

A world map with a blue and green color scheme, showing continents and oceans. The map is centered on the Atlantic Ocean. Overlaid on the map is the text 'Service Provider Profile', 'British Telecom', and 'Feb 2011'.

**Service Provider Profile**  
**British Telecom**  
**Feb 2011**

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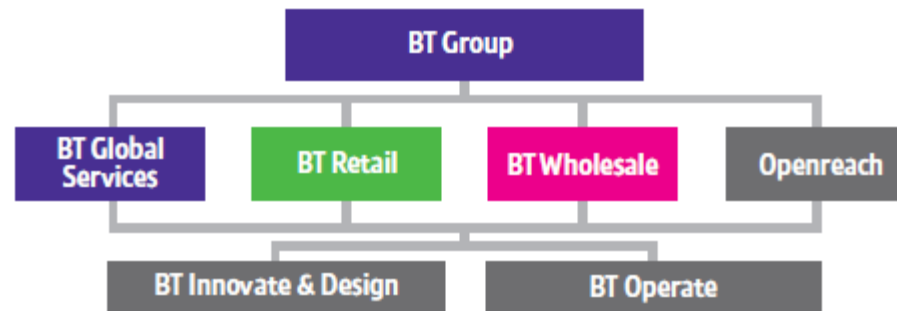


# British Telecom

Global



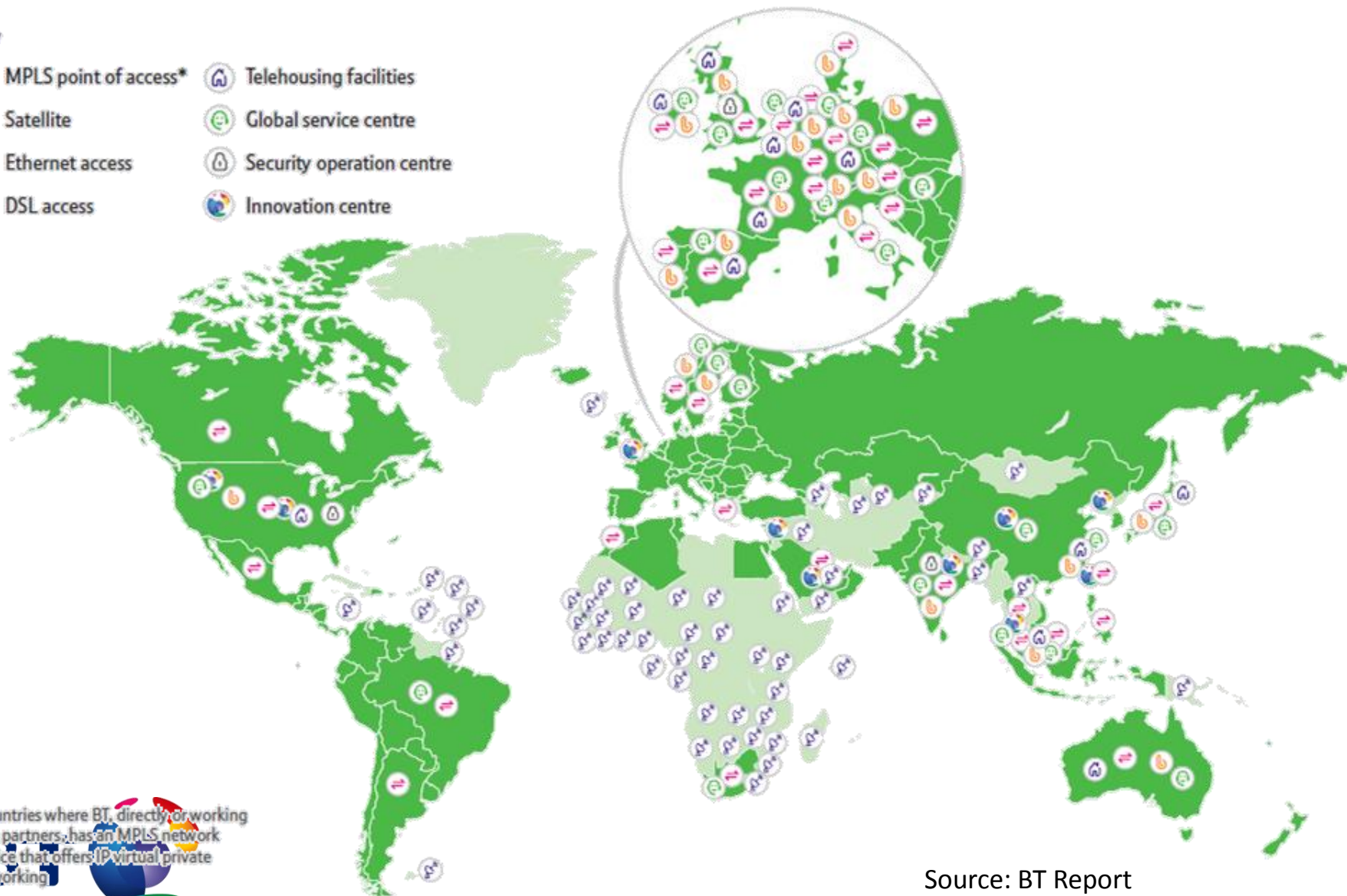
- BT is one of the world's leading communications services companies, serving the needs of customers in the UK and in more than 170 countries worldwide.
- BT Group plc is a public limited company registered in England and Wales and listed on the London and New York stock exchanges.
- BT main activities are the provision of fixed lines, broadband, mobile and TV products and services as well as networked IT services.
- In the UK we are the largest communications services provider, serving the consumer, business and public sector markets. Globally, we supply networked IT services to multinational corporations, domestic businesses and government departments. We also provide access to our network and services to more than 1,000 communications providers in the UK and others worldwide.
- BT is made up of four principal lines of business: BT Global Services, Openreach, BT Retail and BT Wholesale.



