

Chairman's message

The past year has been one that no-one with any involvement in the communications industry will ever forget.



We have seen the continuing rapid spread of communications technologies into every part of everyday life. But it has also been a year of great turbulence for the industry itself. At a time of such profound change, many players, including BT, have not found it easy to stay ahead of the game.

However, BT's operating performance during the year has been satisfactory, and in line with expectations. Group turnover rose by 9%, and earnings before interest, taxation, depreciation and amortisation have been maintained at similar levels to last year.

Net debt has risen to an unsustainable £27.9 billion at 31 March following the acquisitions made during the year. Our first priority is to repay a significant amount of this debt. We have made a good start with the agreed sales of investments in Japan, Spain, Switzerland and Malaysia, which should raise around £5.5 billion. Further disposals are planned.

BT's operating performance during the year has been satisfactory, and in line with expectations.

A major part of our plans for the future is our intention to demerge BT Wireless. This will mean that, provided the necessary permissions are received, shareholders will own shares in two strong and separately quoted businesses, both in the FTSE 100 list: BT Wireless and

This amounts to nothing less than a structural and financial transformation of BT.

Future BT, which will be a focused European network and retail group concentrating on voice and data services.

This amounts to nothing less than a structural and financial transformation of BT. I joined BT as Chairman on the basis that I was totally committed to this transformation and would be responsible for leading the Board in overseeing its delivery.

To provide greater financial stability and to help finance this restructuring, we have announced a £5.9 billion rights issue. Clearly it would not be appropriate to raise this amount of money from shareholders and then

We have made a good start, the culture is changing, and I am confident that we can complete the process in the best interests of our shareholders, our customers and our employees.

immediately recycle some of it back through dividends. We are, therefore, taking the unwelcome but necessary step of halting payments for the 2000/2001 final dividend and also the current year's interim dividend. Future dividend policy will be decided by the individual listed companies, taking into account their respective capital structures, their cash

requirements and the markets in which they operate.

I would like to pay tribute to Sir Iain Vallance, my predecessor. As successively Director, Chief Executive and Chairman of BT, he played a major role in the development of BT from a nationalised utility into a leading player in the telecommunications industry.

In conclusion, I recognise that it will require determined and rapid action by BT management to achieve the transformation of the company. We have made a good start, the culture is changing, and I am confident that we can complete the process in the best interests of our shareholders, our customers and our employees.

Sir Christopher Bland

Chairman
22 May 2001