



BT Group plc Q1 2018/19 trading update

27 July 2018

Forward-looking statements caution

Certain statements in this presentation are forward-looking and are made in reliance on the safe harbour provisions of the US Private Securities Litigation Reform Act of 1995. These statements include, without limitation, those concerning: our outlook for 2018/19 including revenue, EBITDA and free cash flow; capital expenditure for 2018/19; the transformation of our operating model; and our increasing network investment through Openreach's Fibre First programme, further 4G mobile network build and the proposed 5G trial.

Although BT believes that the expectations reflected in these forward-looking statements are reasonable, it can give no assurance that these expectations will prove to have been correct. Because these statements involve risks and uncertainties, actual results may differ materially from those expressed or implied by these forward-looking statements.

Factors that could cause differences between actual results and those implied by the forward-looking statements include, but are not limited to: material adverse changes in economic conditions in the markets served by BT whether as a result of the uncertainties arising from the UK's exit from the EU or otherwise; future regulatory and legal actions, decisions, outcomes of appeal and conditions or requirements in BT's operating areas, as well as competition from others; consultations and market reviews including the outcome of Ofcom's reviews of the Wholesale Broadband Access market and USO; the DCMS Future Telecoms Infrastructure review; selection by BT and its customer facing units of the appropriate trading and marketing models for its products and services; fluctuations in foreign currency exchange rates and interest rates; technological innovations, including the cost of developing new products, networks and solutions and the need to increase expenditures for improving the quality of service; prolonged adverse weather conditions resulting in a material increase in overtime, staff or other costs, or impact on customer service; developments in the convergence of technologies; external threats to cyber security, data or resilience; political and geo-political risks; the anticipated benefits and advantages of new technologies, products and services not being realised, including the proposed investment in our FTTP broadband network and 4G spectrum; the timing of entry and profitability of BT in certain markets; significant changes in market shares for BT and its principal products and services; the underlying assumptions and estimates made in respect of major customer contracts proving unreliable; the anticipated benefits, synergies and cost savings of the transformation of our operating model and integration and restructuring plans not being delivered; the improvements to the control environment following the investigations into BT's Italian business not continuing to be operated successfully, effectively and timeously across the Group; the anticipated benefits of the evolved strategy, transformation and restructuring not being realised; the BTPS recovery plan; and general financial market conditions affecting BT's performance and ability to raise finance. BT undertakes no obligation to update any forward-looking statements whether as a result of new information, future events or otherwise.

