

May 19, 2005

PRELIMINARY RESULTS – YEAR TO MARCH 31, 2005

FOURTH QUARTER HIGHLIGHTS

- Group turnover up 2 per cent at £4,870 million
- New wave turnover of £1,367 million up 27 per cent
- Profit before taxation, goodwill amortisation and exceptional items of £557 million, up 21 per cent
- Earnings per share before goodwill amortisation and exceptional items up 26 per cent at 4.9 pence
- Net debt of £7,786 million, £639 million lower than previous year
- Acquisitions of Infonet and Albacom successfully completed
- Broadband end users now more than 5 million with a record 825,000 DSL connections in the quarter

FULL YEAR HIGHLIGHTS

- Group turnover up 1 per cent (up 2 per cent excluding the impact of acquisitions and mobile termination rate reductions) at £18,623 million
- New wave turnover of £4,471 million up 32 per cent
- Global Services generated its first full year operating profit, at £7 million, an improvement of £112 million
- Profit before taxation, goodwill amortisation and exceptional items of £2,085 million, up 4 per cent
- Earnings per share before goodwill amortisation and exceptional items of 18.1 pence, up 7 per cent
- Full year dividend of 10.4 pence per share, up 22 per cent
- Free cash flow before acquisitions, disposals and dividends of £2,282 million, up 10 per cent

The full profit and loss account, cash flow statement and balance sheet, drawn up in accordance with UK generally accepted accounting principles, from which this information is extracted are set out on pages 16 to 21.

Chairman's statement

Sir Christopher Bland, Chairman, commenting on the full year results, said:

“The financial results for the full year reflect the continuing strong trends that we have seen during the year. New wave revenues have grown by 32 per cent to £4.5 billion and now represent nearly a quarter of our business. Earnings per share before goodwill amortisation and exceptional items of 18.1 pence have more than doubled over the past three years. We have again generated free cash flow of more than £2 billion and reduced net debt to below £8 billion, a level with which we are comfortable. Net debt is now more than £20 billion lower than in 2001. The transformation of our business is reflected in our financial results.

“I am particularly pleased to announce a full year dividend of 10.4 pence per share, which is 22 per cent higher than last year. This shows our continued commitment to improving shareholder returns whilst building for the future.”

Chief Executive's statement

Ben Verwaayen, Chief Executive, commenting on the fourth quarter results, said:

“This has been an excellent quarter to end an exciting year.

“We have now delivered five consecutive quarters of underlying revenue growth and twelve consecutive quarters of growth in underlying earnings per share*. These are great results and we expect to see the overall revenue trends continuing.

“We have more than doubled the number of broadband DSL connections in the year, hit the 5 million target a year early and are increasing broadband speeds by up to four times.

“Our global networked IT services business is building strongly and with purpose. We have successfully completed the acquisitions of Albacom, Infonet and Radianz, extending our global reach still further. Even after excluding the effect of acquisitions, our Global Services' revenues grew by 10 per cent in the quarter. Our ICT order intake was a record £3.8 billion in the quarter and takes orders for the year to more than £7 billion. This is a profitable business today and we expect it to continue to grow.

“We are delivering value through transforming the business and are confident that our strategy will continue to deliver value in the future.”

*before goodwill amortisation, exceptional items and leaver costs

**RESULTS FOR THE FOURTH QUARTER AND YEAR ENDED
MARCH 31, 2005**

	Fourth quarter			Year		
	2005 £m	2004 £m	Better (worse) %	2005 £m	2004 £m	Better (worse) %
Group turnover	4,870	4,787	2	18,623	18,519	1
EBITDA						
- before exceptional items and leaver costs	1,527	1,561	(2)	5,870	6,015	(2)
- before exceptional items	1,483	1,412	5	5,704	5,813	(2)
Profit before taxation						
- before goodwill, exceptional items and leaver costs	601	608	(1)	2,251	2,215	2
- before goodwill and exceptional items	557	459	21	2,085	2,013	4
- after goodwill and exceptional items	570	423	35	2,343	1,945	20
Earnings per share						
- before goodwill, exceptional items and leaver costs	5.2p	5.1p	2	19.5p	18.5p	5
- before goodwill and exceptional items	4.9p	3.9p	26	18.1p	16.9p	7
- after goodwill and exceptional items	5.1p	3.5p	46	21.4p	16.4p	30
Capital expenditure	744	844	12	3,011	2,673	(13)
Free cash flow	1,144	819	40	2,282	2,071	10
Net debt				7,786	8,425	8

The commentary focuses on the results before goodwill amortisation and exceptional items. This is consistent with the way that financial performance is measured by management and we believe allows a meaningful comparison to be made of the trading results of the group.

As noted in the first quarter, the results have been restated to reflect the requirements of UITF Abstract 38 'Accounting for ESOP trusts' and the related amendments to UITF Abstract 17 (revised 2003) 'Employee Share Schemes' which the group has adopted (see note 1). This restatement results in an additional operating profit charge of £3 million for the year and £nil for the quarter ended March 31, 2004.

The full profit and loss account, cash flow statement and balance sheet are provided on pages 16 to 21. A reconciliation of EBITDA to group operating profit is provided on page 29.

GROUP RESULTS

Fourth quarter ended March 31, 2005

Turnover was 2 per cent higher at £4,870 million with strong growth of new wave turnover and the impact of acquisitions more than offsetting the decline in traditional turnover. The revenue of £111 million generated from the acquisitions of Albacom and Infonet in the fourth quarter substantially offset the impact of regulatory reductions to mobile termination rates, which have no impact on profitability. Earnings per share before goodwill amortisation and exceptional items increased by 26 per cent to 4.9 pence, helped by lower lever costs in the quarter.

The strong growth in new wave turnover continued and at £1,367 million was 27 per cent higher than last year. New wave turnover accounted for 28 per cent of the group's turnover compared to 23 per cent in the fourth quarter of last year. New wave turnover is mainly generated from Information and Communications Technology (ICT), broadband and mobility. ICT turnover grew by 15 per cent to £916 million. Broadband turnover increased by 77 per cent to £292 million. Mobility turnover at £58 million achieved growth of 45 per cent.

Turnover from the group's traditional businesses declined by 9 per cent (5 per cent excluding the impact of reductions to mobile termination rates). This continued decline reflects regulatory intervention, competition, price reductions and also technological changes that we are using to drive customers from traditional services to new wave services, such as broadband and Internet Protocol Virtual Private Networks (IPVPN).

Total consumer turnover in the fourth quarter was 6 per cent lower (5 per cent lower excluding the impact of reductions to mobile termination rates). New wave consumer turnover increased by 81 per cent, driven by the continuing growth of broadband and mobility. Residential broadband connections almost doubled to 1,330,000 at March 31, 2005 and mobility connections increased by more than four fold to 187,000 at March 31, 2005 from 41,000 last year. In February 2005 we announced that our broadband customers would be able to receive broadband at speeds of up to 2Mbit/s (up to four times faster) at no extra cost.

