	1,989	2,107
Product costs	1,551	1,658
External sales commissions	229	260
Payments to telecommunications operators	564	640
Property and energy costs	637	666
Network operating and IT costs	534	523
Provision and installation	170	204
Marketing and sales	168	180
Net impairment losses on trade receivables and contract assets	75	72
Other operating costs	208	127
Other operating income	(119)	(117)
Depreciation and amortisation, including impairment charges	2,348	2,354
Total operating costs before specific items	8,354	8,674
Specific items (note 5)	245	155
Total operating costs	8,599	8,829

¹Comparatives for the half year to 30 September 2023 have been restated for employee pension costs, reclassification of sales commissions to wages and salaries, and other reclassifications between cost categories.

Depreciation and amortisation, which includes impairment charges, is analysed as follows:

	Half year to 30 September	
	2024	2023
	£m	£m
Depreciation and amortisation before impairment charges		
Intangible assets	608	581
Property, plant and equipment	1,410	1,438
Right-of-use assets	324	330
Impairment charges		
Property, plant and equipment	8	5
Right-of-use assets	(2)	—
Total depreciation and amortisation before specific items	2,348	2,354
Impairment charges classified as specific items (note 5)		
Right-of-use assets	—	2
Total operating costs	2,348	2,356

Restatement of half year to 30 September 2023 comparatives

Employee pension contributions

During the half year to 30 September 2024, we have rolled out a new payroll system. As part of the implementation of the new system, we identified that employee pension contributions that should have been included as part of gross wages and salaries were deducted from that category and mapped to employer pension costs.

In the half year to 30 September 2023 an amount of £111m representing employee pension contributions for the period, which are not a cost of the Group, was incorrectly deducted from Wages and Salaries in the Income statement and added to the amount disclosed as the Group's Other pension cost. There was no effect on Total Staff costs. Comparatives have been restated.

Reclassification of sales commissions to wages and salaries

As part of an exercise to review cost categories for internal and external reporting we have revisited our classifications for sales commissions. Commissions paid to employees are now included within wages and salaries. Sales commissions paid to employees were previously mapped to the 'Sales commissions' category but should have been included within staff costs. We have renamed the 'Sales commissions' category in the operating cost note to 'External sales commissions' to clarify the content of this line.

Wages and salaries of £61m for the half year to 30 September 2023 were included in 'Sales commissions'. We have adjusted the comparative amounts for the half-year ended 30 September 2023 to show this amount in wages and salaries.

Other reclassifications between cost categories

During the half year to 30 September 2024, following completion of finance system transformation, we have more granular information with which to better align cost allocations with our accounting policies. As a result of this, we have identified certain reclassifications across our operating cost categories to the costs reported in the half year to 30 September 2023.

In particular:

- Equipment costs of £63m have been reclassified from provision and installation costs to product costs to reflect our policy of reporting customer equipment costs within product costs.
- Network solution costs of £63m to support our products have been reclassified from product costs to network operating costs to reflect the nature of the costs being incurred, being costs to develop network solutions to support our products.

	Half year to 30 September		
	2023 (Reported) £m	Restatement	2023 (Restated) £m
Operating costs by nature			
Wages and salaries	1,938	172	2,110
Social security costs	210	—	210
Other pension costs	296	(111)	185
Share-based payment expense	37	—	37
Total staff costs	2,481	61	2,542
Capitalised direct labour	(645)	—	(645)
Net staff costs	1,836	61	1,897
Indirect labour costs	604	—	604
Capitalised indirect labour	(394)	—	(394)
Net indirect labour costs	210	—	210
Net labour costs	2,046	61	2,107
Product costs	1,658	—	1,658
External sales commissions	321	(61)	260
Payments to telecommunications operators	640	—	640
Property and energy costs	666	—	666
Network operating and IT costs	460	63	523
Provision and installation	267	(63)	204
Marketing and sales	180	—	180
Net impairment losses on trade receivables and contract assets	72	—	72
Other operating costs	127	—	127
Other operating income	(117)	—	(117)
Depreciation and amortisation, including impairment charges	2,354	—	2,354
Total operating costs before specific items	8,674	—	8,674
Specific items (note 5)	155	—	155
Total operating costs	8,829	—	8,829

5. Specific items

Our income statement and segmental analysis separately identify trading results on an adjusted basis, being before specific items. The directors believe that presentation of the group's results in this way is relevant to an understanding of the group's financial performance as specific items are those that in management's judgement need to be disclosed by virtue of their size, nature or incidence.

This presentation is consistent with the way that financial performance is measured by management and reported to the Board and the Executive Committee and assists in providing an additional analysis of our reporting trading results. Specific items may not be comparable to similarly titled measures used by other companies.

In determining whether an event or transaction is specific, management considers quantitative as well as qualitative factors. Examples of charges or credits meeting the above definition and which have been presented as specific items in the current and/or prior years include significant business restructuring programmes such as the current group-wide cost transformation and modernisation programme, acquisitions and disposals of businesses and investments, impairment of goodwill, charges or credits relating to retrospective regulatory matters, property rationalisation programmes, historical property-related provisions, significant out of period contract settlements, net interest on our pension obligation, and the impact of remeasuring deferred tax balances. In the event that items meet the criteria, which are applied consistently from year to year, they are treated as specific items. Any releases to provisions originally booked as a specific item are also classified as specific. Conversely, when a reversal occurs in relation to a prior year item not classified as specific, the reversal is not classified as specific in the current year.

Movements relating to the sports joint venture (Sports JV) with Warner Bros. Discovery (WBD), such as fair value gains or losses on the A and C preference shares or impairment charges on the equity-accounted investment are classified as specific. Refer to note 12 for further detail.

