

BT Group plc

Annual General Meeting

July 2010

A better business



A better future






BT Group plc

Sir Mike Rake
Chairman

2009/10 summary of the year

- ▶ Year of delivery for BT
- ▶ Progress in BT Global Services, more to do
- ▶ Rest of business performed well
- ▶ Significant reduction in cost base and capital expenditure and improved free cash flow
- ▶ Continuing to invest for the future, reduce net debt, support the pension scheme and pay progressive dividends

2009/10 group results

Revenue¹	£20,911m	2%	
EBITDA¹	£5,639m	8%	
EPS¹	17.3p	23%	
Free cash flow²	£1,933m	up £1,196m	
Net debt	£9,283m	down £1,078m	

¹ adjusted figures, before specific items, net interest on pensions, and BT Global Services contract and financial review charges in 2008/09. Revenue is stated before specific items and BT Global Services contract and financial review charges in 2008/09

² before pension deficit payment of £525m in FY 2009/10, £nil in FY 2008/09, but after the cash costs of the BT Global Services restructuring

Final dividend and dividend policy

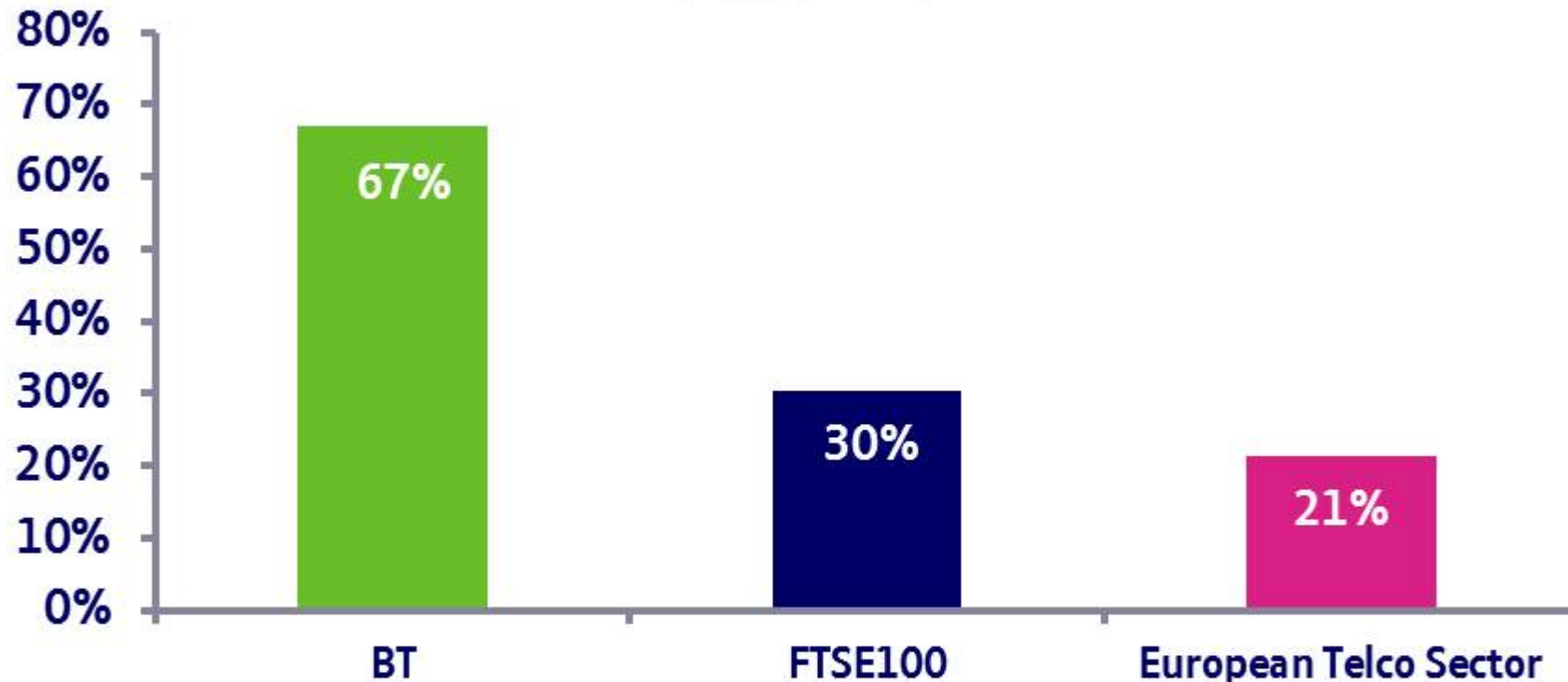
- ▶ Proposed final dividend **4.6p**
- ▶ Full year dividend **6.9p, up 6%**
- ▶ Committed to progressive dividends over next 3 years at same time as:
 - investing for the future
 - reducing net debt
 - supporting pension scheme