# World wide Operations

## Key

- MPLS point of access\*
- Telehousing facilities
- Satellite
- Global service centre
- Ethernet access
- Security operation centre
- DSL access
- Innovation centre



\*Countries where BT, directly or working with partners, has an MPLS network service that offers IP virtual private networking

Source: BT Report

## ➤ **BT Global Services**

BT Global Services is a global leader in the provision of networked IT services, serving multinational corporations, domestic businesses, government departments and other communications providers in more than 170 countries.

## ➤ **BT Retail**

BT Retail is the UK's leading provider of telecommunications products and services to the consumer market, and provides IT services and communications solutions to the small and medium enterprises market.

## ➤ **BT Wholesale**

BT Wholesale provides products and solutions to communications providers in the UK and worldwide.

## ➤ **Openreach**

Openreach is responsible for the crucial 'first mile' of the UK telecommunications network – the copper wires and fiber connecting homes and businesses to their local telephone exchange.

## ➤ **BT Innovate & Design**

BT Innovate & Design is responsible for the innovation, design, development and delivery of the processes, networks and platforms on behalf of the customer-facing lines of business and which run BT's business.

## ➤ **BT Operate**

BT Operate manages BT's IT and network infrastructure platforms. It also runs parts of other communications providers' networks on behalf of the customer-facing lines of business.