Traditional consumer turnover declined 11 per cent year on year reflecting the continued impact of Carrier Pre-Selection (CPS) and broadband substitution. There are now 17.6 million BT Together customers and the number of customers on the frequent user packages continues to grow. BT Together Option 2 increased by 8 per cent to 1.3 million and Option 3, which offers unlimited UK fixed line calls, increased by 80 per cent against last year to 582,000 by March 31, 2005, an increase of 5 per cent in the quarter.

The underlying 12 month rolling average revenue per consumer household (net of mobile termination charges) of £256 declined by £3 compared to last quarter, with increased broadband volumes more than offset by lower call revenues. Contracted revenues increased by 2 percentage points to 63 per cent compared to last quarter, 5 percentage points higher than last year.

Turnover from smaller and medium sized businesses declined by 8 per cent (6 per cent excluding the impact of reductions to mobile termination rates). New wave turnover grew by 13 per cent supported by the 40 per cent growth in Business Broadband customers to 347,000 and the continued growth in mobility. The number of BT Business Plan locations increased by 67 per cent against last year to 445,000 by March 31, 2005, an increase of 6 per cent in the quarter.

Major corporate (UK and international) turnover excluding the impact of acquisitions was steady with strong growth in new wave turnover (16 per cent) more than offsetting the decline in traditional services. There is a continued migration from traditional voice only services to managed ICT solutions contracts and an increase in mobility and broadband turnover. The year on year growth in new wave turnover was lower than previous quarters in the year but was measured against a very strong fourth quarter last year which included £77 million of turnover from the NHS contracts. New wave turnover now represents 54 per cent of all major corporate turnover. In addition, Albacom and Infonet generated revenues of £111 million from their acquisition dates in February 2005.

ICT contract wins were a record £3.8 billion in the fourth quarter, including a contract with Reuters expected to be worth up to £1.5 billion over eight and a half years. Total orders of £7.2 billion were achieved over the last twelve months. In addition, long term outsourcing contracts with the former joint venture partners in Albacom were signed in the quarter.

Wholesale (UK and Global Carrier) turnover increased by 12 per cent (22 per cent excluding the impact of reductions to mobile termination rates). UK Wholesale new wave turnover increased by 80 per cent to £207 million, mainly driven by broadband. We reached 5 million broadband DSL lines in early April 2005, a year ahead of our target representing an increase of 126 per cent from March 31, 2004. A new broadband DSL connection was made every 10 seconds of every day in the quarter.

Our estimate of market share by volume of fixed to fixed voice minutes is based on our actual minutes, market data provided by Ofcom and an extrapolation of the historical trends. BT's estimated consumer market share declined by 1.1 percentage points compared to last

quarter to around 62 per cent whilst the estimated business market share declined by 0.4 percentage points to around 41 per cent.

The group has an extensive market research programme conducted by external agencies which focuses on the level and causes of customer dissatisfaction. BT has achieved a 23 per cent reduction in the level of customer dissatisfaction on a compound annual basis over the past three years.

Group operating costs before goodwill amortisation and exceptional items were flat year on year at £4,170 million, although the costs from the acquisitions of Albacom and Infonet were £123 million. Net staff costs before leaver costs increased by £80 million to £955 million due mainly to the additional staff required to service ICT contracts. Leaver costs were £44 million in the quarter (£149 million last year). Payments to other telecommunication operators were £82 million (8 per cent) lower than last year mainly reflecting the impact of the mobile termination rate reductions offset by higher volumes. Other operating costs (excluding goodwill amortisation and exceptional items) increased by £118 million, in line with our expectations. This reflects not only the costs of supporting new ICT contracts, but also investment in new wave activities, including strengthening our networked IT services delivery capabilities outside the UK, higher marketing costs and higher subscriber acquisition costs. These were partly offset by cost savings from our efficiency programmes. Depreciation was flat year on year at £739 million.

Group operating profit before goodwill amortisation and exceptional items increased by 10 per cent to £739 million. Operating profit margins increased by 1.2 percentage points to 15.2 per cent due to the reduction in leaver costs year on year.

Net interest payable before exceptional items was £190 million, an improvement of £32 million against last year reflecting the reduction in the level of net debt.

Profit before taxation, goodwill amortisation and exceptional items of £557 million increased by 21 per cent compared to last year.

The effective tax rate on the profit before goodwill amortisation and exceptional items was 25.7 per cent (26.8 per cent last year). The effective tax rate reflects tax efficient investment of surplus cash and continued improvements in the tax efficiency within the group.

Earnings per share before goodwill amortisation and exceptional items increased by 26 per cent to 4.9 pence.

Full year results ended March 31, 2005

Group turnover increased by 1 per cent to £18,623 million in the year (up 2 per cent excluding the impact of the acquisitions of Albacom and Infonet and reductions to mobile termination rates). New wave turnover grew by 32 per cent to £4,471 million in the year driven by strong growth in ICT solutions and broadband. This strong growth more than offset the decline in traditional turnover of 7 per cent (5 per cent excluding the impact of reductions to mobile termination rates). New wave turnover represents 24 per cent of the group's turnover for the year compared to 18 per cent last year.

We remain focused on financial discipline and our cost efficiency programmes achieved savings of approximately £400 million in the full year. This has enabled us to invest in growing our new wave activities. We aim to deliver at least £300 million to £400 million of savings in each of the next three years.

Group operating profit before goodwill amortisation and exceptional items at £2,864 million for the year was 1 per cent lower than the prior year. This reflects the costs of supporting new networked IT services contracts, investment in new wave activities and higher marketing and subscriber acquisition costs.

BT's share of associates and joint ventures operating profits before goodwill amortisation and exceptional items was £nil (£8 million losses last year).

Net interest payable before exceptional items was £801 million for the year, an improvement of £85 million against last year as a result of the reduction in net debt.

The group achieved a profit before taxation, goodwill amortisation and exceptional items of £2,085 million, a 4 per cent increase, reflecting the lower net interest payable.

The taxation charge for the year was £539 million on the profit before exceptional items and goodwill amortisation, an effective rate of 25.9 per cent (28.2 per cent last year).

Earnings per share before goodwill amortisation and exceptional items were 7 per cent higher at 18.1 pence for the year.

Exceptional items and goodwill

There was a net exceptional profit before taxation of £17 million in the quarter. This includes the £46 million profit on disposal of our interest in Intelsat partially offset by an exceptional property rationalisation charge of £29 million (£59 million for the full year) in relation to the group's provincial office portfolio. This rationalisation programme is expected to continue through next year giving rise to additional rationalisation costs.