	Half year to 30 September	
	2024	2023
	£m	£m
Specific revenue		
Retrospective regulatory matters	21	7
Specific revenue	21	7
Specific operating costs		
Restructuring charges	187	170
Sports JV-related items	44	17
Other divestment-related items	3	(34)
Retrospective regulatory matters	11	—
Specific operating costs before depreciation and amortisation	245	153
Impairment charges due to property rationalisation	—	2
Specific operating costs	245	155
Specific operating loss	266	162
Interest expense on retirement benefit obligation	99	60
Net specific items charge before tax	365	222
Tax charge (credit) on specific items	(77)	(55)
Net specific items charge after tax	288	167

Retrospective regulatory matters

We recognised net charge £21m in revenue in relation to historic regulatory matters (H1 FY24: £7m). These items represent movements in provisions relating to various matters.

Restructuring charges

We have incurred charges of £187m (H1 FY24: £170m) relating to projects associated with our group-wide cost transformation and modernisation programme. Costs primarily relate to leaver costs, consultancy costs, and staff costs associated with colleagues working exclusively on programme activity. The net cash cost of restructuring activity during the half year was £198m (H1 FY24: £130m).

The programme was first announced in May 2020 and will run until the end of FY25. In response to cost inflation, during FY23 we revised the gross annualised savings target to £3.0bn (previously £2.5bn), with a cost to achieve of £1.6bn (previously £1.3bn). We had achieved our £3bn target at the FY24 year end with a cost to achieve of £1.5bn (FY23: achieved gross annualised savings of £2.1bn and costs of £1.1bn).

A new programme of a further £3bn cost savings was announced in May 2024 which will run until the end of FY29. The costs of the final FY25 year of the previous programme will be absorbed into the new programme, given that the previous cost saving target was achieved 12 months early. We have achieved £0.4bn of cost savings at a cost to achieve of £0.2bn at H1.

Sports JV-related items

We have recorded a net fair value loss of £44m (H1 FY24: £17m) on the A and C preference shares in the Sports JV (see note 12).

Other divestment-related items

We recognised a £3m charge (H1 FY24: £34m credit) mainly relating to minor movements on divestments.

Impairment charges due to property rationalisation

During H1 FY24, we recognised a £2m impairment charge as specific, in relation to a property rationalisation programme.

Interest expense on retirement benefit obligation

We incurred £99m (H1 FY24: £60m) of interest costs in relation to our defined benefit pension obligations.

Tax on specific items

A tax credit of £77m was recognised in relation to specific items (H1 FY24: £55m).

6. Pensions

	30 September 2024	31 March 2024
	£bn	£bn
IAS 19 liabilities – BTPS	(38.7)	(40.0)
Assets – BTPS	34.5	35.4
Other schemes	(0.1)	(0.2)
Total IAS 19 deficit, gross of tax¹	(4.3)	(4.8)
Total IAS 19 deficit, net of tax	(3.3)	(3.8)
Discount rate (nominal)	5.05 %	4.90 %
Future inflation – average increase in RPI (p.a.)	3.20 %	3.25 %
Future inflation – average increase in CPI (p.a.)	2.80 %	2.80 %

¹ Of which £(4.4)bn relates to schemes in deficit (31 March 2024: £(4.9)bn) and £0.1bn relates to schemes in surplus (31 March 2024: £0.1bn).

The IAS 19 deficit decreased to £4.3bn at 30 September 2024 from £4.8bn at 31 March 2024 due to scheduled contributions. This was partly offset by lower than required asset returns.

The 2023 BTPS funding valuation included a future funding commitment for BT to provide additional deficit contributions of £150m - £300m p.a. should the funding deficit be more than £1bn behind plan at two consecutive semi-annual assessment dates.

At the 30 June 2024 assessment date, the funding position was within this limit.

Co-investment vehicle

As disclosed in Note 19 of the Annual Report 2024, a BTPS co-investment vehicle was set up in 2021 which provides BT Group with some protection against the risk of overfunding and therefore enables BT Group to provide upfront funding with greater confidence. Over the period, £0.6bn of contributions were paid into the BTPS co-investment vehicle, increasing its value to £0.7bn at 30 September 2024 (£0.1bn at 31 March 2024). In line with the 31 March 2024 treatment, the investment in the co-investment vehicle has been classified as a pension plan asset. This classification is based on an assessment under IFRS 10 of the control of the vehicle. Due to the increase in value this classification is now a significant judgement.

The main factors relevant to the assessment were:

- Payments made by BT Group into the co-investment vehicle are invested as if part of the overall BTPS investment strategy (as set by the BTPS Trustee after consultation with BT Group); and
- Future returns of surplus to BT Group from the co-investment vehicle are dependent on the overall returns of the BTPS - the majority of which sit outside the co-investment vehicle.

Our assessment concluded that the co-investment vehicle is a plan asset. If we had concluded that BT did control the co-investment vehicle, then instead of being included as a plan asset with movements through other comprehensive income, the assets of the vehicle would be consolidated on BT's balance sheet with movements through the income statement.

7. Financial instruments and risk management

Fair value of financial assets and liabilities measured at amortised cost

At 30 September 2024, the fair value of listed bonds was £18,146m (31 March 2024: £17,820m) and the carrying value was £18,206m (31 March 2024: £17,994m).

The fair value of the following financial assets and liabilities approximate to their carrying amount:

- Cash and cash equivalents
- Lease liabilities
- Trade and other receivables
- Trade and other payables
- Provisions
- Investments held at amortised cost
- Other short-term borrowings
- Contract assets
- Contract liabilities

The group's activities expose it to a variety of financial risks: market risk (including interest rate risk and foreign exchange risk); credit risk; and liquidity risk. There have been no changes to the risk management policies which cover these risks since 31 March 2024.