2009/10

- ▶ Incentivising management
- ▶ Rewarding and motivating our people
- ▶ Board and senior management changes
- ▶ Regulatory environment
- ▶ Corporate responsibility

Total shareholder return

Increase in TSR*



BT has outperformed both the FTSE100 and the European Telco sector

TSR = Total Shareholder Return is the measure of the returns that a company has generated for its shareholders, reflecting share price movement and assuming reinvestment of dividends.

Measured from 1 April 2009 to 30 June 2010

Bringing it all together



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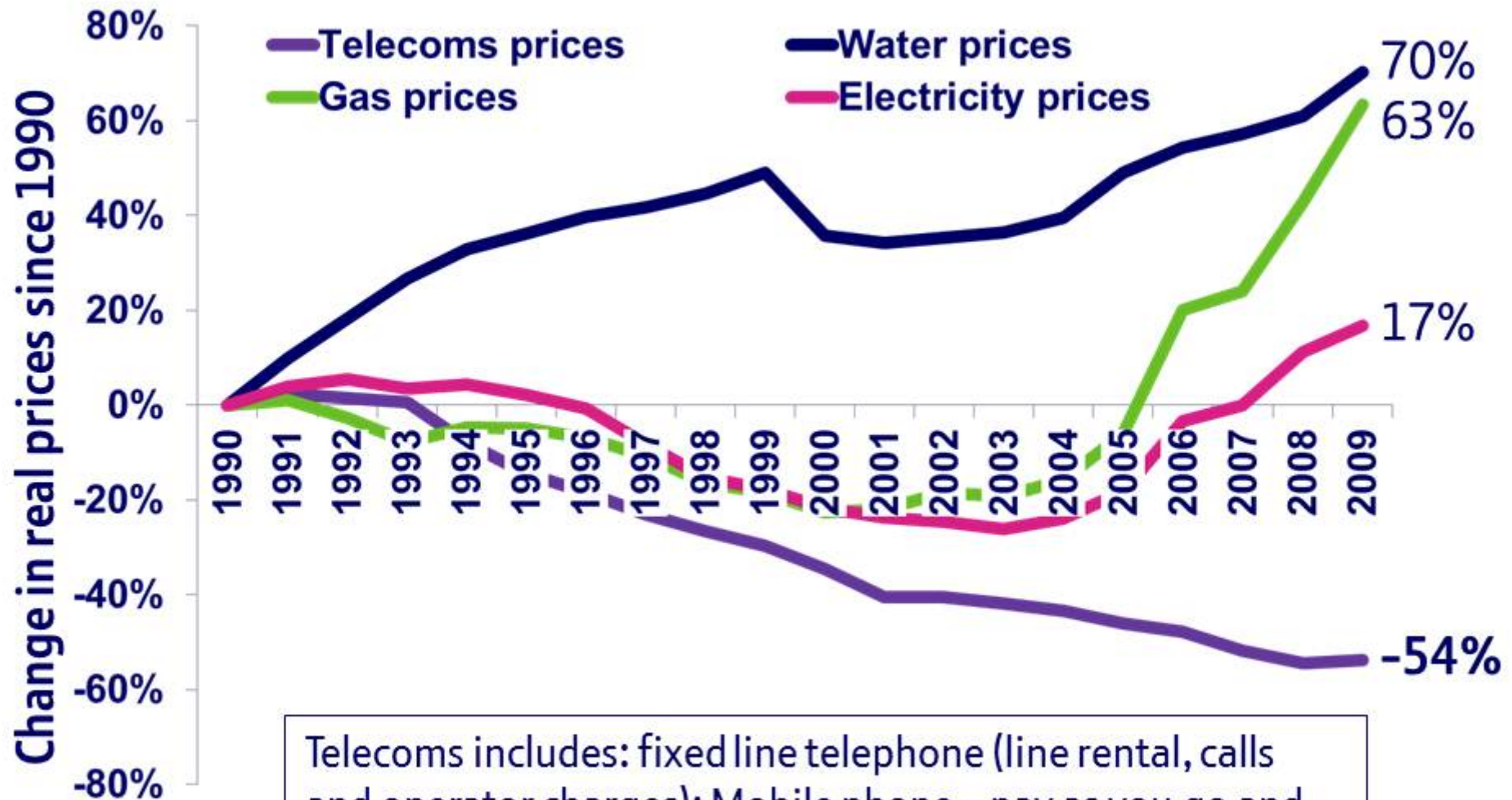
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Ian Livingston
Chief Executive

