

Additional information for shareholders

Background

The company was incorporated under the laws of England and Wales on 1 April 1984 as a public limited company wholly owned by Her Majesty's Government of the United Kingdom. In a series of three offers to the public, HM Government reduced its holding from 100% in December 1984 to less than 1% in July 1993. HM Government now owns less than 0.2% of the outstanding ordinary shares.

Listings

The principal listing of BT's ordinary shares is on the London Stock Exchange. The shares are also listed on the Tokyo Stock Exchange. American Depositary Shares (ADSs), each representing 10 ordinary shares, have been issued by Morgan Guaranty Trust Company of New York, as Depositary for the American Depositary Receipts (ADRs) evidencing the ADSs, and are listed on the New York Stock Exchange. ADSs also trade, but are not listed, on the London Stock Exchange. Trading on the New York Stock Exchange is under the symbol "BTY". BT shares are traded on the Tokyo Stock Exchange under the Code "9484".

Share and ADS prices

	Pence per ordinary share		US\$ per ADS	
	High pence	Low pence	High \$	Low \$
YEAR ENDED 31 MARCH 1997				
1 April – 30 June 1996	382½	326½	58 ⁵ / ₈	49¼
1 July – 30 September 1996	397	336	60½	53
1 October – 31 December 1996	410	345	68¾	54½
1 January – 31 March 1997	461½	393	73¾	66¾
YEAR ENDED 31 MARCH 1998				
1 April – 30 June 1997	482½	424	78¾	69½
1 July – 30 September 1997	501½	379½	82½	60 ⁷ / ₈
1 October – 31 December 1997	483½	439½	81¾	71 ⁷ / ₈
1 January – 31 March 1998	685	480¾	113 ⁷ / ₈	79 ⁷ / ₈
YEAR ENDED 31 MARCH 1999				
1 April – 30 June 1998	757	630	125 ⁷ / ₁₆	102¼
1 July – 30 September 1998	902	745½	148¾	124¼
1 October – 31 December 1998	908	676	154¼	116¾
1 January – 31 March 1999	1,118½	899½	179 ¹⁵ / ₁₆	148¼
YEAR ENDING 31 MARCH 2000				
1 April – 18 May 1999	1,089	970	175½	159

The prices are the highest and lowest closing middle market prices for BT ordinary shares, as derived from the Daily Official List of the London Stock Exchange and the highest and lowest sales prices of ADSs, as reported on the New York Stock Exchange composite tape.

Fluctuations in the exchange rate between the pound sterling and the US dollar affect the dollar equivalent of the pound sterling price of the company's ordinary shares on the London Stock Exchange and, as a result, are likely to affect the market price of the ADSs on the New York Stock Exchange.

Relative TSR performance over the five financial years to 31 March 1999



Total Shareholder Return (TSR) is the measure of the returns that a company has provided for its shareholders, and is therefore a good indicator of a company's overall performance. The TSR indices on the above graph are the product of share price movement plus gross dividends reinvested in the shares to July 1997 and net dividends thereafter.

Analysis of shareholdings

Size of shareholding

AT 31 MARCH 1999

	Number of shareholders	Percentage of total	Ordinary shares of 25p each	
			Number of shares held (millions)	Percentage of total
1 – 399	859,404	45.1	183	2.8
400 – 799	550,734	29.0	298	4.6
800 – 1,599	332,355	17.5	363	5.6
1,600 – 9,999	154,331	8.1	412	6.4
10,000 – 99,999	3,589	0.2	89	1.4
100,000 – 999,999	1,291	0.1	452	7.0
1,000,000 – 4,999,999	393	–	833	12.9
5,000,000 and above (a)(b)(c)	175	–	3,839	59.3
Total	1,902,272	100.0	6,469	100.0(d)

(a) Under the BT Executive Share Plan, the BT Performance Share Plan and the BT Deferred Bonus Plan 6.9 million shares were held in trust in respect of contingent awards of shares which have been granted to 905 participants.

(b) Under the BT Employee Share Ownership Scheme 32 million shares were held in trust on behalf of 126,851 participants who were beneficially entitled to the shares.

(c) Approximately 93 million shares were represented by ADSs and a further 11 million shares were held by a nominee of the Tokyo Stock Exchange on behalf of investors. Analysis by size of holding is not available for these holdings.

(d) 18.9% of the shares were in 1,857,208 individual holdings, of which 165,266 were joint holdings, and 81.1% of the shares were in 45,064 institutional holdings.

So far as the company is aware, no person is the beneficial owner of more than 10% of the company's ordinary shares, nor is the company directly or indirectly owned or controlled by another corporation or by HM Government or any other foreign government. There are no arrangements known to the company the operation of which may at a subsequent date result in a change in control of the company.