Gavin Patterson
Chief Executive

Q1 trading highlights – 2018/19 outlook maintained

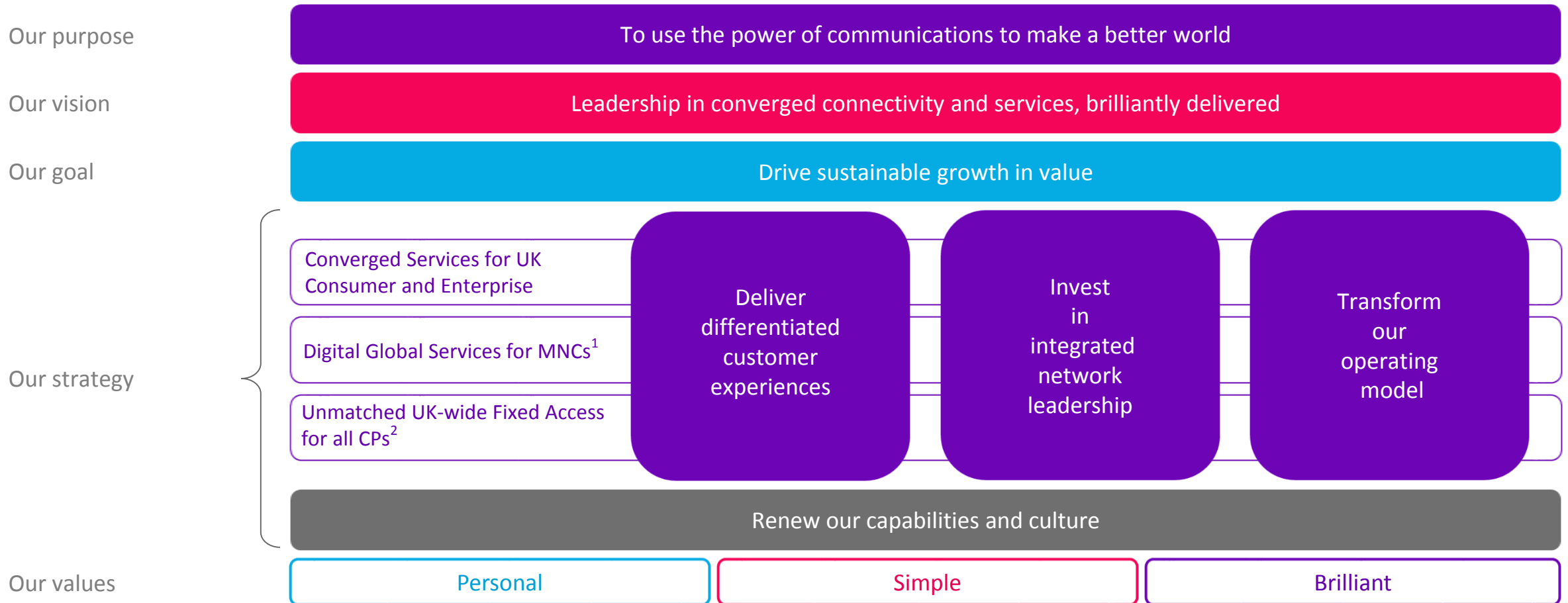
	Q1 2018/19 (IFRS 15)	Q1 2017/18 (IFRS 15 pro forma unaudited)	Change
Revenue ¹	£5,716m	£5,835m	(2)%
– underlying ²			(2)%
EBITDA ¹	£1,800m	£1,785m	1%
Capex	£839m	£835m	-
Normalised free cash flow ³	£507m	£556m	(9)%

¹ before specific items

² before specific items, foreign exchange movements and disposals

³ before specific items, pension deficit payments and the cash tax benefit of pension deficit payments