Other exceptional items in the full year include the profit on disposal of group investments of £312 million, including Eutelsat and StarHub. This was partly offset by BT's share of an exceptional write down of Albacom's fixed assets (£25 million) in the third quarter.

Goodwill amortisation was £4 million in the quarter (£3 million last year) and £16 million for the full year (£12 million last year).

Earnings per share after goodwill amortisation and exceptional items were 5.1 pence in the quarter (3.5 pence last year) and 21.4 pence for the full year (16.4 pence last year).

Dividends

The Board recommends a final dividend of 6.5 pence per share to shareholders, amounting to £551 million. This will be paid, subject to shareholder approval, on September 5, 2005 to shareholders on the register on August 5, 2005. The ex-dividend date is August 3, 2005.

The full year dividend has increased by 22 per cent to 10.4 pence per share, compared to 8.5 pence last year. This year's dividend pay out ratio is 57 per cent of earnings before goodwill amortisation and exceptional items compared to 50 per cent last year.

We continue with our progressive dividend policy. The dividend for 2005/06 will be at least 60 per cent of underlying earnings: subject to the group's overall financial position, we expect our payout ratio to rise to around two-thirds of underlying earnings by 2007/08.

Cash flow and net debt

Cash inflow from operating activities in the fourth quarter amounted to £2,074 million compared to £1,568 million last year, benefiting from a reduction in working capital. Last year's cash inflow was net of deficiency contributions to the BT Pension Scheme of £380 million. The full year cash inflow from operating activities was £5,898 million compared to £5,389 million last year.

Returns on investments and servicing of finance is a net cash outflow of £101 million in the fourth quarter compared to a net inflow of £148 million last year. This reflects the receipt of funds in the fourth quarter of last year on restructuring part of the group's hedging swap portfolio partly offset by the lower net debt this year.

The net cash outflow on fixed asset purchases and sales was £673 million in the fourth quarter which compares to £765 million last year due mainly to the consideration from the disposal of fixed asset investments and lower capital expenditure in the fourth quarter this year.

BT's plans for its 21st century network (21CN) remain on track. Having consulted widely with leading vendors, operators and customers, the detailed planning and design work is well advanced to support 21CN implementation. Technical trials are progressing well.

Through Consult21, we are giving wholesale customers an opportunity to input and influence 21CN development. In April 2005 we announced a final list of eight preferred suppliers after two years of discussions and negotiations. This has been an extremely competitive process in what is one of the largest single procurement programmes ever undertaken in the communications industry. We expect to conclude the commercial agreements over the summer, which will include open standards and a focus on whole life costs.

Free cash flow was a net inflow of £1,144 million in the fourth quarter compared to £819 million last year mainly reflecting a strong working capital reduction. Free cash flow for the full year was a net inflow of £2,282 million compared to £2,071 million last year. The inflow includes the proceeds from the sale of fixed asset investments of £537 million.

The net cash outflow from acquisitions was £418 million in the quarter and relates mainly to Infonet and Albacom.

The share buyback programme continued with the repurchase of 29 million shares for £60 million, with a cash outflow of £63 million in the quarter, taking the full year share repurchase to 101 million shares for £195 million.

Net debt continued to improve and was £7,786 million at March 31, 2005, £639 million below the level at March 31, 2004. This is a level with which we are comfortable and we are no longer targeting net debt of around £7 billion in 2006/07.

Pensions

The FRS17 position at March 31, 2005 showed a deficit of £3.3 billion, net of tax, being a reduction of £0.3 billion since March 31, 2004.

Post balance sheet events

In March 2005 BT agreed to acquire Radianz, the leading financial services extranet provider, from Reuters for consideration of £107 million for the business including the cash on the balance sheet, subject to working capital adjustments, at completion date. Regulatory clearance was received in April and the transaction completed on April 29, 2005.

International Financial Reporting Standards

We estimate the pro forma impact of adopting IFRS on the 2004/05 reported UK GAAP results would have been negligible on the underlying profit before tax, and underlying earnings per share. However, due to the inherent volatilities introduced by IFRS, no such statement can be made in respect of future years. These estimates exclude the mark-to-market effects of IAS 39 on financial instruments which we are not required to apply until April 1, 2005.

The Annual Report and Form 20-F is expected to be published on June 1, 2005. The Annual General Meeting of BT Group plc will be held at the Harrogate International Centre, Harrogate on July 13, 2005.

BT Retail

	Fourth quarter ended March 31				Year ended March 31	
	2005	2004*	Better (worse)		2005	2004*
	£m	£m	£m	%	£m	£m
Group turnover	<u>3,221</u>	<u>3,376</u>	(155)	(5)	<u>12,562</u>	<u>12,940</u>
Gross margin	838	876	(38)	(4)	3,300	3,517
Sales, general and administration costs	<u>505</u>	<u>571</u>	66	12	<u>2,051</u>	<u>2,123</u>
EBITDA	333	305	28	9	1,249	1,394
Depreciation	<u>33</u>	<u>36</u>	3	8	<u>129</u>	<u>162</u>
Operating profit	<u>300</u>	<u>269</u>	31	12	<u>1,120</u>	<u>1,232</u>
Operating profit before leaver costs	<u>315</u>	<u>351</u>	(36)	(10)	<u>1,187</u>	<u>1,344</u>
Capital expenditure	<u>50</u>	<u>46</u>	(4)	(9)	<u>154</u>	<u>118</u>

*Restated to reflect changes in intra-group trading arrangements.

New wave turnover grew by 17 per cent but was more than offset by the traditional turnover decline of 11 per cent. Overall turnover declined by 5 per cent (3 per cent excluding the impact of reductions to mobile termination rates).

BT Retail turnover	Fourth quarter ended March 31				Year ended March 31	
	2005	2004*	Better (worse)		2005	2004*
	£m	£m	£m	%	£m	£m
Voice Services	1,925	2,165	(240)	(11)	8,054	8,906
Intermediate Products	<u>425</u>	<u>465</u>	(40)	(9)	<u>1,728</u>	<u>1,868</u>
Traditional	<u>2,350</u>	<u>2,630</u>	(280)	(11)	<u>9,782</u>	<u>10,774</u>
ICT	631	594	37	6	1,978	1,734
Broadband	163	101	62	61	541	307
Mobility	51	34	17	50	184	84
Other	<u>26</u>	<u>17</u>	9	53	<u>77</u>	<u>41</u>
New Wave	<u>871</u>	<u>746</u>	125	17	<u>2,780</u>	<u>2,166</u>
Total	<u>3,221</u>	<u>3,376</u>	(155)	(5)	<u>12,562</u>	<u>12,940</u>
Sales to other BT businesses incl. above	137	140	(3)	(2)	447	338

*Restated to reflect changes in intra-group trading arrangements.