Current trade and other payables balance of £5,596m includes (31 March 2024: £6,327m):

- £224m (31 March 2024: £101m) of trade payables in a supply chain financing programme used with a limited number of suppliers to extend short payment terms to a more typical payment term.

- £173m (31 March 2024: £224m) of trade payables in a separate supply chain financing programme that allows suppliers the opportunity to receive funding earlier than the invoice due date. Financial institutions are used to support this programme but we continue to recognise the underlying payables as we continue to cash settle the supplier invoices in accordance with their terms.

Fair value estimation

Fair values of financial instruments are analysed by three levels of valuation methodology which are:

1. Level 1 – uses quoted prices in active markets for identical assets or liabilities.
2. Level 2 – uses inputs for the asset or liability other than quoted prices, that are observable either directly or indirectly.
3. Level 3 – uses inputs for the asset or liability that are not based on observable market data, such as internal models or other valuation methods.

Level 2 balances are the fair values of the group's outstanding derivative financial assets and liabilities which were estimated using discounted cash flow models and market rates of interest and foreign exchange at the balance sheet date.

Level 3 balances comprise the following financial instruments classified as fair value through profit and loss and fair value through other comprehensive income:

- A and C preference shares in the Sports JV, see note 12 for more details.
- Investments in a number of private companies. In the absence of specific market data, these investments are held at cost, adjusted as necessary for impairments, which approximates to fair value.
- Derivative energy contracts, estimated using discounted cash flow models and the latest forward energy curves at the balance sheet date.

	Level 1	Level 2	Level 3	Total held at fair value
30 September 2024	£m	£m	£m	£m
Preference shares in joint venture				
Fair value through profit and loss	—	—	489	489
Investments				
Fair value through other comprehensive income	—	—	18	18
Fair value through profit and loss	8	—	—	8
Derivative assets				
Designated in a hedge	—	776	3	779
Fair value through profit and loss	—	119	—	119
Total assets	8	895	510	1,413
Derivative liabilities				
Designated in a hedge	—	488	75	563
Fair value through profit and loss	—	88	11	99
Total liabilities	—	576	86	662

	Level 1	Level 2	Level 3	Total held at fair value
31 March 2024	£m	£m	£m	£m
Preference shares in joint venture				
Fair value through profit and loss	—	—	533	533
Investments				
Fair value through other comprehensive income	—	—	23	23
Fair value through profit and loss	6	—	—	6
Derivative assets				
Designated in a hedge	—	980	1	981
Fair value through profit and loss	—	89	—	89
Total assets	6	1,069	557	1,632
Derivative liabilities				
Designated in a hedge	—	385	78	463
Fair value through profit and loss	—	65	11	76
Total liabilities	—	450	89	539

Net loss of £59m and net gain of £15m have been recognised in the income statement and other comprehensive income respectively in respect of fair value movements on level 3 instruments during the half year ended 30 September 2024. Of the £59m loss recognised in the income statement £15m loss is in respect of recycling from

cash flow hedge reserve. There were no changes to the valuation methods or transfers between levels 1, 2 and 3 during the half year.

8. Share capital

In the half year to 30 September 2024, 32m shares (H1 FY24: 81m) at a total cost of £53m (H1 FY24: £146m), calculated at a weighted average cost per share, were transferred from own shares (comprising Treasury shares and shares held under the BT Group Employee Share Ownership Trust) to satisfy obligations under all-employee and executive share plans. We received cash proceeds of £3m (H1 FY24: £35m) in respect of share options exercised.

Own shares of £53m (H1 FY24: £83m) were purchased during the half year.

9. Financial commitments

Financial commitments as at 30 September 2024 include capital commitments of £1,055m (31 March 2024: £1,049m).

10. Dividends

In line with the group's dividend policy, the Board has approved an interim dividend of 2.40p per share (H1 FY24: 2.31p per share), which will be paid on 5 February 2025. The ex-dividend date is 24 December 2024.

11. Contingent liabilities and legal proceedings

In the ordinary course of business, we are periodically notified of actual or threatened litigation, and regulatory and compliance matters and investigations. We have disclosed below a number of such matters including any matters where we believe a material adverse impact on the operations or financial condition of the group is possible and the likelihood of a material outflow of resources is more than remote.

Where the outflow of resources is considered probable, and a reasonable estimate can be made of the amount of that obligation, a provision is recognised for these amounts. Where an outflow is not probable but is possible, or a reasonable estimate of the obligation cannot be made, a contingent liability exists.

In respect of each of the claims below, the nature and progression of such proceedings and investigations can make it difficult to predict the impact they will have on the group. There are many reasons why we cannot make these assessments with certainty, including, among others, that they are in early stages, no damages or remedies have been specified, and/or the often slow pace of litigation.

Class action claim – landline only services

In January 2021, Justin Le Patourel, represented by law firm Mishcon de Reya applied to the Competition Appeal Tribunal to bring a proposed class action claim for damages they estimated at £608m (inclusive of compound interest) or £589m (inclusive of simple interest) alleging anti-competitive behaviour through excessive pricing by BT to customers with certain residential landline services. Ofcom considered this topic in 2017. At that time, Ofcom's final statement made no finding of excessive pricing or breach of competition law more generally but we implemented a voluntary commitment to reduce prices for customers that have a BT landline only and not to increase those prices beyond inflation (CPI). In September 2021 the Competition Appeal Tribunal certified the claim to proceed to a substantive trial on an opt-out basis (class members are automatically included in the claim unless they choose to opt-out). In July 2023 Justin Le Patourel amended his claim seeking increased damages estimated at £1,338m (inclusive of compound interest) or £1,309m (inclusive of simple interest), later revised to £1,307m (inclusive of compound interest) or £1,278m (inclusive of simple interest) in December 2023. A hearing took place between January and March 2024 and we are awaiting judgment. At the reporting date we are not aware of any evidence to indicate that a present obligation exists such that any amount should be provided for.

