

***Forward* – September 2008**

Hi there! My name is Peter White. Thank you for tuning in to this podcast which is an audio version of '*Forward*' -- BT's shareholder magazine September 2008.

In this audio version of *Forward* September 2008 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 BT's website at www.bt.com/annualreport).

Let us bring the online world to you!

Forward begins with a statement from Chairman Sir Michael Rake reflecting on the company's recent AGM attended by over 800 shareholders in London and continues with highlights from the first quarter financial results, articles on the advantages of joining the on-line world and the benefits of e-communications.

There is a feature on how Equiniti, BT's Registrar, can help shareholders in many different ways and, of course, there are free prize draws and special offers details of which I will come to later.

I will begin with Sir Michael's statement. He writes:

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 (that is - earnings before interest tax depreciation and amortisation before specific items and leaver costs), earnings per share and dividends per share (before specific items and leaver costs) 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.

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I turn now to the first quarter results.

Revenue at £5,177 million was up by 3%, EBITDA (that is - earnings before interest tax depreciation and amortisation before specific items and leaver costs) of £1,433 million was up by 1%, operating profit (before specific items and leaver costs) of £742 million was up by 4%, profit before tax (before specific items and leaver costs) of £613 million was down by 7%, earnings per share (before specific items and leaver costs) of 6.1 pence were up by 2% and there was free cash outflow of £734 million. Finally, there were 13 million broadband end users (DSL and LLU); of which BT's retail share was 35% with 31% of net additions in the quarter.

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 and earnings per share (before specific items and leaver costs) 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 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.

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The next section of Forward is about how BT can get you 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.

BT Total Broadband 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 and all this is 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,

Order direct and you can get an exclusive shareholder welcome cheque of up to £60 depending upon which option you choose. Terms and conditions apply. Call 0800 055 6258 and quote 'shareholders' or order online at

www.bt.com/shareholders/broadband

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

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. Terms and conditions apply. Call 0800 432 0230 or find out more at www.bt.com/homeit/share

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

The brand new BT ToGo comes in a choice of models, with the HTC s620 included as standard. The BT ToGo lets you check your emails, surf the internet and make calls when you're out and about. Terms and conditions apply. Call 0800 055 6258 and quote 'shareholders' or order online at www.bt.com/shareholders/broadband

Exclusive to BT Total Broadband customers, BT Vision brings you blockbuster films, must-see TV shows, Premier League football, kids' TV and great music videos - all on demand. In addition, 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 FREE (normally £9.99 a month). So from just £14 a month, you could get unlimited access to up to six of our viewing packs, plus live Premier League football. Setanta Sports 1 is now available as a no extra cost option for customers taking one of the new value packs. One-off £10 Setanta viewing card fee applies. For details of prices and terms and conditions, go to www.bt.com/vision/shareholders

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Next let's look at the benefits of e-communications.

Wherever you 'get connected' – at home, in the office, at your local library or internet café – 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

And if you switch to e-communications at www.bt.com/signup by 31 December 2008 using your e-shareholder reference number shown on your dividend voucher, 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 include: 5 star Ritz Carlton Hotel in New York, 5 nights in a deluxe room, including return flights; an eight night Taste of China escorted tour, including return flights or a 9 nights, full board, no fly Canary Islands Cruise.

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Over 500,000 shareholders now receive their BT dividends directly into their bank or building society accounts. If you haven't signed up for this, why not do so by 31 December 2008. Ten lucky winners will receive £500 each.

Direct e-dividend payments avoid lost and unbanked cheques or worse and reduce costs. Just complete and return the form included with your dividend tax voucher. All shareholders who have signed up to have their dividends paid directly by 31 December 2008 will be entered into this free BT prize draw compliments of our Registrars, Equiniti Limited. Prize draw terms and conditions can be found at www.bt.com/shareholderplus

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

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

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.

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.

You can also 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.

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

And finally, a warning to shareholders about '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 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.

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And now those special offers for all shareholders.

Enclosed with the September dividend mailing are the latest offers from the BT Shop. You can find out more about discounted offers for shareholders at www.bt.com/forward or directly at www.bt.com/shop/forwardsept or by calling 0870 429 3823 (calls are charged at 8 pence per minute from a BT landline. Charges from mobiles and other networks may vary).

Included in the mailer is an exclusive BT Credit Card offer for BT shareholders. The card is designed exclusively for BT Shareholders and as you would expect offers you preferential. There is:

- 0% on cash transfers to your current account for 12 months from the date your account is opened (3% handling fee applies)
- 0% on balance transfers for 12 months from the date your account is opened (3% handling fee applies)
- 0% on card purchases for 6 months from the date your account is opened.

And you get money off your BT phone bill, automatically.

The BT Credit Card is the only card that gives you money off your BT phone bill for spending on your credit card. You can save the equivalent of up to 7 months line rental. And if you're currently not paying by Direct Debit or Monthly Payment Plan, simply set up a recurring authority to your BT Credit Card and save £18 per year against the cost of the payment processing fee.

Since this £18 saving is separate to the £75 discount you could earn off your BT phone bill, the maximum combined saving you could earn is a massive £93 per year. Sign up before 30 September 2008 and guarantee your chance

to win a Samsung 32" Digital TV. Why delay? Call: 0800 707 6298 quoting 'Exclusive offer' or visit: www.bt.com/shareholdercard

Apollo Travel again is offering amazing holiday discounts with as much as 55% off the brochure price on the widest choice of destinations. You can 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 and Shearings Holidays and there is 5% discount on all last minute holidays. Plus there are 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.

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And finally, before I round off with some contact information for you, just a reminder that 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.

For matters relating to your shareholding:

Telephone: Shareholder helpline – for general enquiries call:

Freephone 0808 100 4141 or (+44 121 415 7178 from outside the UK)

Textphone: 0800 169 6907 (+44 121 415 7028 from outside the UK)

Email: bt@equiniti.com

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

It would be helpful if you could include a daytime telephone number.

This is Peter White signing off and saying 'thank you' for listening.