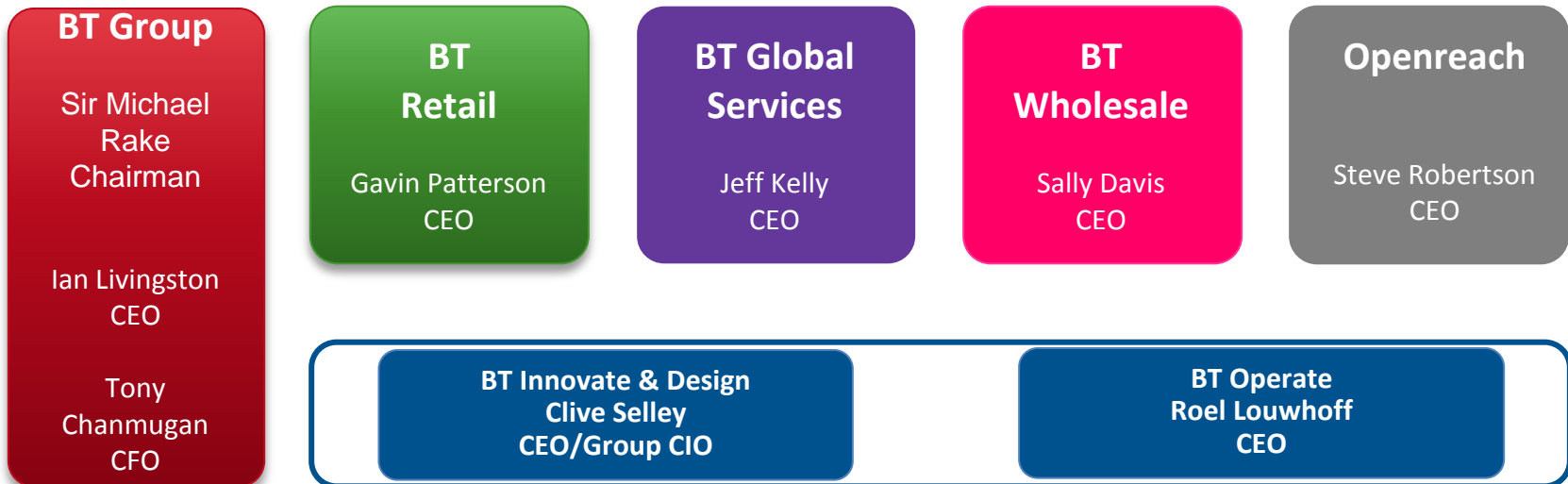
# Group performance results for Q3 and 9 Months ending 31 Dec-2010

## Key points for the third quarter:

- Revenue of £5,038m, down 3%
- EBITDA of £1,484m, up 7%
- Profit before tax of £531m, up 30% (after specific items, up 111%)
- Earnings per share of 5.4p, up 32% (after specific items, up 96%)
- Free cash flow of £515m, up 69%
- Net debt of £8.7bn, down £1.4bn
- DSL broadband net additions of 188,000, 53% market share
- BT Global Services expected to generate operating cash flow of around £100m in 2010/11 and around £200m in 2011/12.



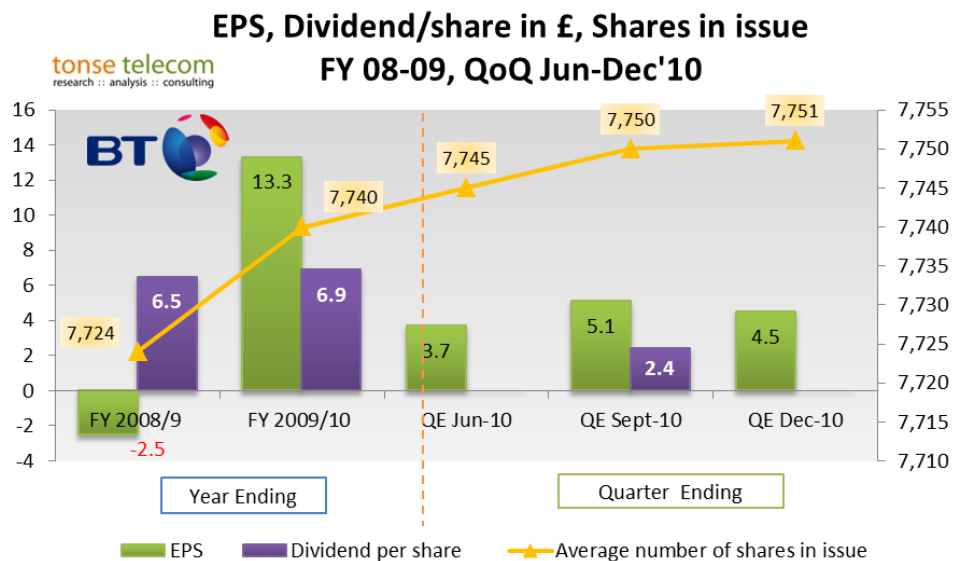
# Corporate Structure



Market facing units manage all customer interactions.  
BT Innovate & Design researches, innovates, designs and develops.  
BT Operate manages all systems and networks in life.



