



Bringing it all together

Shareholder magazine September 2008

Forward

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Sir Michael Rake reflects on BT's 2008 AGM

Ian Livingston talks about BT's Q1 results

Special offers for all shareholders including
BT Total Broadband and from the BT Shop





BT'S 2008 AGM VIEW FROM THE PLATFORM

Over 800 shareholders attended BT's AGM at the Barbican Centre in London on 16 July 2008. This was my first address to the company's shareholders since taking over the helm.

It was a pleasure to meet so many shareholders at the annual general meeting, both during formal proceedings and informally afterwards. A number of issues were raised with me and other board members, including our customer service, super fast broadband, direct debit charges, security of data and BT's involvement in the London 2012 Olympics. Full details can be found on our website at www.bt.com/btagm2008

Our performance over the last financial year was good and looking forward, we expect to deliver continued growth in revenue, EBITDA⁽¹⁾, earnings per share and dividends per share⁽¹⁾ in this financial year. Our strategy and our track record for consistent delivery enable us to have the confidence to increase the returns we make to shareholders. Thus we have been able to recommend dividends of 15.8 pence per share for the full year, which is more than 85% higher than the figure five years ago when BT resumed paying two dividends a year.

To achieve our goals, we are looking for a consistent and principles-based approach to regulation in the UK, the EU and worldwide. We have rights to level playing fields in the UK and the EU and will seek similar level playing fields globally. We are the only country which currently allows all companies to have access to our

networks under the same terms and conditions as we ourselves access those networks.

It is also time for further deregulation in the UK market to reflect the extremely high levels of competition that exist whilst ensuring that monopolies do not emerge in other areas of media and communication. This would not only encourage competition but is also critical to the investment necessary for the future competitiveness of the UK in a global economy. BT's proposed £1.5 billion investment in super fast broadband is dependent on the right environment being facilitated.

I believe that we have the right long term strategy and an exceptionally talented team in place. In spite of the current economic environment, I am confident that we can continue to take the right long term decisions to deliver on our strategy of creating value for you, our shareholders, and at the same time deliver on our wider responsibilities to society and the environment.

Thank you.
Sir Michael Rake



In this magazine we make various forward-looking statements. Factors which could cause our actual results to differ materially from the results we currently expect are identified in detail in our Annual Report and Form 20-F 2008 (available on our website at www.bt.com/annualreport).



Q1 HIGHLIGHTS

Commenting on the results, BT's new chief executive Ian Livingston said:

Firstly, I'd just like to say how proud and delighted I am to be CEO of your company. I will endeavour to do my absolute best for our shareholders and our customers.

Unlike many companies BT has continued to grow revenue, EBITDA⁽¹⁾ and earnings per share⁽¹⁾ in the first quarter. Despite the challenging economic times it is quite clear that people still want to buy the services we have to sell.

BT Retail performed well with revenue growth of 3% and double digit profit growth. BT Wholesale has won managed network solutions contracts of £1.2 billion over the last twelve months. BT Global Services has increased revenue by 13% with strong growth of 33% outside the UK.

Although its margins were lower, EBITDA⁽¹⁾ increased by 10%.

Going forward my priorities are: improving customer service, expanding our global platforms and becoming more agile. An old boss of mine who built a formidable business empire used to say that when he was a small business he tried to act like a big business, and when he became a big business he focused on acting like a small business. That means responding fast to customer needs, being careful about costs and getting things right first time.

I believe that by making customer service a differentiator for BT, we will build on our position both globally and in the UK. Reducing the costs associated with service failure will benefit not only our customers but also our shareholders.

How we performed in Q1 (to 30 June 2008)

Total revenue of **£5,177m**, up **3%**

EBITDA⁽¹⁾ of **£1,433m**, up **1%**

Operating profit⁽¹⁾ of **£742m**, up **4%**

Profit before tax⁽¹⁾ of **£613m**, down **7%**

Earnings per share (EPS)⁽¹⁾ of **6.1 pence**, up **2%**

Free cash outflow of **£734m**

13m broadband end users (DSL and LLU), of which BT's retail share was **35%**, with **31%** of net additions in the quarter.

⁽¹⁾ Before specific items and leaver costs

Let us help you benefit from e-communications

Are you still receiving dividend cheques in the post? Having your dividend paid direct to your bank account or building society account is easy and secure. Just complete and return the form included with your dividend tax voucher.