The UK market

UK telecom prices have fallen... unlike energy and water



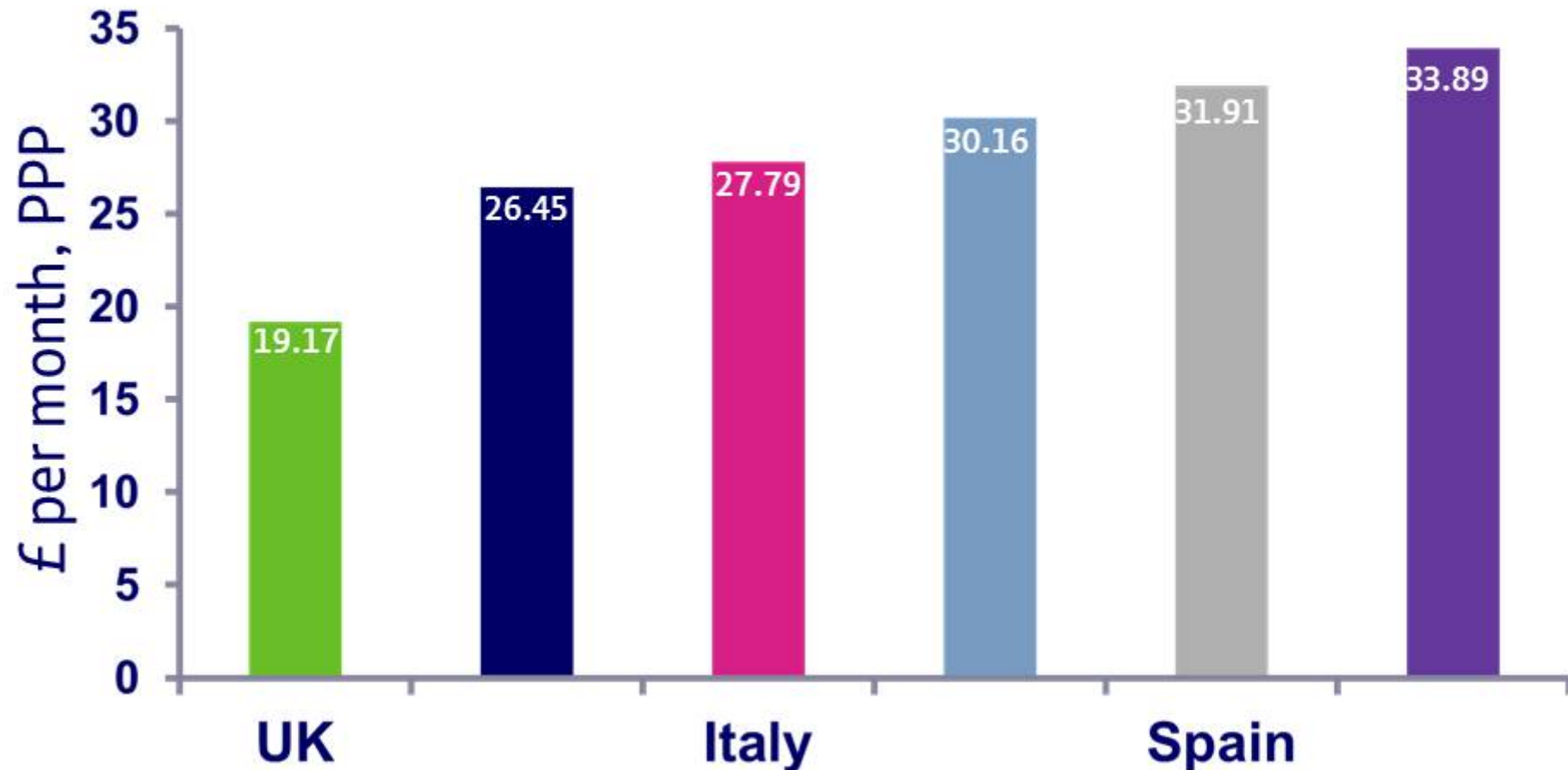
Telecoms includes: fixed line telephone (line rental, calls and operator charges); Mobile phone - pay as you go and contract; Subscription to the internet; Mobile downloads; Cost of directory enquiries