Turnover from voice services was 11 per cent lower than last year (9 per cent excluding the impact of reductions to mobile termination rates). The reduction includes the effects of the highest migration to broadband in a quarter with a 35 per cent fall in dial up internet minutes, a 5 per cent decline in the overall fixed to fixed calls market and a reduction in market share reflecting regulatory and competitive pressure.

Turnover from intermediate products decreased by 9 per cent compared to last year mainly driven by the continued decline in private circuits and ISDN as customers migrate to new wave products including broadband and IPVPN.

BT Retail's new wave turnover increased by 17 per cent compared to the strong quarter of last year and accounted for 27 per cent of BT Retail's total turnover in the quarter, up from 22 per cent last year.

ICT turnover increased by 6 per cent compared to the fourth quarter of last year, which had benefited from high initial revenues from the NHS contracts, reflecting strong growth compared to the overall market.

Broadband turnover grew by 61 per cent to £163 million. The growth of broadband has accelerated with 1,752,000 BT Retail connections at March 31, 2005, an increase of 18 per cent in the quarter. Net additions of 261,000 in the quarter included the impact of BT Yahoo!'s successful narrowband upgrade programme and results in a 29 per cent share of the broadband DSL market additions in the full year and 32 per cent in the quarter.

Turnover from mobility services increased by 50 per cent to £51 million. BT Mobile had over 372,000 contract mobile connections at March 31, 2005, increasing the customer base in the quarter by 9 per cent. We plan to launch Project Bluephone shortly, a converged mobile service, enabling customers to use a single device that can switch seamlessly between fixed and mobile networks.

BT Openzone has grown significantly this year with paid minutes across the network almost four times higher and the number of access sites is now over 20,000 worldwide.

Other new wave turnover has grown by 53 per cent, primarily driven by revenues from BT Phone Books (now covering 171 different regions) increasing to £22 million.

Gross margin remained flat at 26 per cent compared to last year with improved broadband margins offset by the changing mix between traditional business and new wave services.

Cost transformation programmes contributed to SG&A savings of £21 million in the traditional business. However, against this £23 million more was invested in new wave activities (including new entertainment products and mobility convergence products). Leaver costs of £15 million were incurred in the quarter, significantly below the £82 million incurred in the fourth quarter last year.

Overall these results led to an operating profit in the quarter of £300 million which is 12 per cent higher than last year.

BT Wholesale

	Fourth quarter ended March 31				Year ended March 31	
	2005 £m	2004* £m	Better (worse) £m %		2005 £m	2004* £m
External turnover	965	871	94	11	3,812	3,473
Internal turnover	<u>1,273</u>	<u>1,348</u>	(75)	(6)	<u>5,167</u>	<u>5,410</u>
Group turnover	2,238	2,219	19	1	8,979	8,883
Variable cost of sales	<u>509</u>	<u>521</u>	12	2	<u>2,162</u>	<u>2,092</u>
Gross variable profit	1,729	1,698	31	2	6,817	6,791
Network and SG&A costs	<u>756</u>	<u>769</u>	13	2	<u>2,968</u>	<u>2,989</u>
EBITDA	973	929	44	5	3,849	3,802
Depreciation	<u>484</u>	<u>491</u>	7	1	<u>1,909</u>	<u>1,919</u>
Operating profit	<u>489</u>	<u>438</u>	51	12	<u>1,940</u>	<u>1,883</u>
Operating profit before leaver costs	<u>492</u>	<u>480</u>	12	3	<u>1,985</u>	<u>1,929</u>
Capital expenditure	<u>440</u>	<u>544</u>	104	19	<u>1,973</u>	<u>1,809</u>

*Restated to reflect changes in intra-group trading arrangements.

Wholesale turnover for the quarter of £2,238 million was 1 per cent higher. External turnover of £965 million increased by 11 per cent (underlying growth being 21 per cent excluding the impact of regulatory reductions to mobile termination rates). The growth continues to be driven by new wave services, mainly broadband and managed services, up 80 per cent to £207 million.

The impact of regulatory reductions on November 30, 2004, to interconnect prices and private circuits for mobile operators has continued this quarter reducing external turnover by £27 million.

Internal turnover declined by 6 per cent to £1,273 million reflecting the impact of lower volumes of calls, lines and private circuits, and lower regulatory prices being reflected in internal charges.

Gross variable profit of £1,729 million is 2 per cent higher than the fourth quarter last year reflecting volume increases and a favourable change in sales mix.

A combination of cost reductions, higher turnover and the phasing of leaver costs has resulted in the EBITDA increase of 5 per cent and operating profit increase of 12 per cent in the quarter. Cost savings for the full year have more than offset higher activity levels in the network, driven by broadband.

Capital expenditure in the quarter is 19 per cent lower but for the full year is 9 per cent higher than last year as a result of expenditure to support the rapid growth in broadband and the transformation of the group's network.

BT Global Services

	Fourth quarter ended March 31				Year ended March 31	
	2005	2004*	Better (worse)		2005	2004*
	£m	£m	£m	%	£m	£m
Group turnover	1,928	1,649	279	17	6,381	5,782
EBITDA	201	163	38	23	580	508
Operating profit (loss)	47	7	40	n/m	7	(105)
Operating profit (loss) before leaver costs	62	21	41	195	40	(72)
Capital expenditure	164	160	(4)	(3)	628	479

*Restated to reflect changes in intra-group trading arrangements.

See note 2 for additional detail.

Turnover for the quarter rose by 17 per cent to £1,928 million, including £111 million of turnover from the acquired businesses, Albacom and Infonet. Excluding acquisitions, turnover grew strongly by 10 per cent. Solutions turnover grew by 20 per cent reflecting the conversion of the continued strong order book. Consulting and Systems Integration (C&SI) revenues showed a decrease of 8 per cent due to very high initial NHS contract turnover in the fourth quarter of last year. C&SI growth excluding the NHS contracts was 12 per cent. Solutions and C&SI achieved record orders of £3.8 billion in the quarter which results in orders of £7.2 billion over the last twelve months. Global Products turnover grew by 4 per cent having benefited from continuing growth in Multi Protocol Label Switching (MPLS) products. Global Carrier turnover increased by 1 per cent reflecting the increases in termination revenues in Europe partly offset by the anticipated decline in AT&T revenues.

The increase in turnover, together with lower network and SG&A costs and lower depreciation, generated an operating profit of £47 million in the quarter, representing a £40 million improvement over last year. The acquisitions contributed an operating loss of £10 million in the period. BT Global Services has generated its first ever full year operating profit before goodwill amortisation and exceptional items, at £7 million, which is an improvement of £112 million over last year. Operating costs include the expected increase in resources associated with strengthening the overseas network centric solutions delivery capabilities. We expect the underlying cost efficiency in Global Services to continue to improve.