Class action claim – combined mobile and handset services

In November 2023, Justin Gutmann, represented by law firm Charles Lyndon applied to the Competition Appeal Tribunal to bring a proposed class action claim for damages estimated at £1.1bn (inclusive of simple interest) on behalf of customers who purchased combined handset and airtime contracts who are outside their minimum contract terms but who continue to pay the same price as during their minimum contract terms. The claim alleges this approach was an anti-competitive abuse of a dominant position. Similar claims have also been brought against Vodafone, Three and O2 with the total damages claimed £3.285bn (inclusive of simple interest). At the reporting date we are not aware of any evidence to indicate that a present obligation exists such that any amount should be provided for. Class actions must be certified by the Competition Appeal Tribunal at a Collective Proceedings Order (CPO) hearing before proceeding to a substantive trial. A first case management conference to determine next procedural steps was completed in May 2024. A certification hearing is currently expected to start on 31 March 2025. If the class action is certified the substantive trial will not conclude during FY25. BT intends to defend itself vigorously.

Italian business

Milan Public Prosecutor prosecutions: In FY20 proceedings were initiated against BT Italia for certain potential offences, namely the charge of having adopted, from 2011 to 2016, an inadequate management and control organisation model for the purposes of Articles 5 and 25 of Legislative Decree 231/2001. BT Italia disputed this and maintained in a defence brief filed in April 2019 that: (a) BT Italia did not gain any interest or benefit from the conduct in question; and (b) in any event, it had a sufficient organisational, management and audit model that was circumvented/overridden by individuals acting in their own self-interest. The trial commenced on 26 January 2021.

On 23 April 2021, the Court allowed some parties to be joined to the criminal proceedings as civil parties ('parte civile') – a procedural feature of the Italian criminal law system. These claims were directed at certain individual defendants (which include former BT/ BT Italia employees). Those parties successfully joined BT Italia as a respondent to their civil claims ('responsabile civile') on the basis that it is vicariously responsible for the individuals' wrongdoing.

The first instance phase of the trial has now concluded with the Court handing down its decision on 25 January 2024. The Court convicted certain individuals (including certain former BT Italia employees) for manipulation of BT Italia's financial statements for the financial year ending 31 March 2016 and for fraud against an Italian company, Sed Multitel S.r.l. The Court dismissed all charges that had been brought against BT Italia but ordered that BT Italia indemnify certain individual minority shareholders in the company and Sed Multitel for their losses. The Court has not quantified the indemnification amount, such that the indemnified parties must now seek to recover these amounts from BT Italia by agreement or separate civil proceedings. The quantum of those claims, if they are pursued successfully, is not anticipated to be material.

Accounting misstatement claims: a law firm acting on behalf of a group of investors has made claims under s.90A of the Financial Services & Markets Act 2000, alleging that untrue or misleading statements were made in relation to the historical irregular accounting practices in BT's Italian business (which have been the subject of previous disclosures). No value is stated and the matter is in the early stages. As mentioned in our earlier reports, the accounting issues in Italy have previously been the subject of class actions in the US that were dismissed by the US courts.

Phones 4U

Since 2015 the administrators of Phones 4U Limited have made allegations that EE and other mobile network operators colluded to procure Phones 4U's insolvency. Legal proceedings for an unquantified amount were issued in December 2018 by the administrators. The trial on the question of liability/breach ran from May to July 2022. In November 2023 the High Court dismissed Phones 4U's claim in its entirety. Phones 4U has subsequently appealed that judgment to the Court of Appeal and a hearing is expected in May 2025. We continue to dispute these allegations vigorously.

UK Competition and Markets Authority (CMA) investigation

On 12 July 2022 the CMA opened a competition law investigation into BT and other companies involved in the purchase of freelance services for the production and broadcasting of sports content in the UK. The investigation is focused on BT Sport. In February 2023, the CMA extended its investigation to include suspected breaches of competition law in relation to the employment of staff supporting the production and broadcasting of sports content in the UK. However, in March 2024 the CMA confirmed this limb of its investigation would not be progressed. The CMA has said no assumption should be made at this stage that competition law has been infringed. BT is cooperating with the investigation.

12. Joint ventures and associates

	30 September 2024	31 March 2024
	£m	£m
Interest in joint ventures	294	302
Interest in associates	6	5
Closing balance	300	307

Share of post tax loss of associates and joint ventures included in the income statement of £3m (H1 FY24: £7m loss) includes £4m loss (H1 FY24: £19m loss) relating to our sports joint venture (Sports JV) with Warner Bros. Discovery (WBD) and £1m profit (H1 FY24: £12m profit) relating to our other associates and joint ventures. The Sports JV is the only material equity-accounted investment held by the group, see below for further details.

Sports JV

In FY23 we formed the Sports JV (known externally as TNT Sports) with WBD, combining our previous BT Sport operations with WBD's Eurosport UK business. The group continues to hold both ordinary equity shares and preference shares in the Sports JV entity.

Ordinary equity shares

Our retained ordinary equity interest in the Sports JV is held under the equity method of accounting, consistent with our accounting policy on joint ventures and associates.