BT Group strategy

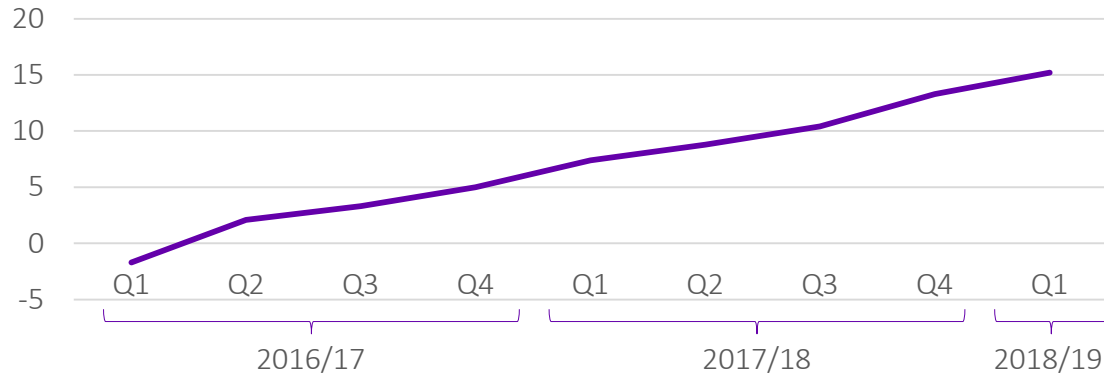


¹Multi-National Corporations

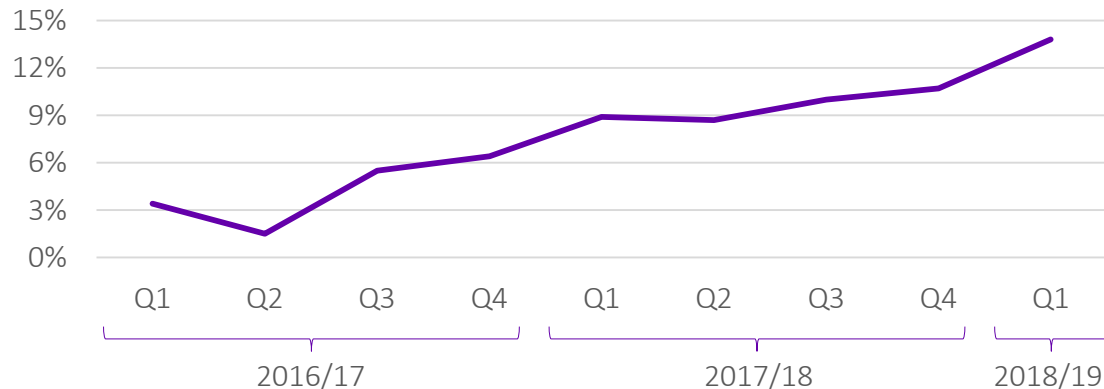
²Communications Providers

Deliver differentiated customer experiences - Service

Movement in Group Net Promoter Score¹



Movement in Group Right First Time²



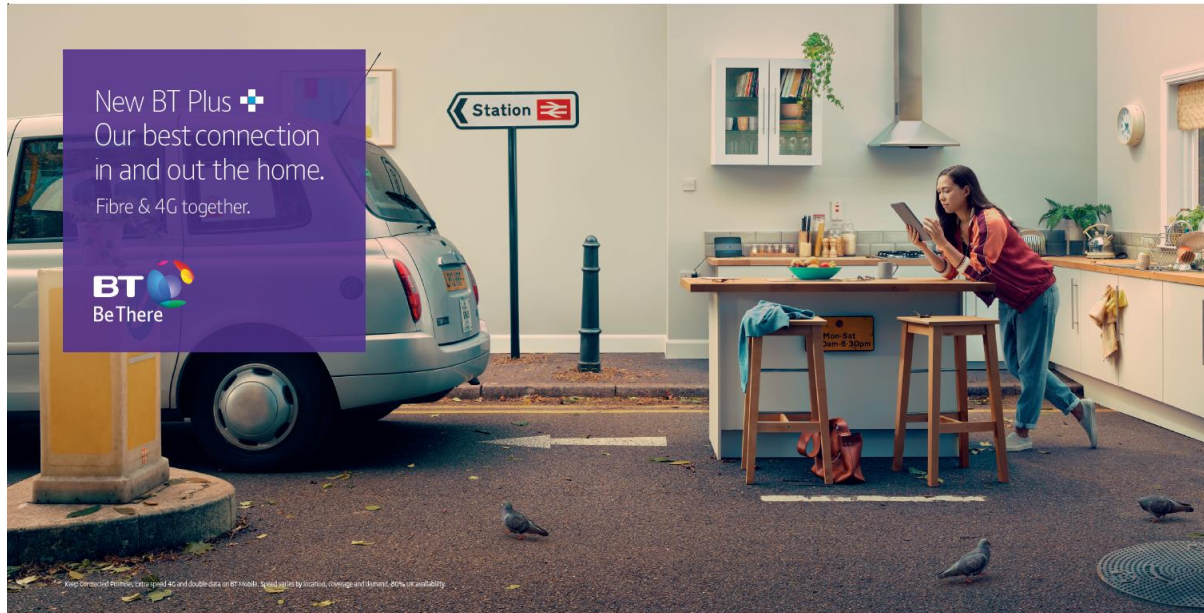
¹Group NPS shows the cumulative movement in our customers' perception of BT since April 2016. It's a combined measure of 'promoters' minus 'detractors' across our business units.

²Group RFT is our key measure of customer service and shows the cumulative movement since April 2016. It tracks how often we keep our promises to customers (e.g. completing orders/fixing faults on time).

The scope of NPS and RFT are re-baselined at the start of the financial year.