ONS & BERR, 2010

© British Telecommunications plc

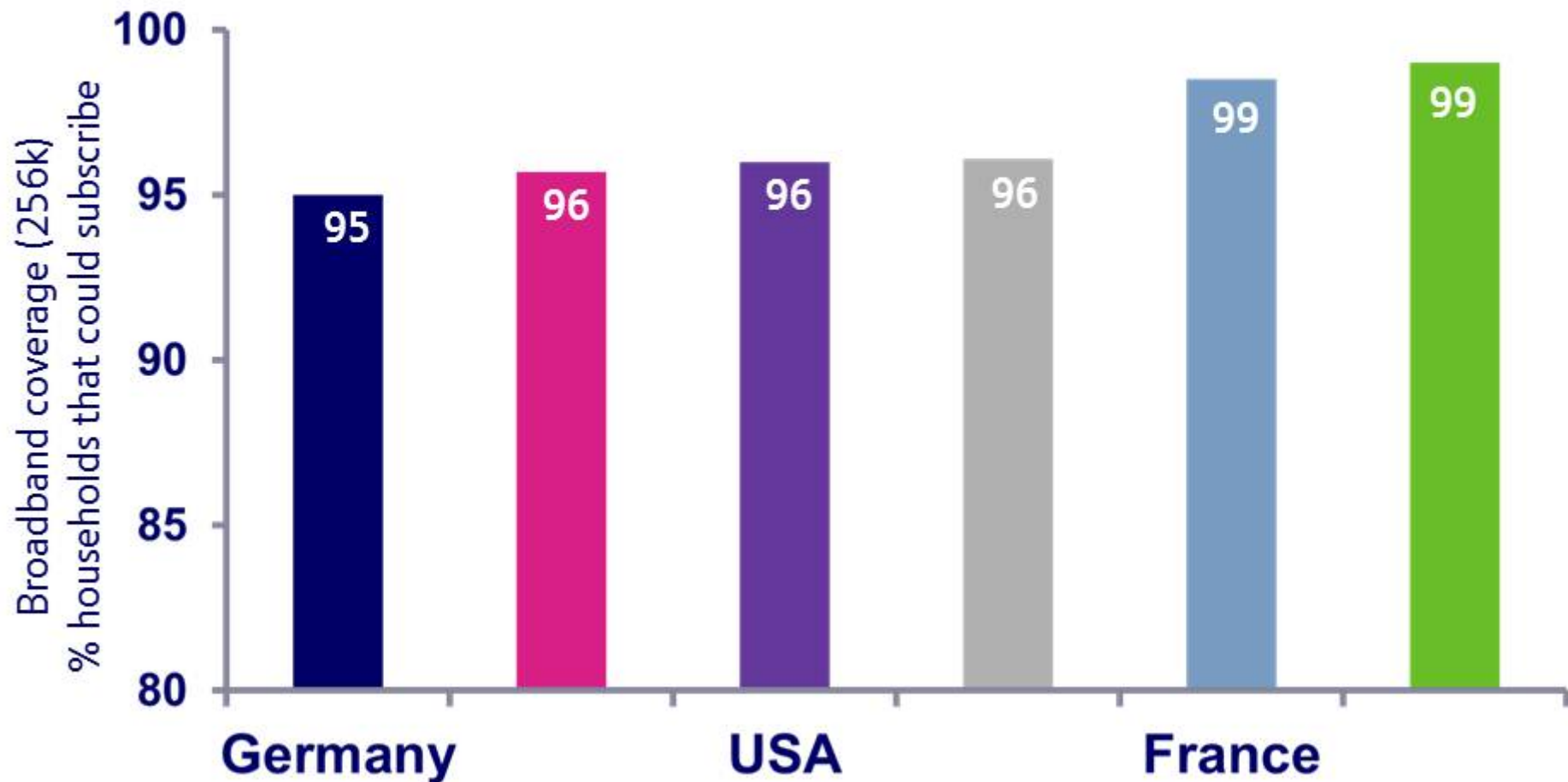


UK has lowest landline prices amongst major countries



International Communications Market, December 2009, Ofcom; weighted average of best-value tariff from each of the three largest operators by market share in each country, for 600 outbound minutes; July 2009; PPP adjusted. Based on a family of two parents and two children, who are cost conscious and favour using the fixed-line phone whenever possible, which gets fairly heavy use. Includes line rental and cost of purchasing enhanced tariffs that offer reduced prices.









UK also has highest broadband availability



OECD Broadband Portal June 2010

How is BT doing?

2009/10 line of business summary results

	Global Services	Retail	Wholesale	Openreach
				
Revenue¹	1%	4%	4%	1%
				
EBITDA¹	75%	11%	flat	2%

¹ adjusted figures, before specific items and BT Global Services contract and financial review charges in FY 2008/09



BT Global Services

- ▶ A global leader in networked IT services
- ▶ £6.6bn order intake in 2009/10

▲ Arcadia Group Limited



BT Retail

- ▶ Consumer
 - 43%* share of net broadband customer additions
 - Very competitive Sky Sports pricing
 - BT Infinity fibre broadband launched
- ▶ Business
 - Challenging conditions due to economy
- ▶ Conferencing
 - Global video conferencing market leader



Astonishing Total Value.
Just £1.40 a day for your
business line, broadband
and unlimited calls

Get all your business essentials for the incredible price of just £1.40 a day, including your business phone line, broadband and unlimited calls.