	2024
	£m
Carrying amount at 1 April	300
Share of total comprehensive loss for the period	(8)
Dividends received during the period	—
Carrying amount at 30 September	292

The Sports JV had a loss after tax for the six months to 30 September 2024 of £7m, after adjustments made to align with the group's accounting policies, and reflects amortisation of acquired intangibles from the BT Sport and Eurosport UK business transfers and adjustments for the off-market minimum guarantee with BT. In addition, the Sports JV had other comprehensive losses of £8m relating to fair value movements on its foreign exchange hedging arrangement with the group that have been designated as cash flow hedges.

As required by IAS 36, we have assessed the investment for impairment. There is no impairment at 30 September 2024 as the fair value less costs to sell is higher than the carrying amount of the investment. See below for sensitivities we have applied in determining the fair value less costs to sell.

Since the completion of the transaction with WBD, the Sports JV has been classified as a joint venture based on an assessment under IFRS 10 and 11, which is reviewed at each reporting period end. A key factor in our assessment of control at 30 September 2024 is WBD's call option to acquire BT's 50% interest in the Sports JV, which is exercisable at specified points in the first four years of the JV, and was active as at the period end. Determining whether the call option provides WBD a substantive right to unilaterally control the key decisions requires significant judgement and consideration of a variety of factors, including whether there are any barriers to exercise. On balance of all factors considered, we have assessed that BT's joint control over the Sports JV still applies at 30 September 2024. The alternative treatment of discontinuing equity accounting on the basis that joint control has been lost would not have a material impact. Whilst this particular option has expired by the date of this announcement, there are further mechanisms for BT to exit the JV within the next two years, including a further call option held by WBD.

Our initial accounting of the Sports JV at formation assumed an exit by BT at the end of the first four years of the venture. Our investments continue to be valued on this basis, however, an earlier exit would not have a material impact on the amounts recorded.

Preference shares

In addition to BT's ordinary shareholding, BT held the following investments in preference shares in the Sports JV that have not been included within the equity-accounted interest above.

	30 September 2024	31 March 2024
	£m	£m
Investment in A preference shares	338	387
Investment in C preference shares	151	146
Closing balance	489	533

A net £44m movement has been recorded on the group's preference share investments relating to fair value changes only, see below for further details.

- **A preference shares** - a £49m fair value loss has been recognised through specific items (see note 5), largely driven by a reduction in revenue after a material customer contract was renewed at a lower than expected value, leading to lower cash available for distribution under BT's earn-out entitlement. We disclosed the contract renewal as an item of significant uncertainty in our FY24 Annual Report.
- **C preference shares** – these shares are expected to be sold to WBD at the end of BT's earn-out entitlement in consideration for any sports rights funded by BT at that point. BT's return on the shares is driven by changes in the Sports JV's sports rights portfolio which in turn is dependent on changes in the wider sports rights market and the Sports JV's financial performance and are therefore held as a financial asset at FVTPL under IFRS 9. A £5m fair value gain has been recognised through specific items (see note 5).

The preference shares are held at Level 3 on the fair value hierarchy, reflecting a valuation methodology that does not use inputs based on observable market data. See below for sensitivities we have applied in determining the fair value.

Sensitivities

The group's ordinary equity and preference share investments in the Sports JV, carry both upside and downside risk from changes in micro and macroeconomic factors affecting the sports content subscription market and risk appetite of investors in that market.

We have applied the following sensitivities to these risk factors:

- EBITDA decline from loss of revenue or improvement from outperformance against revised forecasts.
- Increase or decrease in the discount rate applied.
- Increase or decrease in the valuation multiple achieved.

Sensitivity	Fair value of A and C preference shares in Sports JV	Headroom on impairment test over equity-accounted investment
10% increase or decrease in EBITDA	+/- £42m	+/- £34m
10% increase or decrease in discount rate	+/- £3m	+/- £6m
10% change in valuation multiple	—	+/- £33m

None of the sensitivities applied generated a material impairment on the group's equity-accounted investment in the Sports JV.

13. Goodwill

Our cash-generating units (CGUs) identified for the purpose of impairment testing are equivalent to our Consumer and Business customer-facing units (see note 13 to the Annual Report 2024 for further details).

In line with the requirements of IAS 36 Impairment of Assets we have assessed, through consideration of qualitative and quantitative factors, whether any material indicators of impairment are present in these CGUs at the half year reporting date. No impairment indicators were noted which would trigger an impairment test at the half year in any of the CGUs.

We will perform a detailed impairment review for our CGUs alongside our planning process in Q4 FY25.

14. Related party transactions

Related party transactions with the group's key management personnel and retirement benefit plans, and with entities owned by the BT Pension Scheme, are set out in the group's financial statements for the year ended 31 March 2024. There have been no material changes in these relationships during the six months ended 30 September 2024 or up to the date of this announcement.

Associates and joint ventures related parties include the Sports JV with Warner Bros (see note 12). Sales of services to the Sports JV during the half year to 30 September 2024 were £7m (31 March 2024: £33m) and purchases from the Sports JV were £150m (31 March 2024: £299m) excluding £103m (31 March 2024: £211m) additional payments made to settle the minimum guarantee liability. The amount receivable from the Sports JV as at 30 September 2024 was £nil (31 March 2024: £3m) and the amount payable to the Sports JV was £70m (31 March 2024: £94m).

As part of the BT Sport transaction, the group has committed to providing the Sports JV with a sterling Revolving Credit Facility (RCF), up to a maximum for £200m, for short-term liquidity required by the Sports JV to fund its working capital and commitments to sports rights holders. Amounts drawn down by the Sports JV under the RCF accrue interest at a market reference rate, consistent with the group's external short-term borrowings. The outstanding balance under the RCF of £81m (31 March 2024: £163m) is treated as a loan receivable and held at amortised cost. There is also a loan payable to the Sports JV of £10m (31 March 2024: £11m).