- Group NPS and RFT continue to improve
- Service quality:
 - best ever Openreach performance for voice and broadband
 - ahead on all 60 copper minimum service levels
 - service calls to our contact centres down 10% YoY
 - average BT Consumer call waiting time down to 34 seconds
- Increased use of digital channels:
 - 8% increase in eChat
 - c.2.5m downloads of My BT; c.11m downloads of My EE
- Ofcom complaints:
 - down 25% YoY at a record low, for EE mobile
 - down 32% YoY for BT Consumer broadband

Deliver differentiated customer experiences – Products



- Converged products launched:
 - BT Plus >100k customers in the quarter
 - EE smart number technology
 - Broadband 4G Assure for business customers
 - BTNet for SME¹ and Corporate clients
 - BT Connect CISCO SD-WAN
 - Cloud solution collaboration with Microsoft Azure

¹Small and Medium Enterprises

Invest in integrated network leadership

Fixed

- Accelerated FTTP¹ deployment to c.10k premises/week
- FTTP costs at lower end of expectations
- Openreach wholesale price discounts for volume commitments on superfast and ultrafast speeds
- Positive progress on regulation
 - DCMS² Future Telecoms Infrastructure Review
 - Ofcom's Full Fibre Implementation Plan

Mobile

- 40MHz of 3.4 GHz spectrum acquired for £304m
- Plans to launch “live” 5G trial in October
- Improving 4G geographic coverage
- EE ranked number 1 in all areas by RootMetrics
- EE won ‘Best Consumer Network’ and ‘Best Business Network’ in Mobile Today’s industry awards

¹Fibre-to-the-Premises

²The Department for Digital, Culture, Media and Sport

Transform our operating model

- New 'Enterprise' unit – leadership team appointed
- Openreach – positive DCR¹ Implementation Report
- Openreach TUPE² consultation process commenced:
 - impacting c.31k employees
 - planned transfer to Openreach Limited on 1 October 2018
- Group Business Services to help drive business growth and optimise costs
- Gross reduction of c.900 roles
- Agreement to sell BT Cables Limited



¹Digital Communications Review

²Transfer of Undertakings (Protection of Employment)

Consumer – continued momentum, delivering strategy

- Revenue up 2% due to:
 - growth in high end smartphones and SIM only
 - increased BT Sport revenues
 - offset by Solus voice price reductions
 - 66% of broadband customers now on fibre
 - fixed and mobile churn remained low
- EBITDA up 10%, driven by revenue growth and flat opex:
 - increased sports rights and device costs later in the year
- Further investments in customer experience:
 - Amazon Prime Video added to BT TV
 - encouraging start for BT Plus convergence products
 - EE smart number launched

¹Over-the-Top

	Q1 2018/19	Q1 2017/18	Change
Revenue	£2,591m	£2,540m	2%
EBITDA	£610m	£556m	10%

12 launches from the 24 announcements in May

Three great brands	One smart network	Best personal and local service	Personalisation through data and digital	Best for partnerships	Open, super aggregator TV
Launch BT Plus ✓	>98% time on 4G	95% of customers within 20 mins of a store	360° customer view	Creation of the partnership unit ✓	Now TV on BT TV
Reposition BT brand ✓	Accelerate Ultrafast ✓	100% UK call centres for all brands	Re-launch BT.com ✓	Nest & Hive partnerships ✓	Enhanced BT Sport for EE ✓
Data sharing plans ✓	Integrate BT Wi-Fi	BT return to high street ✓	Remote virtual support	Smart home assistants	Amazon Video on BT TV ✓
Stay connected promise ✓	New converged hub	New service in the home	Plusnet self-service app	Buy devices on EE plans ✓	New OTT ¹ TV service from EE