With our great value package you'll receive:

- Business phone line and 99.99% reliable business broadband
- Download speeds of up to 20Mb and upload speeds of up to 1Mb
- Unlimited UK landline, UK mobile, 0070 and 0045 calls
- Unlimited international calls to over 190 countries
- 24/7 dedicated business freephone support

* Full year share of DSL and LLU broadband net additions

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BT Wholesale

- ▶ Serves more than 1,000 communication providers in the UK
- ▶ £1.8bn managed network services contracts signed in the year
- ▶ Supporting mobile operators to cope with growing data demands

Openreach

- ▶ c.15m broadband connections
- ▶ C.24m lines
- ▶ Improved network reliability
 - In 2007, lines had faults every 9 years
 - Now, it's once every 15 years



Pension fund

- ▶ Triennial funding valuation agreed with the Trustee
- ▶ Deficit contributions of £525m p.a.
- ▶ Pensions Regulator undertaking formal review

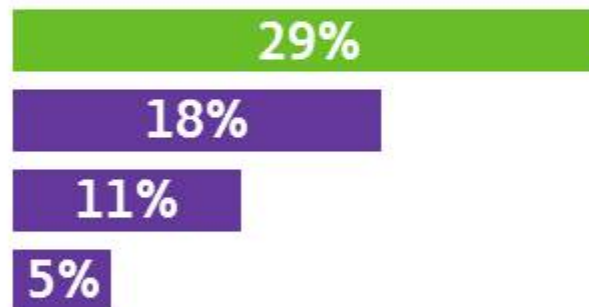
Building a better business



Customer service delivery

- ▶ Key internal programme 'Right First Time'
 - Measures end to end service
 - Reduced overall failures by 2/3 over 2 years
- ▶ Customers are noticing the difference

Which of these landline providers has better customer service than other brands?*



BT
Virgin Media
Sky
TalkTalk

▶ Complaints

- Consumer reduced by around half over the last 18 months

Still more to do

* Source: Millward Brown, 6 months to March 2010

Cost transformation

Total costs reduced by £1,752m*



'Right First Time'

