



Chief Executive's statement

Ben Verwaayen, Chief Executive, says that outstanding customer service, profitable growth and the development of new broadband services are key to the creation of shareholder value...

What customers can expect from BT is a high standard of service delivery, innovation and creativity, where it counts; and reliability where it matters most.

It's as simple and as rigorous as that.

There are three principal parts to BT's strategy.

The first is a relentless and passionate concern for our customers, and a scrupulous focus on their requirements, now and in the future.

BT's core business is supplying more than 21 million customers with a range of communications services that meet their needs at home, at work, and anywhere in between.

We are a service company and proud of it. We sell a customer experience.

Delighted customers are our reason for existence, because delighted customers are key to the creation of shareholder value.

Get that customer experience right, drive up customer satisfaction levels, and everything else follows. Get it right, and we can stimulate growth, generate cash, reduce customer churn, promote innovation and deliver shareholder value.

We are determined that everyone who works for BT—and I mean everyone—will be committed to delighting his or her customers.

Nothing is more important than that.

The second part of our strategy is the pursuit of growth. The restructuring is done; stability has been achieved. Now it's time for your company to start to grow again. And by that, we mean profitable growth.

We have no interest in growth for growth's sake, just as we have no interest in cost cutting simply for its own sake.

And we can achieve profitable growth in all the sectors in which we operate. We have set ourselves a number of rigorous financial targets relating to all our ongoing activities in the retail, wholesale and solutions markets.

We know that we will be judged by our ability to deliver. We're happy with that.

And the third and integrally-related strategic imperative is the delivery of Broadband Britain.

Broadband is a critical growth opportunity and BT is already playing a major part. We have substantially reduced both the wholesale and retail costs of broadband and we have put significant marketing effort behind the services we offer.

Broadband really can transform our customers' lives and businesses, and it provides an opportunity for us to build new and mutually beneficial relationships with our customers.

Finally, after a difficult time for the company, we now need to understand our strengths better and play to those strengths. We have every reason for self-confidence, and confident, motivated, skilled employees, focused on their customers, are at the heart of what BT has to offer.

We want to be the best communications services and solutions company for everyone in the UK and business customers in Europe. We deliver global connectivity and solutions where that meets customers' needs.

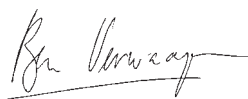
Post-privatisation, BT was the benchmark company in the telecommunications industry, not just in the UK but in Europe and globally.

The bad news is that we've currently lost pole position.

But the good news is that there's a vacancy. No single company in this industry can confidently lay claim to that position at the moment.

That's the opportunity and challenge for us.

We can become the benchmark once again. So, that's what we're aiming to do.



Ben Verwaayen

Chief Executive

21 May 2002