Everyone who has signed up to direct dividend payment by 31 December 2008 can win one of 10 prizes of £500 each. Find out more on page 6.



GET CONNECTED

Whether it's about getting connected, watching great TV or sorting out problems with connections to computers, cameras or iPods we can save you time, money and hassle.



The online world of the internet enables you to pay household bills, shop for goods and services and gain easy access to huge amounts of information.

Increasingly we can maintain contact with each other, no matter where in the world we are, through email and chat rooms. BT is at the heart of this revolution – helping people to get connected.

"I want to get connected to the internet."

BT Total Broadband⁽¹⁾ is a fast, always-on internet connection. You can view or listen to what you want and share your latest news or pictures in an instant. You can also make cheap internet phone calls or have home video chats with your friends and family. All this without tying up your telephone line.

When you order BT Total Broadband, you will get the UK's most complete broadband – with up to twice the wireless range of any other UK broadband provider.⁽²⁾



SHAREHOLDER EXCLUSIVE

Order direct and you can get a **Shareholder Welcome Cheque of up to £60⁽³⁾**

Call **0800 055 6258** and quote 'shareholders' or order online at **www.bt.com/shareholders/broadband**

Offer applies to new BT Total Broadband customers and those switching from other suppliers.

¹ BT line/similar and payment by Direct Debit required. BT Total Broadband is subject to availability and conditions apply.

² Based on average competitor performance using an enabled laptop. Wireless connectivity requires enabled equipment and range can vary according to home environment. Hub and Handset not included with Option 1.

³ To claim your 'Welcome Cheque' go to **www.btshareholder.onlinerebates.com** and register your BT Broadband order details. 'Welcome Cheque' depends on option chosen, Option 3: £60; Option 2: £40 and Option 1: £25. Your claim MUST be made within 14 days of activation, 18 month term. New orders only. Payment by Direct Debit required. Your broadband must be ordered before 31 December

Baffled by technology?

Once you've chosen the right broadband package, we can help you with everything else – buying the right computer, setting it up, installing broadband and making sure you are familiar with all the possibilities. With BT Home IT Support one of our friendly engineers can come to your home or one of our advisers can help you over the phone. Get straightforward, expert IT advice you can trust.

Call **0800 432 0230** or find out more at www.bt.com/homeit/share

I want access to the internet while I'm out and about

The UK's most complete broadband is now available in and out of the home. BT Broadband Anywhere.⁽⁴⁾

Out of the home

The brand new BT ToGo comes in a choice of models, the HTC s620 is included as standard. The BT ToGo lets you check your emails, surf the internet and make calls when you're out and about.⁽⁵⁾

Call **0800 055 6258** and quote 'shareholders' or order online at www.bt.com/shareholders/broadband



2008 and you must claim your 'Welcome Cheque' by 31 January 2009. Terms and conditions apply.

4 18 month term. Requires BT line/similar. Internet access using the BT ToGo via GPRS and broadband. Broadband only available in areas with wireless broadband network. Payment by Direct Debit required. BT Total Broadband is subject to availability and conditions apply.

5 Internet access using the BT ToGo via GPRS and broadband. Broadband only available in areas with wireless broadband network



I want the best in digital TV entertainment

Exclusive to BT Total Broadband customers, BT Vision⁽⁶⁾ brings you blockbuster films, must-see TV shows, premier league football, kids' TV and great music videos – all on demand. Plus you get up to 40 Freeview channels and the award winning V-box™ digital TV recorder, which lets you pause, rewind and record live TV.

Take one of our great new Value Packs and you could get Setanta Sports 1⁽⁷⁾ FREE (normally £9.99 a month). So from just £14 a month, you could get unlimited access to up to 6 of our viewing packs, plus live premier league football.

SETANTA SPORTS digital



FREE
SETANTA SPORTS 1
ON BT VISION

6 Requires minimum line speed, BT Home Hub, V-box™. Charges for "on demand" viewing apply. Freeview subject to coverage and suitable aerial. See www.freeview.co.uk. For details, prices and terms and conditions, see www.bt.com/vision/shareholders

7 Setanta Sports 1 is now available as a no extra cost opt in for customers taking one of the new value packs. One-off £10 Setanta viewing card fee applies.