At 18 May 1999, there were 6,470,161,894 ordinary shares outstanding. At the same date, approximately 9.2 million ADSs (equivalent to 92 million ordinary shares, or approximately 1.4% of the total number of ordinary shares outstanding on that date) were outstanding and were held by 2,172 record holders of ADRs.

CREST: London Stock Exchange settlement system

The company's ordinary shares are settled in CREST, the computerised system for settling sales and purchases of shares. CREST is a voluntary system which enables shareholders, if they wish, to hold and transfer their shareholdings electronically rather than by paper. Shareholders who wish to retain their certificates are able to do so.

Personal equity plans (PEPs) and individual savings accounts (ISAs)

PEPs are no longer eligible for new subscriptions. Information about investing in BT shares through an ISA may be obtained from Halifax Share Dealing Limited, Westbank, Water Lane, Leeds LS11 5TL (telephone 0990 33 66 44). ISAs are also offered by other organisations.

Dividends

The Board expects to recommend in respect of each financial year an interim and a final dividend, which will normally be payable in February and September, respectively. The proposed 1999 final dividend will be paid on 20 September to shareholders on the register on 20 August 1999.

The dividends paid or payable on BT shares and ADSs for the last five years are shown in the following table. The dividends on the ordinary shares exclude the associated tax credit. The dividends on the ADSs paid before 5 April 1999 include the associated UK tax credit available to certain beneficial owners who are resident in the United States or Canada for tax purposes, but before deduction of UK withholding taxes. The amounts shown are not those that were actually paid to holders of ADSs. For the tax treatment of dividends paid on or after 6 April 1999 see *Taxation of dividends* below. Dividends have been translated from pounds sterling into US dollars using exchange rates prevailing on the date the ordinary dividends were paid.

YEARS ENDED 31 MARCH	Per ordinary share			Per ADS			Per ADS		
	Interim pence	Final pence	Total pence	Interim £	Final £	Total £	Interim US\$	Final US\$	Total US\$
1995	7.05	10.65	17.70	0.881	1.331	2.212	1.375	2.055	3.430
1996	7.45	11.25	18.70	0.931	1.406	2.337	1.422	2.181	3.603
1997 (a)	7.90	11.95	19.85	0.987	1.494	2.481	1.582	2.391	3.973
1998	7.55	11.45	19.00	0.944	1.431	2.375	1.540	2.400	3.940
1999	8.10	12.30	20.40	1.012	(b)	(b)	1.644	(b)	(b)

(a) In addition a special dividend of 35p per share, excluding the associated tax credit or £4.375 (US\$7.002) per ADS, including the UK associated tax credit, was paid at the same time as the final dividend for the 1997 financial year.

(b) Qualifying holders of ADSs on record as of 20 August 1999 are entitled to receive the final dividend which will be paid on 27 September 1999, subject to approval at the annual general meeting. The US dollar amount of the final dividend of £1.23 per ADS to be paid to holders of ADSs will be based on the exchange rate in effect on 20 September 1999, the date of payment to holders of ordinary shares. This dividend will be the first to be paid under the new arrangements described in *Taxation of dividends* below.

The dividends for the 1998 and 1999 financial years include an adjustment to take account of the effect of the 1997 special dividend.

The level of dividends will continue to be influenced by such factors as the effects of competition and regulation in the UK, together with investment needs and opportunities in the UK and in other countries. Past relationships between the interim and final dividends are not necessarily indicative of the future.

As dividends paid by the company are in pounds sterling, exchange rate fluctuations will affect the US dollar amounts received by holders of ADSs on conversion by the Depositary of such cash dividends.

The expected dividend payment dates in 2000 are:

2000 interim dividend payable	February 2000
2000 final dividend payable	September 2000

Dividend mandate

Any shareholder wishing dividends to be paid directly into a bank or building society account should contact the Registrar for a dividend mandate form. Dividends paid in this way will be paid through the Bankers Automated Clearing System (BACS).

Share dividend plan

Shareholders could elect to receive additional shares in lieu of a cash dividend under the BT share dividend plan for the following three dividends:

	Date paid	Price per share pence
1998 interim	16 February 1998	480.35
1998 final	21 September 1998	835.00
1999 interim	15 February 1999	950.20

Dividend investment plan

The share dividend plan has now been withdrawn and is being replaced by a dividend investment plan which will be available to ordinary shareholders in respect of the proposed 1999 final dividend to be paid on 20 September 1999. The last date for lodging mandates for the BT dividend investment plan in respect of the final dividend is 20 August 1999. Under the plan, the cash from participants' dividends is used to buy further BT shares in the market.

ADR Shareholder Services Programme

Details of the Morgan Guaranty Trust shareholder services programme, including reinvestment of dividends, are available from Morgan Guaranty Trust Company of New York on 1 800 749 1687 (toll free in the United States) or +1 781 575 4328 (from outside the United States), or on written request to the ADR Depository.