The Sports JV has a foreign exchange hedging arrangement with the group to secure Euros required to meet its commitments to certain sports rights holders; the group has external forward contracts in place to purchase the Euros at an agreed sterling rate in order to mitigate its exposure to exchange risk. The group holds a £39m (31 March 2024: £29m) derivative liability in respect of forward contracts provided to the Sports JV.

Transactions from commercial trading arrangements with associates and joint ventures, including the Sports JV, are shown below:

	30 September 2024	31 March 2024
	£m	£m
Sales of services to associates and joint ventures	9	37
Purchases from associates and joint ventures	172	338
Amounts receivable from associates and joint ventures	2	5
Amounts payable to associates and joint ventures	72	95

Other related party transactions include a dividend received from a joint venture in the year ending 31 March 2024 of £12m.

15. Principal risks and uncertainties

We have processes for identifying, evaluating and managing our risks. Whilst individual risks continue to evolve, overall we do not consider that there has been a material change to any of our principal risks and uncertainties as presented on pages 63 to 70 of the Annual Report 2024. We define our risk landscape into 16 Group Risk Categories ('GRCs'). These are summarised below and have the potential to have an adverse impact on our profit, assets, liquidity, capital resources and reputation.

Strategic

Strategy, technology and competition - To deliver value to our stakeholders and achieve our strategic objectives, we must carefully manage risks around economic uncertainty, intensifying competition and rapidly changing customer and technology trends. Similarly, pursuing the wrong strategy, not reflecting strategy in business plans, or not effectively executing against it could make us less competitive and create less long-term sustainable value.

Stakeholder management - Stakeholder management, built on trust, is essential to us achieving our ambitions. We engage with stakeholders fairly and transparently to build strong, sustainable relationships and manage reputational risks. Some topics, concerning our stakeholders, need extra focus. These include using and selling emerging technologies, ESG factors, and customer fairness.

Financial

Financing - We rely on cash generated by business performance supplemented by capital markets, credit facilities and cash balances to finance operations, pension scheme, dividends and debt repayments. We also focus on defining and executing the right insurance strategy.

Financial management and control - We have financial controls in place to prevent fraud and to report accurately. If these failed it could result in material financial losses or cause us to misrepresent our financial position. We might fail to apply the correct accounting principles and treatment, or to meet tax compliance. This could result in financial misstatement, fines, legal disputes and reputational damage.

Compliance

Communications regulation - We work with our regulators as they define clear, predictable and proportionate regulations which protect customers and society while ensuring service providers can compete fairly. We must comply with those regulations, maintain trust and strong relationships while delivering on our vision and sustainable value growth.

Data and AI - Our data and AI strategy aims to create value and enable efficiency, while providing a robust framework for us to comply with data and AI governance and regulation. Not following data protection laws or regulations or taking a responsible approach to AI could damage our reputation and stakeholder trust, harm colleagues, customers or suppliers and/or lead to litigation, fines and penalties.

Legal compliance - We focus on remaining in compliance with all substantive laws. Our main focus areas are anti-bribery and corruption, competition law, trade sanctions, export controls and corporate governance obligations. Other GRCs focus on complying with other areas of law.

Financial services - We are exposed to more financial services regulation as we attract new customer credit and insurance customers. Operating outside Financial Conduct Authority ('FCA') rules, requirements or permissions could harm customers and lead to fines, loss of FCA permissions, slow service take-up and broader reputational damage.

Operational

Operational resilience - We want to deliver best-in-class performance across our fixed and mobile networks and IT by being operationally resilient and managing any risk that could disrupt our services. Service disruptions could be

caused by things like bad weather or accidental or deliberate damage to our assets. Some service disruptions might depend on suppliers' and partners' reliability – making picking the right ones important.

Cyber security - Our aim is to protect BT group, colleagues and customers from harm and financial loss from cyber security events. Because we run critical national infrastructure, a cyber-attack could disrupt both customers and the country and compromise data. A poorly managed cyber security event might cost us money, damage our reputation and impact our market share. The regulator might also impose fines or penalties.

People - Our people strategy is to enable a culture where every colleague can be their best and help deliver our ambitions. This means we must manage risk around our organisational structure, skills and capabilities, engagement, culture, wellbeing and diversity.

Health, safety and environment – We have diverse working environments in various locations, some of which pose a health or safety risk. We're committed to ensuring the health, safety and wellbeing of our colleagues, contractors, suppliers, customers, visitors and members of the public. We are also committed to managing risks to protect the environment and build a sustainable future, with effective environment and energy management – and particular focus on reducing our carbon emissions.

Major customer contracts - We offer and deliver a diverse mix of major contracts which contribute to our business performance and growth. Customer contractual terms can be onerous and challenging to meet which might lead to delays, penalties and disputes. Delivery or service failures against obligations and commitments could damage our brand and reputation, particularly for critical infrastructure contracts or security and data protection services. Not managing contract exits, migrations, renewals and disputes could erode profit margins and affect future customer relationships.

Customers, brand and product - We want to give customers standout service, build personal and enduring relationships and take extra care of vulnerable customers and customers with differing needs. Not continually improving our customer experience could affect customer satisfaction and retention, colleague pride and advocacy, revenues and brand value. Central to this is being accurate and competitive with our pricing. We must also manage our product and service lifecycles, inventory and supply chain, and meet our customer obligations and product and service standards.

Supply management - Successfully selecting, bringing on board and managing suppliers is essential for us to deliver quality products and services. We must make decisions about suppliers on concentration, capability, resilience, security, costs and broader issues that could impact our business and reputation.