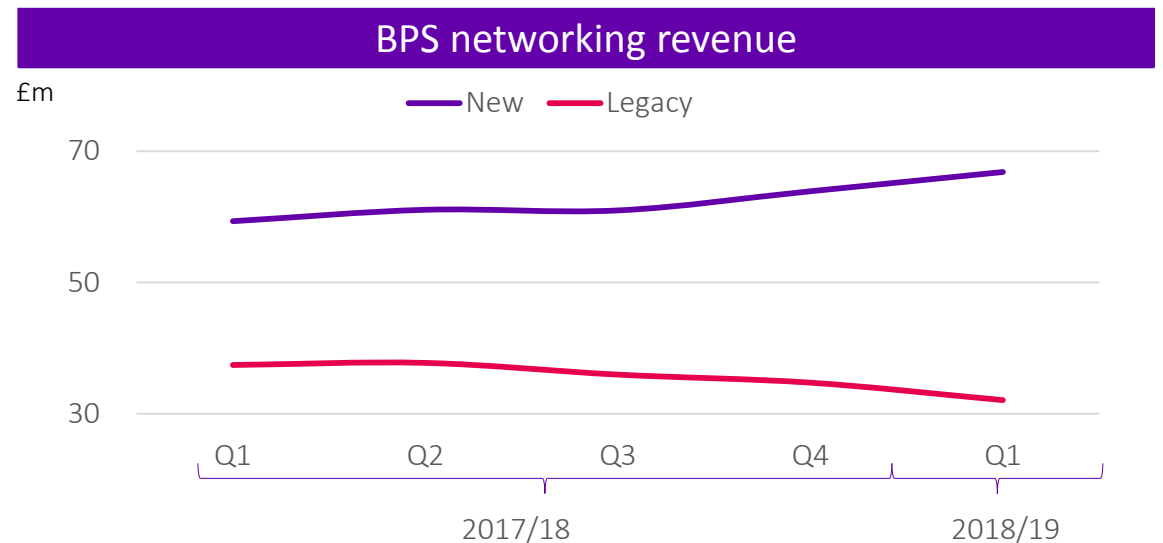
✓ = launched



BPS – Public Sector headwinds now largely behind, legacy pressures continue

- Revenue down 4%:
 - continued decline in traditional voice, lower equipment sales and EU roaming impact partly offset by growth in VoIP¹
 - fixed down 4%, mobile down 1%
- EBITDA up 2%:
 - reflects diminished Public Sector contract drag
 - broadly flat, excluding one-offs

	Q1 2018/19	Q1 2017/18	Change
Revenue	£1,085m	£1,132m	(4%)
EBITDA	£350m	£342m	2%



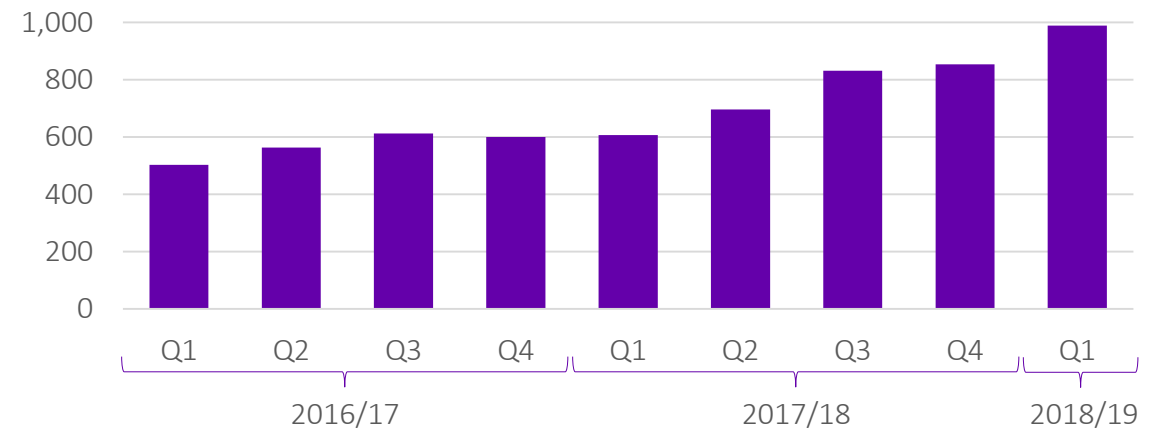
¹Voice over Internet Protocol

Wholesale and Ventures – continued legacy product declines

- Revenue down 8%:
 - Managed services down 15%, Broadband down 14%, Voice down 14%
 - Mobile revenue down 11%
 - Ventures revenue up 16% - continued growth in messaging
 - 180 InLinkUK units installed at end of Q1
- EBITDA down 11% in Q1:
 - reflecting declines in legacy revenue