THE BENEFITS OF E-COMMUNICATIONS



Wherever you 'get connected' - at home - in the office - at your local library or internet cafe, being an e-shareholder enables you to receive all your shareholder communications electronically. It's quick and easy. You can build, view and manage a full share portfolio online. What's more, e-communications saves BT money which is good news for you as a shareholder. We have special offers for e-shareholders. Find out more at www.bt.com/shareholderplus



Win £3,000 to spend as you wish on holidays of your choice plus £2,000 spending money

Switch to e-communications at www.bt.com/signup by 31 December 2008, using your e-shareholder reference number shown on the enclosed dividend voucher, and you could win a £3,000 holiday voucher with Apollo Travel Direct, PLUS £2,000 spending money, with the compliments of our Registrar, Equiniti. All e-shareholders will be automatically entered into this free prize draw to win this prize worth £5,000.

Some of the holidays you could enjoy:

- 5* Ritz Carlton Hotel in New York, 5 nights in a deluxe room, including return flights
- 8 night Taste of China escorted tour, including return flights
- Canary Islands Cruise, 9 nights, full board, no fly cruise


Get your dividends paid directly to your bank or building society account and win £500



Over 500,000 shareholders now receive their BT dividends directly into their bank or building society accounts. Direct e-dividend payments avoids lost and unbanked cheques or worse and reduces costs.

All shareholders who have signed up by 31 December 2008, to have their dividends paid directly, will be entered into this free BT prize draw compliments of our Registrar, Equiniti Limited. **10 lucky winners will receive £500 each.**

Prize draw terms and conditions can be found at www.bt.com/shareholderplus

 **Want quick and easy access to shareholder communications from BT? Then sign up for e-communications.** 

EQUINITI

As BT's Registrar, Equiniti manages your shareholding and can help you with many things, from changing an address to buying and selling shares.

 Just like BT, we are continuously looking at better ways to meet the needs of BT shareholders. So in addition to managing your everyday shareholder needs, we've been working hard to develop a range of simple and easy-to-use investment products. 

Convert your paper share certificates for FREE

Send your paper certificates to Equiniti and they'll convert them into a secure electronic holding for you, keeping your shares safe.

Visit www.shareview.com/IA to open a FREE Equiniti Investment Account.



Company share registration is provided through Equiniti Limited, and investment and general insurance services are provided through Equiniti Financial Services Limited, which is regulated by the FSA.

Warning to shareholders – boiler room scams

Please be particularly wary of unsolicited offers of discounted shares or offers to buy shares you own at a significant premium to their listed prices. These operations are

The simple-to-use savings account

With the Equiniti Savings Account you can save anything from £1 to £2,000,000 in a secure savings account and earn a competitive rate of interest with no penalties for making withdrawals. Visit www.shareview.com/savings for more information and to apply.

Grow your holding

Build on your existing holding by using your future dividends to buy more BT Group plc shares. Visit www.bt.com/btdip for more information.

 Here at Equiniti, we will continue to work closely with BT, building on our relationship to ensure that we meet the needs of BT shareholders long into the future. 

commonly known as 'boiler rooms'. Always check at www.fsa.gov.uk/register that the brokers are properly authorised by the FSA. If you deal with an unauthorised firm, you will not be eligible to receive payment under the Financial Services Compensation Scheme.

OFFERS FOR ALL SHAREHOLDERS



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UP TO

55%

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Apollo Travel offer amazing holiday discounts at as much as 55% off the brochure price on the widest choice of destinations. Save up to **55%** on cruises; **30%** on Warner Breaks; **45%** on Airtours; **45%** on Thomas Cook; **25%** on Thomson; **12%** on Virgin Holidays; **5%** on Inghams Holidays & on Shearings Holidays; and **5%** discount on all last minute holidays. Plus many many more. **To book, call the holiday line on 0845 456 0078 quoting BT098. Secure your summer 2009 holiday from just £10 per person deposit.**

Terms and conditions apply. Please call for full details or go to www.bt.com/shareholderoffers. Calls are monitored and recorded.

 **Apollo Travel Direct**

Contact information

For matters relating to your shareholding: Telephone

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EXCLUSIVE OFFER FOR SHAREHOLDERS - THE BT CREDIT CARD

SPECIAL
OFFER



See insert for details of your special offer

Recycle your mobile phone

If you have a broken or redundant handset you no longer need, please help us to raise vital funds for ChildLine. Email us at charity.programme@bt.com and we will then send you a freepost recycling bag.



ChildLine
0800 1111

Email

bt@equiniti.com

Post

Equiniti, Aspect House, Spencer Road,
Lancing, West Sussex, BN99 6DA

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and Networked Services
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