Transformation delivery – We are accelerating transformation delivery to build a simpler, more efficient and dynamic BT Group. We are modernising and streamlining our IT, automating processes with AI, streamlining our product portfolio and migrating to next-generation strategic networks. This will unlock cost efficiencies while also improving our customers' and colleagues' digital experiences. Failing to manage transformation execution risks could make us less efficient and damage our financial performance and customer experience.

RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with UK-adopted IAS 34 'Interim Financial Reporting';
- the interim management report includes a fair review of the information required by DTR 4.2.7R (the indication of important events and their impact during the first six months and description of principal risks and uncertainties for the remaining six month of the year); and
- the interim management report includes a fair review of the information required by DTR 4.2.8R (disclosure of related parties' transactions and changes therein).

By order of the Board

Allison Kirkby
Group Chief Executive
6 November 2024

Simon Lowth
Group Chief Financial Officer
6 November 2024

INDEPENDENT REVIEW REPORT TO BT GROUP PLC

Conclusion

We have been engaged by BT Group Plc (“the Company”) to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2024 which comprises Group Income Statement, Group statement of comprehensive income, Group balance sheet, Group statement of changes in equity, Group cashflow statement and the related explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2024 is not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting as adopted for use in the UK and the Disclosure Guidance and Transparency Rules (“the DTR”) of the UK’s Financial Conduct Authority (“the UK FCA”).

Basis for conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity (“ISRE (UK) 2410”) issued for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. We read the other information contained in the half-yearly financial report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusions relating to going concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for conclusion section of this report, nothing has come to our attention that causes us to believe that the directors have inappropriately adopted the going concern basis of accounting, or that the directors have identified material uncertainties relating to going concern that have not been appropriately disclosed.

This conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410. However, future events or conditions may cause the Group to cease to continue as a going concern, and the above conclusions are not a guarantee that the Group will continue in operation.

Directors’ responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FCA.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with UK-adopted international accounting standards.

The directors are responsible for preparing the condensed set of financial statements included in the half-yearly financial report in accordance with IAS 34 as adopted for use in the UK.

In preparing the condensed set of financial statements, the directors are responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review. Our conclusion, including our conclusions relating to going concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for conclusion section of this report.

The purpose of our review work and to whom we owe our responsibilities

This report is made solely to the Company in accordance with the terms of our engagement to assist the Company in meeting the requirements of the DTR of the UK FCA. Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company for our review work, for this report, or for the conclusions we have reached.

Jonathan Mills

for and on behalf of KPMG LLP

Chartered Accountants

15 Canada Square, London, E14 5GL

6 November 2024

About BT Group

BT Group is the UK's leading provider of fixed and mobile telecommunications and related secure digital products, solutions and services. We also provide managed telecommunications, security and network and IT infrastructure services to customers across 180 countries.

BT Group consists of three customer-facing units: Consumer serves individuals and families in the UK; Business covers companies and public services in the UK and internationally; Openreach is an independently governed, wholly owned subsidiary wholesaling fixed access infrastructure services to its customers - over 700 communications providers across the UK.

British Telecommunications plc 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 the London Stock Exchange.

For more information, visit www.bt.com/about

Enquiries

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We will hold the second quarter and half year FY25 results presentation for analysts and investors in London at 10am today and a simultaneous webcast will be available at www.bt.com/results.

We are scheduled to release our third quarter trading statement for FY25 on 30 January 2025.

Forward-looking statements – caution advised

Certain information included in this announcement is forward looking and involves risks, assumptions and uncertainties that could cause actual results to differ materially from those expressed or implied by forward looking statements. Forward looking statements cover all matters which are not historical facts and include, without limitation, projections relating to results of operations and financial conditions and the Company's plans and objectives for future operations. Forward looking statements can be identified by the use of forward looking terminology, including terms such as 'believes', 'estimates', 'anticipates', 'expects', 'forecasts', 'intends', 'plans', 'projects', 'goal', 'target', 'aim', 'may', 'will', 'would', 'could' or 'should' or, in each case, their negative or other variations or comparable terminology. Forward looking statements in this announcement are not guarantees of future performance. All forward looking statements in this announcement are based upon information known to the Company on the date of this announcement. Accordingly, no assurance can be given that any particular expectation will be met and readers are cautioned not to place undue reliance on forward looking statements, which speak only at their respective dates. Additionally, forward looking statements regarding past trends or activities should not be taken as a representation that such trends or activities will continue in the future. Other than in accordance with its legal or regulatory obligations (including under the UK Listing Rules and the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority), the Company undertakes no obligation to publicly update or revise any forward looking statement, whether as a result of new information, future events or otherwise. Nothing in this announcement shall exclude any liability under applicable laws that cannot be excluded in accordance with such laws.

Additional Information

Notes

Our commentary focuses on the trading results on an adjusted basis, which is a non-GAAP measure, being before specific items. The directors believe that presentation of the group's results in this way is relevant to an understanding of the group's financial performance as specific items are those that in management's judgement need to be disclosed by virtue of their size, nature or incidence. This is consistent with the way that financial performance is measured by management and reported to the Board and the Executive Committee and assists in providing a meaningful analysis of the trading results of the group. In determining whether an event or transaction is specific, management considers quantitative as well as qualitative factors such as the frequency or predictability of occurrence. Reported revenue, reported operating profit, reported profit before tax, reported net finance expense and reported EPS are the equivalent unadjusted or statutory measures. Reconciliations of reported to adjusted revenue, operating costs, operating profit, profit before tax and EPS are set out in the group income statement. Reconciliations of adjusted earnings before interest, tax, depreciation and amortisation, net debt and free cash flow from the nearest measures prepared in accordance with IFRS are provided in this Additional Information.