	Q1 2018/19	Q1 2017/18	Change
Revenue	£459m	£497m	(8)%
EBITDA	£154m	£174m	(11)%

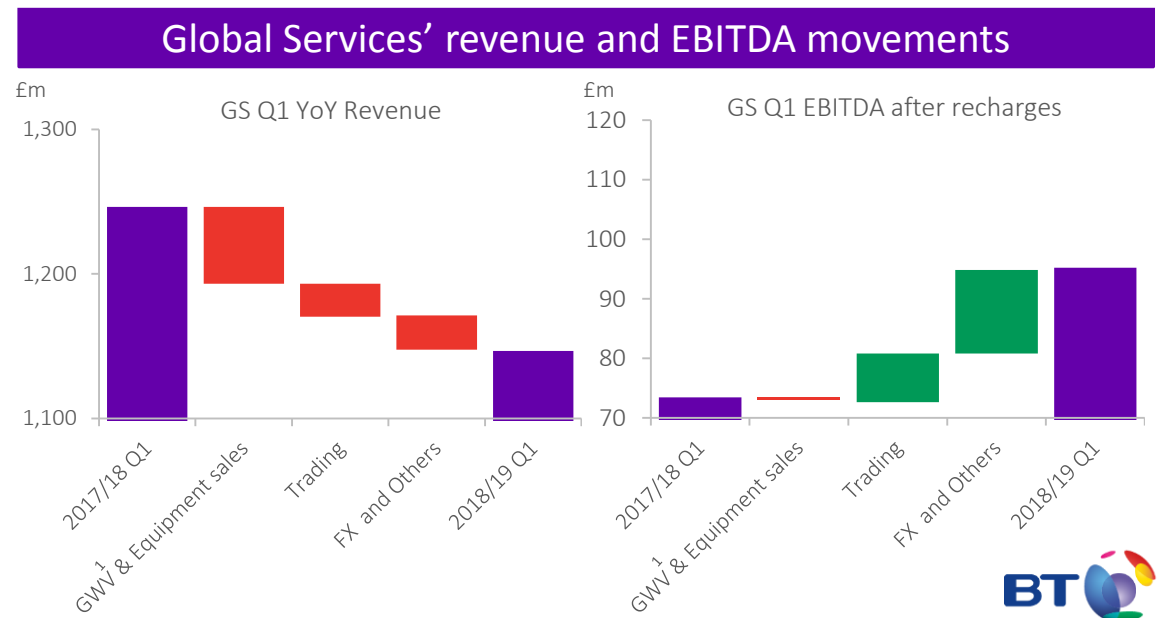
Messaging volumes (m)



Global Services – improving cost performance

- Revenue down 8% mostly due to strategic decision to reduce low margin business
- EBITDA up 30%, reflecting prior year bonus true-up and lower labour costs
- Transformation initiatives on track:
 - first phase of new organisational structure implemented

	Q1 2018/19	Q1 2017/18	Change
Revenue	£1,147m	£1,246m	(8)%
EBITDA	£95m	£73m	30%



¹Global Wholesale Voice



Openreach – accelerating FTTP deployment

- Revenue down 2% in the quarter:
 - regulation and physical line losses offset by continued strong growth in fibre broadband and Ethernet
- EBITDA down 9%:
 - revenue decline, increased business rates, wage inflation, higher training costs, recruitment of new engineers
 - partially offset by savings from reduced repair visits
- ‘Fibre First’ programme on track:
 - c.10,000 weekly build rate reached
 - build costs at lower end of £300-400 range
 - Exeter announced as ninth city

	Q1 2018/19	Q1 2017/18	Change
Revenue	£1,217m	£1,248m	(2)%
EBITDA	£567m	£621m	(9)%