Capital expenditure in the quarter at £164 million increased by £4 million with underlying reductions offset by expenditure on the NHS contracts. Excluding acquisitions, capital expenditure in the quarter was £8 million lower than last year. Operating free cash flow (EBITDA less capital expenditure) was positive at £37 million, reducing the full year outflow to £48 million.

GROUP PROFIT AND LOSS ACCOUNT
for the three months ended March 31, 2005

(unaudited)	Notes	Before goodwill amortisation and exceptional items £m	Goodwill amortisation and exceptional items (note 4) £m	Total £m
Group turnover	2	4,870	-	4,870
Other operating income		39	-	39
Operating costs	3	<u>(4,170)</u>	<u>(33)</u>	<u>(4,203)</u>
Group operating profit (loss)	2	739	(33)	706
Group's share of operating profits of associates and joint ventures		<u>8</u>	<u>-</u>	<u>8</u>
Total operating profit (loss)		747	(33)	714
Profit on sale of fixed asset investments and group undertakings		-	46	46
Net interest payable	5	<u>(190)</u>	<u>-</u>	<u>(190)</u>
Profit before taxation		557	13	570
Taxation		<u>(143)</u>	<u>8</u>	<u>(135)</u>
Profit after taxation and attributable to shareholders		<u>414</u>	<u>21</u>	<u>435</u>
Earnings per share	7			
- basic		<u>4.9p</u>		<u>5.1p</u>
- diluted		<u>4.8p</u>		<u>5.1p</u>

GROUP PROFIT AND LOSS ACCOUNT
for the three months ended March 31, 2004

(unaudited, restated – see note 1)	Notes	Before goodwill amortisation and exceptional items £m	Goodwill amortisation and exceptional items (note 4) £m	Total £m
Group turnover	2	4,787	-	4,787
Other operating income		44	-	44
Operating costs	3	<u>(4,160)</u>	<u>(10)</u>	<u>(4,170)</u>
Group operating profit (loss)	2	671	(10)	661
Group's share of operating losses of associates and joint ventures		<u>(6)</u>	<u>(26)</u>	<u>(32)</u>
Total operating profit (loss)		665	(36)	629
Profit on sale of fixed asset investments and group undertakings		4	-	4
Profit on sale of property fixed assets		12	-	12
Net interest payable	5	<u>(222)</u>	<u>-</u>	<u>(222)</u>
Profit (loss) before taxation		459	(36)	423
Taxation		<u>(123)</u>	<u>2</u>	<u>(121)</u>
Profit (loss) after taxation		336	(34)	302
Minority interests		<u>1</u>	<u>-</u>	<u>1</u>
Profit (loss) attributable to shareholders		<u>337</u>	<u>(34)</u>	<u>303</u>
Earnings per share	7			
- basic		<u>3.9p</u>		<u>3.5p</u>
- diluted		<u>3.9p</u>		<u>3.5p</u>

GROUP PROFIT AND LOSS ACCOUNT
for the year ended March 31, 2005

	Notes	Before goodwill amortisation and exceptional items £m	Goodwill amortisation and exceptional items (note 4) £m	Total £m
Group turnover	2	18,623	-	18,623
Other operating income		171	-	171
Operating costs	3	<u>(15,930)</u>	<u>(75)</u>	<u>(16,005)</u>
Group operating profit (loss)	2	2,864	(75)	2,789
Group's share of operating losses of associates and joint ventures		<u>-</u>	<u>(25)</u>	<u>(25)</u>
Total operating profit (loss)		2,864	(100)	2,764
Profit on sale of fixed asset investments and group undertakings		-	358	358
Profit on sale of property fixed assets		22	-	22
Net interest payable	5	<u>(801)</u>	<u>-</u>	<u>(801)</u>
Profit before taxation		2,085	258	2,343
Taxation		<u>(539)</u>	<u>16</u>	<u>(523)</u>
Profit after taxation		1,546	274	1,820
Minority interests		<u>1</u>	<u>-</u>	<u>1</u>
Profit attributable to shareholders		<u>1,547</u>	<u>274</u>	1,821
Dividends	6			<u>(883)</u>
Retained profit for the period				<u>938</u>
Earnings per share	7			
- basic		<u>18.1p</u>		<u>21.4p</u>
- diluted		<u>18.0p</u>		<u>21.2p</u>

GROUP PROFIT AND LOSS ACCOUNT
for the year ended March 31, 2004

(restated – see note 1)	Notes	Before goodwill amortisation and exceptional items £m	Goodwill amortisation and exceptional items (note 4) £m	Total £m
Group turnover	2	18,519	-	18,519
Other operating income		177	-	177
Operating costs	3	<u>(15,807)</u>	<u>(19)</u>	<u>(15,826)</u>
Group operating profit (loss)	2	2,889	(19)	2,870
Group's share of operating losses of associates and joint ventures		<u>(8)</u>	<u>(26)</u>	<u>(34)</u>
Total operating profit (loss)		2,881	(45)	2,836
Profit on sale of fixed asset investments and group undertakings		4	32	36
Profit on sale of property fixed assets		14	-	14
Net interest payable	5	<u>(886)</u>	<u>(55)</u>	<u>(941)</u>
Profit (loss) before taxation		2,013	(68)	1,945
Taxation		<u>(568)</u>	<u>29</u>	<u>(539)</u>
Profit (loss) after taxation		1,445	(39)	1,406
Minority interests		<u>8</u>	<u>-</u>	<u>8</u>
Profit (loss) attributable to shareholders		<u>1,453</u>	<u>(39)</u>	1,414
Dividends	6			<u>(732)</u>
Retained profit for the period				<u>682</u>
Earnings per share	7			
- basic		<u>16.9p</u>		<u>16.4p</u>
- diluted		<u>16.8p</u>		<u>16.3p</u>

GROUP CASH FLOW STATEMENT
for the three months and year ended March 31, 2005

	Fourth quarter ended March 31		Year ended March 31	
	2005 <i>(unaudited)</i>	2004	2005	2004
	£m	£m	£m	£m
Net cash inflow from operating activities* (note 8)	2,074	1,568	5,898	5,389
Dividends from associates and joint ventures	1	-	2	3
Net cash (outflow) inflow for returns on investments and servicing of finance**	(101)	148	(878)	(527)
Taxation paid	(157)	(132)	(332)	(317)
Purchase of tangible fixed assets	(744)	(802)	(3,056)	(2,684)
Net sale of fixed asset investments	62	4	537	131
Sale of tangible fixed assets	9	33	111	76
Net cash outflow for capital expenditure and financial investments	(673)	(765)	(2,408)	(2,477)
Free cash inflow before acquisitions, disposals and dividends	1,144	819	2,282	2,071
Acquisitions	(418)	(33)	(453)	(61)
Disposals	-	-	35	1
Net cash outflow for acquisitions and disposals	(418)	(33)	(418)	(60)
Equity dividends paid	(330)	(277)	(784)	(645)
Cash inflow before use of liquid resources and financing	396	509	1,080	1,366
Management of liquid resources	33	857	587	1,123
Repurchase of ordinary share capital	(63)	(86)	(193)	(144)
New loans	5	6	5	1,326
Repayment of loans	(126)	(1,475)	(1,297)	(3,627)
Net cash outflow from financing	(184)	(1,555)	(1,485)	(2,445)
Increase (decrease) in cash	<u>245</u>	<u>(189)</u>	<u>182</u>	<u>44</u>
Decrease in net debt from cash flows (note 9)	<u>333</u>	<u>423</u>	<u>887</u>	<u>1,222</u>