Better processes / efficiency

Supplier re-negotiations

Try to protect permanent employees

* Total underlying operating costs and capital expenditure
© British Telecommunications plc

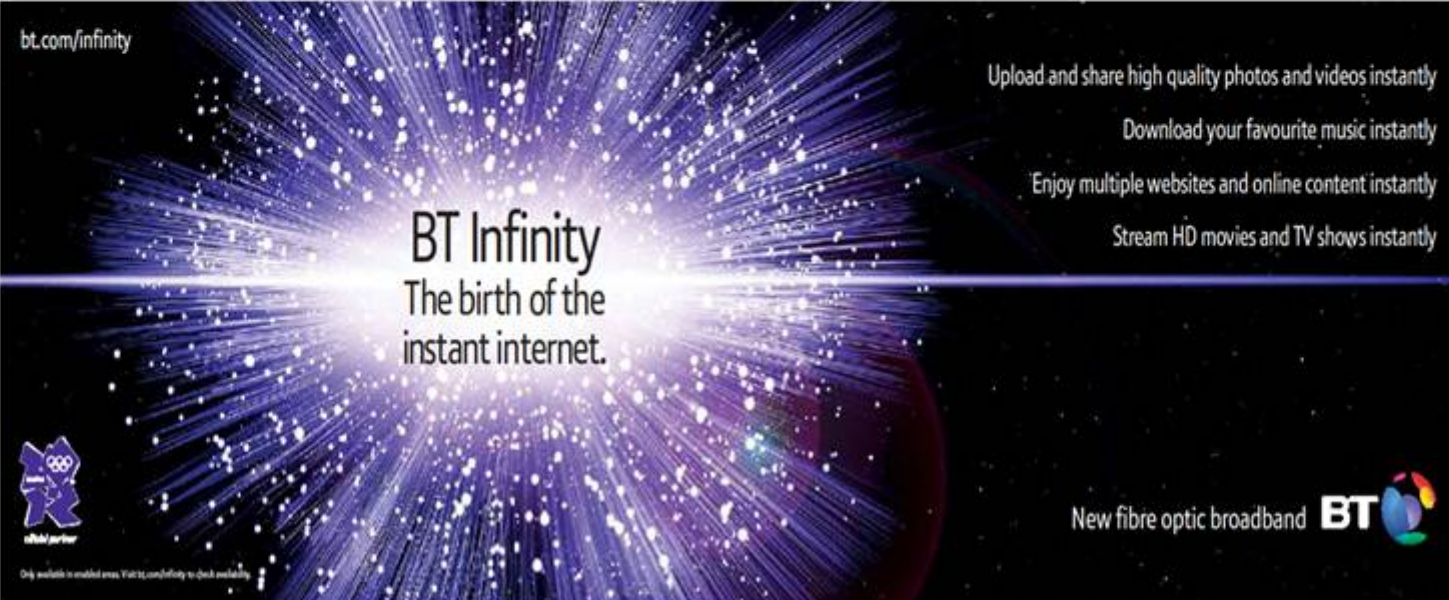
Building a better future

- ▶ Driving broadband-based consumer services
- ▶ Being the 'Brand for Business' for UK SMEs
- ▶ BT Global Services – a global leader
- ▶ The wholesaler of choice
- ▶ The best network provider



Investing for the future - fibre

- ▶ Roll out to 2/3 of UK by 2015
- ▶ Total c.£2.5bn spend
- ▶ One of the largest private sector plans in the world
- ▶ BT Infinity
 - Prices start from £19.99



bt.com/infinity

BT Infinity
The birth of the instant internet.

- Upload and share high quality photos and videos instantly
- Download your favourite music instantly
- Enjoy multiple websites and online content instantly
- Stream HD movies and TV shows instantly

Only available in selected areas. Visit bt.com/infinity to check availability.

New fibre optic broadband **BT**

Investing for the future - TV

▶ Project Canvas

- Joint venture between BT, BBC, ITV, Channel 4 and Talk Talk
- Combining broadcast content with broadband interactivity through the television

▶ Premium sports offered to customers for the first time

- Sky Sports available to customers from £6.99 a month

▶ New interactive services planned

How is BT doing?