Reconciliation of adjusted earnings before interest, tax, depreciation and amortisation

In addition to measuring financial performance of the group and customer-facing units based on adjusted operating profit, we also measure performance based on adjusted EBITDA. Adjusted EBITDA is defined as the group profit or loss before specific items, net finance expense, taxation, depreciation and amortisation and share of post tax profits or losses of associates and joint ventures.

We consider adjusted EBITDA to be a useful measure of our operating performance because it approximates the underlying operating cash flow by eliminating depreciation and amortisation. Adjusted EBITDA is not a direct measure of our liquidity, which is shown by our cash flow statement, and needs to be considered in the context of our financial commitments.

A reconciliation of reported profit for the period, the most directly comparable IFRS measure, to adjusted EBITDA, is set out below.

	Half year to 30 September	
	2024	2023
	£m	£m
Reported profit for the period	755	844
Tax	212	232
Reported profit before tax	967	1,076
Net finance expense	548	495
Depreciation and amortisation	2,348	2,356
Specific revenue	21	7
Specific operating costs before depreciation and amortisation	245	153
Share of post tax (profits) losses of associates and joint ventures	3	7
Adjusted¹ EBITDA	4,132	4,094

¹ See Glossary on page 9.

Normalised free cash flow

Normalised free cash flow is one of the group's key performance indicators by which our financial performance is measured. It is primarily a liquidity measure. However, we also believe it is an important indicator of our overall operational performance as it reflects the cash we generate from operations after capital expenditure and financing costs, both of which are significant ongoing cash outflows associated with investing in our infrastructure and financing our operations.

Normalised free cash flow is defined as free cash flow (net cash inflow from operating activities after net capital expenditure) after net interest paid, payment of lease liabilities, net cash flows from the sale of cash flows related to contract assets, monies received as prepayment for the sale of redundant copper, dividends received from non-current asset investments, associates and joint ventures, and net purchase or disposal of non-current asset investments, before pension deficit payments (including their cash tax benefit), payments relating to spectrum, and specific items. It excludes cash flows that are determined at a corporate level independently of ongoing trading operations such as dividends paid, share buybacks, acquisitions and disposals, repayment and raising of debt, cash flows relating to loans with joint ventures, and cash flows relating to the Building Digital UK demand deposit account which have already been accounted for within normalised free cash flow. For non-tax related items the adjustments are made on a pre-tax basis.

Normalised free cash flow is not a measure of the funds that are available for distribution to shareholders.

A reconciliation from cash inflow from operating activities, the most directly comparable IFRS measure, to free cash flow and normalised free cash flow, is set out below.

	Half year to 30 September	
	2024	2023
	£m	£m
Cash generated from operations¹	2,937	2,350
Tax refunded (paid)	72	(26)
Net cash inflows from operating activities	3,009	2,324
Net purchase of property, plant and equipment and intangible assets	(2,458)	(2,455)
Free cash flow	551	(131)
Interest received	64	66
Interest paid	(476)	(463)
Payment of lease liabilities	(383)	(360)
Dividends received from joint ventures, associates and investments	—	13
Add back pension deficit payments	791	702
Add back net cash flow from specific items	270	204
Cash flows relating to the BDUK demand deposit account	16	66
Net cashflows from sale of contract assets related to mobile handsets	(118)	359
Normalised free cash flow	715	456

¹ Includes £123m inflow (H1 FY24: £118m outflow) related to utilisation of a supply chain financing programme (£241m YoY impact) and £298m (H1 FY24: £nil) net cashflows from sale of receivables related to mobile handsets.

Net debt and net financial debt

Net debt consists of loans and other borrowings, lease liabilities (both current and non-current) less current asset investments and cash and cash equivalents, including items which have been classified as held for sale on the balance sheet. Amounts due to joint ventures and loans and borrowings recognised in relation to monies received from the sale of cash flows of contract assets and as prepayment for the forward sale of redundant copper are excluded. Currency-denominated balances within net debt are translated to sterling at swap rates where hedged. Fair value adjustments and accrued interest applied to reflect the effective interest method are removed.

Net debt is a measure of the group's net indebtedness that provides an indicator of overall balance sheet strength. It is a key indicator used by management to assess both the group's cash position and its indebtedness. The use of the term 'net debt' does not necessarily mean that the cash included in the net debt calculation is available to settle the liabilities included in this measure.

Net financial debt is net debt excluding lease liabilities. It allows for the comparison to net debt measures reported before the introduction of IFRS 16 on 1 April 2019, and reflects a view that lease liabilities are operational debt in substance, rather than financing transactions.

Net debt and net financial debt are considered to be alternative performance measures as they are not defined in IFRS. A reconciliation from loans and other borrowings, lease liabilities, cash and cash equivalents, and current asset investments, the most directly comparable IFRS measures to net debt and net financial debt, is set out below.

	30 September 2024	31 March 2024
	£m	£m
Loans and other borrowings	18,902	18,526
Lease liabilities	4,725	4,955
Cash and cash equivalents	(309)	(414)
Current asset investments	(2,385)	(2,366)
	20,933	20,701
Adjustments:		
To re-translate currency denominated balances at swapped rates when hedged ¹	(69)	(512)
To remove fair value adjustments and accrued interest applied to reflect the effective interest method	(273)	(275)
Net loans with joint ventures	(10)	(11)
Loans related to forward sale of redundant copper	(99)	(106)
Loans related to sale of contract assets	(215)	(318)
Net debt	20,267	19,479
Lease liabilities	(4,725)	(4,955)
Net financial debt	15,542	14,524

¹ The translation difference between spot rate and hedged rate of loans and borrowings denominated in foreign currency.