* Net of deficiency and special pension contributions

- (380) (6) (742)

** Including additional interest (payments) receipts on restructuring currency swap portfolio

2 303 (65) 420

GROUP BALANCE SHEET
at March 31, 2005

	March 31 2005 £m	<i>March 31</i> <i>2004</i> <i>(restated*)</i> £m
Fixed assets		
Intangible assets	623	204
Tangible assets	15,916	15,487
Investments	<u>115</u>	<u>324</u>
	16,654	16,015
Current assets		
Stocks	106	89
Debtors	5,387	5,189
Investments	4,597	5,163
Cash at bank and in hand	<u>206</u>	<u>109</u>
	<u>10,296</u>	<u>10,550</u>
Creditors: amounts falling due within one year		
Loans and other borrowings	4,498	1,271
Other creditors	<u>7,963</u>	<u>7,252</u>
	<u>12,461</u>	<u>8,523</u>
Net current (liabilities) assets	<u>(2,165)</u>	<u>2,027</u>
Total assets less current liabilities	<u>14,489</u>	<u>18,042</u>
Creditors: amounts falling due after more than one year		
Loans and other borrowings	8,091	12,426
Provisions for liabilities and charges	2,497	2,504
Minority interests	50	46
Capital and reserves (note 10)		
Called up share capital	432	432
Reserves	3,419	2,634
Total equity shareholders' funds	<u>3,851</u>	<u>3,066</u>
	<u>14,489</u>	<u>18,042</u>

*See note 1 for details of restatement.

NOTES

1 Basis of preparation

The preliminary results of BT Group, which are not statutory accounts, have been prepared on the basis of the accounting policies as set out in the Report and Accounts of BT Group plc for the year ended March 31, 2004, except that during the year ended March 31, 2005, the group has adopted UITF Abstract 38 'Accounting for ESOP trusts' and the related amendments to UITF Abstract 17 (revised 2003) 'Employee Share Schemes'. UITF 38 changes the presentation of an entity's own shares held in an ESOP trust from previously being held as assets to being deducted in arriving at shareholders' funds. UITF 17 (revised 2003) requires the amounts recognised in the profit and loss account in respect of share awards to be based on the fair value of shares at the date the award is made, rather than the previous treatment of being based on the book value of shares held in the ESOP trusts.

An additional charge of £3 million for the year ended March 31, 2004 has been made to the group profit and loss account. The effect on the group's balance sheet at March 31, 2004 has been to reduce fixed assets by £53 million, to reduce other creditors by £25 million and to reduce shareholders' funds by £28 million. There was no effect in the quarter to March 31, 2004.

Financial information for the years ended 31 March 2005 and 2004 is derived from the group accounts for those years. The group accounts for the year ended March 31, 2005, on which the auditors issued an unqualified report which did not contain a statement under Section 237 (2) or (3) of the Companies Act 1985, were approved by the Board of Directors on May 18, 2005, and have not yet been delivered to the Registrar of Companies but are expected to be published on June 1, 2005.

2 Results of businesses

(a) Operating results

	External Turnover £m	Internal turnover £m	Group Turnover £m	Group operating profit (loss) (ii) £m	EBITDA (ii) £m
<i>Fourth quarter ended</i>					
<i>March 31, 2005</i>					
BT Retail	3,084	137	3,221	300	333
BT Wholesale	965	1,273	2,238	489	973
BT Global Services	815	1,113	1,928	47	201
Other	6	-	6	(97)	(24)
Intra-group items (i)	-	<u>(2,523)</u>	<u>(2,523)</u>	-	-
Total	<u>4,870</u>	<u>-</u>	<u>4,870</u>	<u>739</u>	<u>1,483</u>
<i>Fourth quarter ended</i>					
<i>March 31, 2004</i>					
<i>(restated – see note 1)</i>					
BT Retail	3,236	140	3,376	269	305
BT Wholesale	871	1,348	2,219	438	929
BT Global Services	665	984	1,649	7	163
Other	15	-	15	(43)	15
Intra-group items (i)	-	<u>(2,472)</u>	<u>(2,472)</u>	-	-
Total	<u>4,787</u>	<u>-</u>	<u>4,787</u>	<u>671</u>	<u>1,412</u>
<i>Year ended</i>					
<i>March 31, 2005</i>					
BT Retail	12,115	447	12,562	1,120	1,249
BT Wholesale	3,812	5,167	8,979	1,940	3,849
BT Global Services	2,671	3,710	6,381	7	580
Other	25	-	25	(203)	26
Intra-group items (i)	-	<u>(9,324)</u>	<u>(9,324)</u>	-	-
Total	<u>18,623</u>	<u>-</u>	<u>18,623</u>	<u>2,864</u>	<u>5,704</u>
<i>Year ended</i>					
<i>March 31, 2004</i>					
<i>(restated – see note 1)</i>					
BT Retail	12,602	338	12,940	1,232	1,394
BT Wholesale	3,473	5,410	8,883	1,883	3,802
BT Global Services	2,410	3,372	5,782	(105)	508
Other	34	1	35	(121)	109
Intra-group items (i)	-	<u>(9,121)</u>	<u>(9,121)</u>	-	-
Total	<u>18,519</u>	<u>-</u>	<u>18,519</u>	<u>2,889</u>	<u>5,813</u>

(i) Elimination of intra-group turnover between businesses, which is included in the total turnover of the originating business.

(ii) Before goodwill amortisation and exceptional items.

2 Results of businesses *continued*

(a) Operating results *continued*

There is extensive trading between BT's lines of business and the line of business profitability is dependent on the transfer price levels. The intra-group trading arrangements are subject to review and were changed with effect from April 1, 2004 in certain circumstances to reflect simplification of internal trading flows and reorganisations within the group. The comparative figures for the lines of business have been restated to reflect these changes but there is no impact at a group level. In addition, the group adopted UITF 38 and UITF 17 (revised 2003) which impacted the comparative figures and is discussed further in note 1.