BT Vision

Financial strategy to 2012/13

2010/11



2012/13

Improving revenue trends

Grow EBITDA

Grow free cash flow



Invest in
business



Reduce net
debt



Support
Pension fund



Progressive
dividend

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Progress made

A lot more to do

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Rt Hon Patricia Hewitt

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Resolution 1

Reports and accounts

www.bt.com/annualreport

Resolution 1

Reports and accounts

Votes:

For: 99.79%

4,647,200,436

Against: 0.21%

9,719,024

Resolution 2

Directors' remuneration report

www.bt.com/annualreport

Resolution 2

Directors' remuneration report

Votes:For: 93.69%	Against: 6.31%
3,959,348,407	266,719,918

Resolution 3

Final Dividend

Votes:For: **99.96%**

4,655,097,602

Against: **0.04%**

1,839,260

Resolution 4
Re-elect Sir Michael Rake

Votes: For: **98.73%**
4,581,070,949

Against: **1.27%**
58,883,361

Resolution 5
Re-elect Ian Livingston

Votes: For: **99.50%**
4,632,746,139

Against: **0.50%**
23,419,835

Resolution 6
Re-elect Carl Symon

Votes: For: **99.49%**
4,631,624,000

Against: **0.51%**
23,825,896

Resolution 7
Elect Anthony Ball

Votes: For: **99.55%**
4,633,888,330

Against: **0.45%**
21,081,648

Resolution 8

Reappointment of auditors

Votes:For: 99.10%	Against: 0.90%
4,615,908,187	41,826,316

Resolution 9

Remuneration of auditors

Votes:For: 99.34%	Against: 0.66%
4,625,733,904	30,728,737

Resolution 10

Authority to allot shares

Votes:For: **98.38%**

4,558,700,566

Against: **1.62%**

75,255,332

Resolution 11

Authority to allot shares for cash*

Votes:For: **99.38%**

4,625,958,346

Against: **0.62%**

28,893,084

Resolution 12

Authority to purchase own shares*

Votes:For: **99.48%**

4,631,103,590

Against: **0.52%**

24,026,717

*Special resolution

Resolution 13

Notice of general meetings*

Votes:For: 93.32%

4,338,220,180

Against: 6.68%

310,752,798

Resolution 14

Authority for political donations

Votes:For: 98.20%

4,556,139,323

Against: 1.80%

83,302,372

*Special resolution

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Poll on all Resolutions

Using your Admission Card/Proxy Card:

- If voting all shares “for”, place a cross (X) in “For” box
- If voting all shares “against”, place a cross (X) in “Against” box
- If withholding vote, place (X) in “Vote withheld” box
- If splitting vote, indicate the number of shares voting “for” “against” and “Vote withheld”
- Please sign the card
- Place completed card in ballot box as you leave
- Please ask a marshal if you have any questions

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Poll on Amendment to Resolution X

Using your voting paper:

- If voting all shares “for” amendment, tick (✓) “For” box in Column 2, alongside appropriate resolution number
- If voting all shares “against” amendment, tick (✓) “Against” box in Column 3
- If splitting vote, enter the appropriate number of shares in Columns 2 and 3
- Write name, address and account number in Box 1
- Sign the voting paper in Box 2 and hand it to marshal at end of row
- Please ask a marshal if you have any questions

Poll on Procedural Resolution

Using your voting paper:

- Delete Box A
- If voting “for” procedural resolution, place a tick (✓) in Box 1 headed “For”
- If voting “against” procedural resolution, place a tick (✓) in Box 2 headed “Against”
- If splitting vote, enter the appropriate number of shares in Boxes 1 and 2
- Write name, address and account number in Box 3
- Sign the voting paper in Box 4 and hand it to marshal at end of row
- Please ask a marshal if you have any questions

Poll on an adjournment

Using your voting paper:

- Delete Box B
- If voting “for” an adjournment, place a tick (✓) in Box 1 headed “For”
- If voting “against” an adjournment, place a tick (✓) in Box 2 headed “Against”
- If splitting vote, enter the appropriate number of shares in Boxes 1 and 2
- Write name, address and account number in Box 3
- Sign the voting paper in Box 4 and hand it to marshal at end of row
- Please ask a marshal if you have any questions

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