Results announcements

Expected announcements of results:

1st quarter	29 July 1999
2nd quarter and half year	11 November 1999
3rd quarter and nine months	February 2000
4th quarter and full year	May 2000
2000 annual report and accounts published	June 2000

ShareGift

The Orr Mackintosh Foundation operates a charity share donation scheme for shareholders with small parcels of shares whose value makes it uneconomic to sell them. Details of the scheme can be obtained from the BT Shareholder Helpline. Information is also available on the ShareGift Internet site www.sharegift.org

Exchange rates

BT publishes its consolidated financial statements expressed in pounds sterling. The following table details certain information concerning the exchange rates between pounds sterling and US dollars based on the noon buying rate in New York City for cable transfers in pounds sterling as certified for customs purposes by the Federal Reserve Bank of New York (the Noon Buying Rate).

YEARS ENDED 31 MARCH	1995	1996	1997	1998	1999
Period end	1.62	1.53	1.64	1.68	1.61
Average (a)	1.57	1.52	1.60	1.65	1.65
High	1.64	1.56	1.71	1.70	1.72
Low	1.46	1.50	1.49	1.58	1.60

(a) The average of the Noon Buying Rates in effect on the last day of each month during the relevant period.

On 18 May 1999, the most recent practicable date for this annual report, the Noon Buying Rate was US\$1.62 to £1.00.

Taxation (US Holders)

This is a summary only of the principal US federal income tax and UK tax consequences to beneficial owners of ADSs who either are resident in the United States or hold ordinary shares or ADSs as assets effectively connected with a US trade or business (US Holders). It is not a complete analysis or listing of all potential tax consequences of the purchase, ownership and disposal of ordinary shares or ADSs.

Investors are advised to consult their tax advisers with respect to the tax consequences of their holdings, including the consequences under applicable state and local laws. The statements of UK and US tax laws and practices set out below are based on the laws in force and as interpreted by the relevant taxation authorities as of the date of this annual report. The statements are subject to changes occurring after that date in UK or US law or practice, in the interpretation thereof by the relevant taxation authorities, or in any double taxation convention between the United States and the UK.

In particular, this summary is based on the current convention between the United States and the UK for the avoidance of double taxation with respect to taxes on income and capital gains (the Treaty) and the US Internal Revenue Code of 1986, as amended. The Treaty is currently under renegotiation.

Taxation of dividends

For dividends paid on or before 5 April 1999, US Holders were generally entitled to receive the cash dividend plus a Treaty payment from the Inland Revenue of one quarter of the dividend, subject to a UK withholding tax of 15% of the aggregate amount paid. As an example for illustration purposes only, a US Holder who was entitled to a dividend of £80 was also entitled to a Treaty payment of £20, reduced by the withholding tax of 15% on the gross amount of £100, i.e. £15, leaving a net cash payment of £85. The full dividend plus the full Treaty payment including the UK tax withheld was taxable income for US purposes, and the US tax withheld generally was available as a US credit or deduction.

For dividends paid on or after 6 April 1999, the Treaty payment reduces to one ninth of the dividend (i.e. one tenth of the gross payment). As a result of the UK withholding tax (which cannot exceed the amount of the hypothetical Treaty payment), US Holders will no longer receive any Treaty payment. In the above example, the cash dividend would be £80, and the hypothetical Treaty payment would be £8.89 (one ninth of £80). However, since the UK withholding tax (15% of £88.89) would exceed the amount of the hypothetical Treaty payment, no Treaty payment will be made and the US Holder will receive only the cash dividend (here, £80). A US Holder will be taxable in the US on the full dividend and full hypothetical Treaty payment (£88.89), and will be treated as having paid a foreign tax equal to the hypothetical Treaty payment (here, £8.89). The foreign tax deemed paid generally will be available as a US credit or deduction.

For US federal income tax purposes, a distribution will be treated as ordinary dividend income to the extent paid out of current or accumulated earnings and profits, and thereafter as return of capital. Dividends paid by the company will not be eligible for the US dividends received deduction. The amount of any dividend paid in pounds sterling will equal its US dollar value based on the spot rate in effect on the date the dividend is received. Additional gain or loss resulting from a subsequent conversion or other disposition of the pounds sterling will be ordinary income or loss.

Taxation of capital gains

Unless a US resident carries on a trade through a branch or agency in the UK, and the disposal of ordinary shares and/or ADSs is related to the activities of that trade, UK capital gains tax is not charged on US residents who dispose of ordinary shares and/or ADSs.

For US federal income tax purposes, a US Holder will recognise a gain or loss on the sale or other disposition of shares or ADSs. Such gain or loss will be a capital gain or loss if the shares or ADSs disposed of are held as capital assets. Capital gains of an individual US Holder are subject to US tax at preferential rates if specified holdings periods are met.