(b) BT Global Services analysis

	Fourth quarter ended March 31				Year ended March 31	
	2005 £m	2004 £m	Better (worse) £m	%	2005 £m	2004 £m
Group turnover						
Solutions	967	804	163	20	3,202	2,736
C&SI	234	253	(19)	(8)	824	721
Global Products	506	487	19	4	1,897	1,831
Global Carrier	254	252	2	1	981	962
Other and eliminations	(33)	(147)	114	78	(523)	(468)
	<u>1,928</u>	<u>1,649</u>	279	17	<u>6,381</u>	<u>5,782</u>
EBITDA						
Solutions	134	119	15	13	363	337
C&SI	16	17	(1)	(6)	40	37
Global Products	52	36	16	44	159	113
Global Carrier	53	51	2	4	178	163
Other (i)	(54)	(60)	6	10	(160)	(142)
	<u>201</u>	<u>163</u>	38	23	<u>580</u>	<u>508</u>
Operating profit (loss) (ii)						
Solutions	114	100	14	14	284	261
C&SI	14	14	-	-	32	28
Global Products	(36)	(61)	25	41	(202)	(273)
Global Carrier	33	29	4	14	94	74
Other (i)	(78)	(75)	(3)	(4)	(201)	(195)
	<u>47</u>	<u>7</u>	40	n/m	<u>7</u>	<u>(105)</u>

(i) Other is after charging leaver costs of £15m in the fourth quarter (£14m last year) and £33m in the year ended March 31, 2005 (£33m last year). Also included are turnover, EBITDA and operating losses from acquisitions in 2005 of £111m, £8m and £10m, respectively.

(ii) Before goodwill amortisation.

2 Results of businesses *continued*

(c) Group turnover analysis

	Fourth quarter ended March 31				Year ended March 31	
	2005	2004	Better (worse)		2005	2004
	£m	£m	£m	%	£m	£m
Traditional	3,392	3,709	(317)	(9)	14,041	15,132
New wave	1,367	1,078	289	27	4,471	3,387
Albacom and Infonet	111	-	111	n/m	111	-
	<u>4,870</u>	<u>4,787</u>	83	2	<u>18,623</u>	<u>18,519</u>
Consumer	1,382	1,474	(92)	(6)	5,637	5,974
Business	606	660	(54)	(8)	2,464	2,600
Major Corporate	1,760	1,645	115	7	6,101	5,881
Wholesale/Carrier	1,116	993	123	12	4,396	4,030
Other	6	15	(9)	(60)	25	34
	<u>4,870</u>	<u>4,787</u>	83	2	<u>18,623</u>	<u>18,519</u>

Note: New wave includes the external new wave turnover of BT Retail (ICT, broadband, mobility and classified directories), BT Wholesale (broadband and managed services), the external turnover of Global Solutions and C&SI.

Consumer includes the external turnover of BT Retail from consumer customers.

Business includes the external turnover of BT Retail from SME customers.

Major Corporate includes the external turnover of BT Retail from major corporate customers and the external turnover of BT Global Services, with the exception of Global Carrier. Includes £111m turnover from the acquisitions of Albacom and Infonet.

Wholesale/Carrier includes the external turnover of BT Wholesale and Global Carrier.

(d) New wave turnover analysis

	Fourth quarter ended March 31				Year ended March 31	
	2005	2004	Better (worse)		2005	2004
	£m	£m	£m	%	£m	£m
ICT	916	799	117	15	2,987	2,546
Broadband	292	165	127	77	930	491
Mobility	58	40	18	45	205	99
Other	101	74	27	36	349	251
	<u>1,367</u>	<u>1,078</u>	289	27	<u>4,471</u>	<u>3,387</u>

2 Results of businesses *continued*

(e) Capital expenditure on plant, equipment and motor vehicle additions

	Fourth quarter ended March 31		Year ended March 31	
	2005	2004	2005	2004
	£m	£m	£m	£m
BT Retail	50	46	154	118
BT Wholesale				
Access	225	249	1,037	966
Switch	14	17	100	87
Transmission	62	64	230	213
Products/systems support	<u>139</u>	<u>214</u>	<u>606</u>	<u>543</u>
	440	544	1,973	1,809
BT Global Services				
C&SI and Solutions	87	41	261	121
UK Networks	25	39	121	131
Other	<u>52</u>	<u>80</u>	<u>246</u>	<u>227</u>
	164	160	628	479
Other (including fleet vehicles and property)	<u>90</u>	<u>94</u>	<u>256</u>	<u>267</u>
Total	<u>744</u>	<u>844</u>	<u>3,011</u>	<u>2,673</u>

3 Operating costs

	Fourth quarter ended March 31		Year ended March 31	
	2005	2004 (restated)	2005	2004 (restated)
	£m	£m	£m	£m
Net staff costs before leaver costs	955	875	3,563	3,536
Leaver costs	<u>44</u>	<u>149</u>	<u>166</u>	<u>202</u>
Net staff costs	999	1,024	3,729	3,738
Depreciation	739	740	2,834	2,921
Payments to telecommunication operators	891	973	3,725	3,963
Other operating costs	<u>1,541</u>	<u>1,423</u>	<u>5,642</u>	<u>5,185</u>
Total before goodwill amortisation and exceptional items	4,170	4,160	15,930	15,807
Goodwill amortisation	4	3	16	12
Exceptional items	<u>29</u>	<u>7</u>	<u>59</u>	<u>7</u>
Total	<u>4,203</u>	<u>4,170</u>	<u>16,005</u>	<u>15,826</u>

The fourth quarter ended March 31, 2005 included costs of £123m associated with the acquired businesses, Albacom and Infonet. Excluding these, operating costs before goodwill amortisation and exceptional items were £4,047m (2004 - £4,160m).

4 Exceptional items and goodwill amortisation

	Fourth quarter ended March 31		Year ended March 31	
	2005	2004	2005	2004
	£m	£m	£m	£m
Exceptional operating costs	(29)	(7)	(59)	(7)
Impairment of fixed assets of joint ventures	-	(26)	(25)	(26)
Profit on sale of fixed asset investments and group undertakings	46	-	358	32
Net interest payable	-	-	-	(55)
Goodwill amortisation	<u>(4)</u>	<u>(3)</u>	<u>(16)</u>	<u>(12)</u>
Net credit (charge) before tax and minority interests	<u>13</u>	<u>(36)</u>	<u>258</u>	<u>(68)</u>

5 Net interest payable

	Fourth quarter ended March 31		Year ended March 31	
	2005	2004	2005	2004
	£m	£m	£m	£m
Group	257	265	1,043	1,220
Joint ventures and associates	<u>9</u>	<u>5</u>	<u>23</u>	<u>19</u>
Total interest payable	266	270	1,066	1,239
Interest receivable	<u>(76)</u>	<u>(48)</u>	<u>(265)</u>	<u>(298)</u>
Net interest payable	<u>190</u>	<u>222</u>	<u>801</u>	<u>941</u>
Analysed:				
Before exceptional items	190	222	801	886
Exceptional items	<u>-</u>	<u>-</u>	<u>-</u>	<u>55</u>
Total	<u>190</u>	<u>222</u>	<u>801</u>	<u>941</u>

6 Dividends

	Year ended March 31		Year ended March 31	
	2005	2004	2005	2004
	pence per share		£m	£m
Interim dividend	3.90	3.20	332	278
Proposed final dividend	<u>6.50</u>	<u>5.30</u>	<u>551</u>	<u>454</u>
	<u>10.40</u>	<u>8.50</u>	<u>883</u>	<u>732</u>

7 Earnings per share

The basic earnings per share are calculated by dividing the profit attributable to shareholders by the average number of shares in issue after deducting the company's shares held by employee share ownership trusts and treasury shares. In calculating the diluted earnings per share, share options outstanding and other potential ordinary shares have been taken into account.

The average number of shares in the periods were:

	Fourth quarter ended March 31		Year ended March 31	
	2005	2004	2005	2004
	millions of shares		millions of shares	
Basic	8,493	8,597	8,524	8,621
Diluted	8,576	8,645	8,581	8,676

8 Reconciliation of operating profit to operating cash flow

	Fourth quarter ended March 31		Year ended March 31	
	2005	2004 (restated)	2005	2004 (restated)
	£m	£m	£m	£m
Group operating profit	706	661	2,789	2,870
Depreciation and amortisation	748	744	2,856	2,936
Changes in working capital	596	528	155	249
Provision movements, pensions and other	<u>24</u>	<u>(365)</u>	<u>98</u>	<u>(666)</u>
Net cash inflow from operating activities	<u>2,074</u>	<u>1,568</u>	<u>5,898</u>	<u>5,389</u>

9 Net debt

(a) Analysis

	At March 31	
	2005 £m	2004 £m
Long-term loans and other borrowings falling due after more than one year	8,091	12,426
Short-term borrowings and long-term loans and other borrowings falling due within one year	<u>4,498</u>	<u>1,271</u>
Total debt	12,589	13,697
Short-term investments	(4,597)	(5,163)
Cash at bank	<u>(206)</u>	<u>(109)</u>
Net debt at end of period	<u>7,786</u>	<u>8,425</u>

9 Net debt *continued*

(b) Reconciliation of net cash flow to movement in net debt

	Fourth quarter ended March 31		Year ended March 31	
	2005	2004	2005	2004
	£m	£m	£m	£m
Net debt at beginning of period	7,940	8,795	8,425	9,573
Decrease in net debt resulting from cash flows	(333)	(423)	(887)	(1,222)
Net debt assumed on acquisitions	159	1	159	1
Currency and other movements	2	15	2	4
Other non-cash movements	18	37	87	69
Net debt at end of period	<u>7,786</u>	<u>8,425</u>	<u>7,786</u>	<u>8,425</u>

10 Share capital and reserves

	Share capital	Reserves (restated)	Total (restated)
	£m	£m	£m
Balances at April 1, 2004	432	2,634	3,066
Profit for the financial year	-	1,821	1,821
Dividends	-	(883)	(883)
Currency movements	-	19	19
Purchase of own shares	-	(195)	(195)
Other	-	23	23
Balances at March 31, 2005	<u>432</u>	<u>3,419</u>	<u>3,851</u>

11 Earnings before interest, taxation, depreciation and amortisation (EBITDA)

	Fourth quarter ended March 31		Year ended March 31	
	2005	2004	2005	2004
	£m	£m (restated)	£m	£m (restated)
Group operating profit	706	661	2,789	2,870
Exceptional items	29	7	59	7
Depreciation and intangible amortisation	744	741	2,840	2,924
Goodwill amortisation	4	3	16	12
EBITDA before exceptional items	<u>1,483</u>	<u>1,412</u>	<u>5,704</u>	<u>5,813</u>

12 United States Generally Accepted Accounting Principles

The results set out above have been prepared in accordance with accounting principles generally accepted in the United Kingdom. The table below sets out the results calculated in accordance with United States Generally Accepted Accounting Principles.

	Fourth quarter ended March 31		Year ended March 31	
	2005	2004	2005	2004
Net income attributable to shareholders including exceptional items (£m)	314	373	1,297	883
Earnings per ADS (£)				
- basic	0.37	0.43	1.52	1.02
- diluted	0.37	0.43	1.51	1.02

Each American Depositary Share (ADS) represents 10 ordinary shares of BT Group plc.

Shareholders' equity, calculated in accordance with United States Generally Accepted Accounting Principles, is a £584m deficit at March 31, 2005 (March 31, 2004 - £1,455m).

Forward-looking statements – caution advised

Certain statements in this results release are forward-looking and are made in reliance on the safe harbour provisions of the US Private Securities Litigation Reform Act of 1995. These statements include, without limitation, those concerning: continued growth in new wave turnover from broadband, ICT solutions, mobility and managed services growth; implementation and development of BT's 21st century network; expectations regarding revenue growth, dividend payout ratio, and cost efficiency and savings; and commitment to improving shareholder returns.

Due to a number of new and revised Standards included within the body of Standards that comprise IFRS, there is not yet a significant body of established practice on which to draw in forming opinions regarding interpretation and application. Accordingly, practice is continuing to evolve. At this preliminary stage, therefore, the full financial effect of reporting under IFRS as it will be applied and reported on in the group's first IFRS financial statements cannot be determined with certainty and may be subject to change.

Although BT believes that the expectations reflected in these forward-looking statements are reasonable, it can give no assurance that these expectations will prove to have been correct. Because these statements involve risks and uncertainties, actual results may differ materially from those expressed or implied by these forward-looking statements.

Factors that could cause differences between actual results and those implied by the forward-looking statements include, but are not limited to: material adverse changes in economic conditions in the markets served by BT; future regulatory actions and conditions in BT's operating areas, including competition from others; selection by BT and its lines of business of the appropriate trading and marketing models for its products and services; fluctuations in foreign currency exchange rates and interest rates; technological innovations, including the cost of developing new products, networks and solutions and the need to increase expenditures for improving the quality of service; prolonged adverse weather conditions resulting in a material increase in overtime, staff or other costs; developments in the convergence of technologies; the anticipated benefits and advantages of new technologies, products and services, including broadband and other new wave initiatives, not being realised; and general financial market conditions affecting BT's performance.

BT undertakes no obligation to update any forward-looking statements whether as a result of new information, future events or otherwise.