US information reporting and back-up withholding

Dividends paid on and proceeds received from the sale or disposition of ordinary shares or ADSs may be subject to information reporting to the IRS and back-up withholding at a 31% rate. Back-up withholding will not apply, however, to a holder who provides a correct taxpayer identification number or certificate of foreign status and makes any other required certification or who is otherwise exempt.

UK stamp duty

A transfer for value of an ordinary share will generally be subject to UK stamp duty or to UK stamp duty reserve tax. No UK stamp duty will be payable on the transfer of an ADS, provided that the separate instrument of transfer is not executed in, and always remains outside, the UK.

Inheritance and gift taxes

US-domiciled holders of ordinary shares and ADSs generally will not be subject to UK inheritance tax on a gift of ordinary shares and/or ADSs if the gift would be subject to US federal gift tax. Similarly, ordinary shares and/or ADSs passing on the death of a US-domiciled shareholder generally will not be subject to UK inheritance tax if the estate would be subject to US estate tax.

Exchange controls and other limitations affecting security holders

There are currently no government laws, decrees or regulations in the United Kingdom that restrict the export or import of capital, including, but not limited to, UK foreign exchange control restrictions, or that affect the remittances of dividends or other payments to non-resident holders of the company's ordinary shares, except as otherwise described in *Taxation (US Holders)* above and except in respect of the government of, or any resident of, Iraq or any person treated as so resident or in respect of the governments of the Federal Republic of Yugoslavia, and of Serbia. There are no limitations under the laws of the United Kingdom restricting the right of non-residents to hold or to vote shares in the company.

Publications

BT produces a series of documents reporting on the company's financial, economic, social and environmental performance. These publications are available to shareholders on request.

Document	Publication date
Annual Review and summary financial statement	June
Annual Report and Form 20-F	June
Report for Shareholders	February and September
Quarterly results releases	February, May, July and November
Historical Cost Financial Statements for the Businesses and Activities (as required by Oftel)	July
Current Cost Financial Statements for the Businesses and Activities, including long-run incremental cost information for the Network Business (as required by Oftel)	September
Group Current Cost Financial Statements	September
Environmental Performance Report	October
Social Report (<i>An issue of responsibility</i>)	June
Statement of Business Practice	June
Sustainability Report	October
Quality of Service Report	May and November

Most documents may be accessed on the Internet at www.bt.com/shares

For printed copies contact the BT Shareholder Helpline on **Freefone 0808 100 4141** or, alternatively, contact **The Registrar** in the UK, **BT North America Inc.** in the United States or **The Toyo Trust & Banking Co. Limited** in Japan at the addresses on page 115.

The Registrar

Lloyds TSB Registrars (450)
The Causeway
Worthing, West Sussex
BN99 6DA, United Kingdom

BT Shareholder Helpline

Tel **Freefone 0808 100 4141**
Fax (01903) 833062

From overseas:
Tel +44 1903 833950
Fax +44 1903 833062

e-mail bt@lloydstsb-registrars.co.uk

BT North America Inc.

Investor Relations
40 East 52nd Street
New York, NY 10022,
United States

Tel 1 800 331 4568
(toll free within the United States and
Canada)
or +1 212 418 7787
(from outside the United States and
Canada)
Fax +1 212 418 7788

ADR Depository

Morgan Guaranty Trust Company
of New York
ADR Service Center
P.O. Box 8205
Boston, MA 02266-8205
United States

Tel 1 800 634 8366 (toll free)
or (781) 575 4328

e-mail adr@jpmorgan.com

BT (Japan) KK

ARK Mori Building
12-32 Akasaka 1-Chome
Minato-Ku, Tokyo 107-6024

Tel (03) 5562 6000

Share Handling Agent in Japan

The Toyo Trust & Banking Co. Limited
Tokyo Office:
10-11 Higashisuna 7-Chome
Koto-Ku, Tokyo 137-8081
(Corporate Agency Department)

Tel (03) 5683 5111

Osaka Office:

6-3 Fushimi-machi 3-Chome
Chuo-Ku, Osaka 541-8502
(Corporate Agency Department)

Tel (06) 222 3111

Shareholder enquiries

Lloyds TSB Registrars maintain BT's
share register and the separate BT
Employee Share Ownership Scheme
register. They also provide a BT
Shareholder Helpline service.

Shareholders should contact the
Registrar (details above) if they have any
enquiries about their shareholding.

General enquiries

British Telecommunications plc
BT Centre
81 Newgate Street
London EC1A 7AJ
United Kingdom

Tel (0171) 356 5000
Fax (0171) 356 5520

From overseas:
Tel +44 171 356 5000
Fax +44 171 356 5520

A full list of BT contacts, and an
electronic feedback facility, is available
at **www.bt.com/talk**