- As part of 'right first time' initiative, BT Global Services has improved sales order quality by 40% and the number of calls unanswered by BT call centers has reduced by around 70% in 2010.
- BT has invested £1.5m in Inspiring Young Minds, a three-year strategic partnership with UNICEF which brings education, IT and communication skills to disadvantaged children in South Africa, Brazil and China.
- The ongoing partnership between Openreach and I CAN, the children's communication charity, aims to ensure that everyone in contact with children up to the age of 11 knows how important communication is, what communication difficulties look like and what they can do to help.



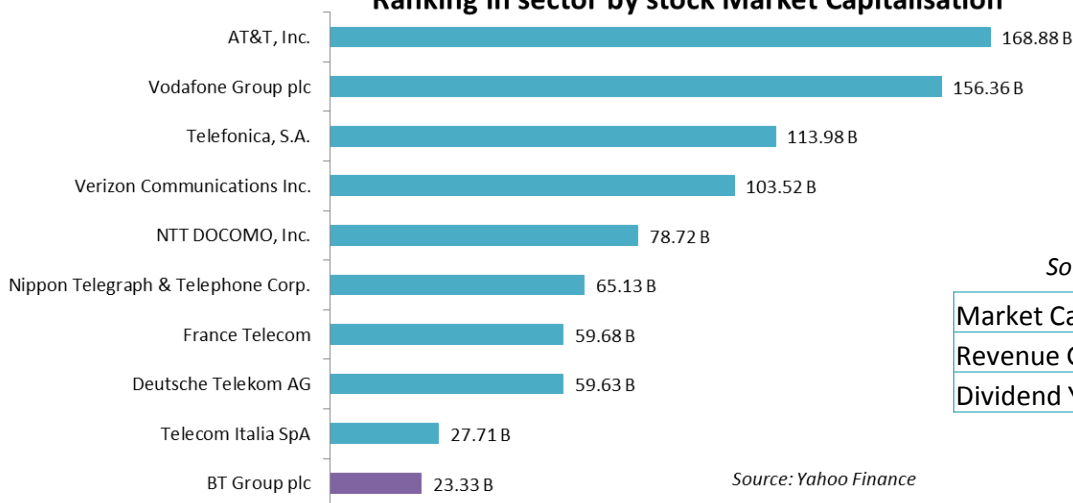
- KCOM Group joins IP voice revolution and signs an agreement with BT Wholesale on 1st Feb. 2011 to offer its customers next generation IP Voice Services.
- On 15th Oct 2010, BT announces it's strategic partnership with STC for network IT services for the Kingdom of Saudi Arabia.
- On 16th July 2010, BT won five-year Debenhams retail deal for transforming the high street retailer's data network and upgrade it onto BT's next generation, high-speed 21CN software-driven network.
- BT on 10th July 2010 announced the agreement with the Ministry of Defence to transform its communications. The contract extension is expected to be worth £640m in revenue to BT over the three-years to 2015.
- On 9th July 2010, BT delivered B2B TelePresence solution for Wipro in India.
- On 23rd June, BT has signed a contract with Starbucks Coffee for Wi-Fi across 140 Starbucks coffee houses in Germany.
- BT has been awarded an extension, worth around an additional €173 million, to its outsourcing contract with Unilever on 14th June 2010.
- BT has won 3.4 million EUR contract from Asepeyo's network to manage it's traffic on 24th June 2010.
- As part of BT's 'right first time' initiative, BT Global Services has improved sales order quality by 40% and the number of calls unanswered by BT call centres has reduced by around 70% in 2010.
- BT and Polycom collaborate to develop end-to-end suite of enterprise services and solutions based on Microsoft Communications Server on 12th July 2010.



# Global Ratings and recognition

- BT has been ranked seventh in the list of 60 top green businesses in Britain in 2010 .
- BT has been in the top 5% of our sector in the Dow Jones Sustainability Index for the last nine year.
- BT in Spain is the only Telco business to have achieved the “Equality in Business” award
- BT won the prestigious Telecoms World Middle East award of year 2010 in the category Best International Wholesale Carrier and Best Customer Service.

**Ranking in sector by stock Market Capitalisation**



Source: Yahoo Finance

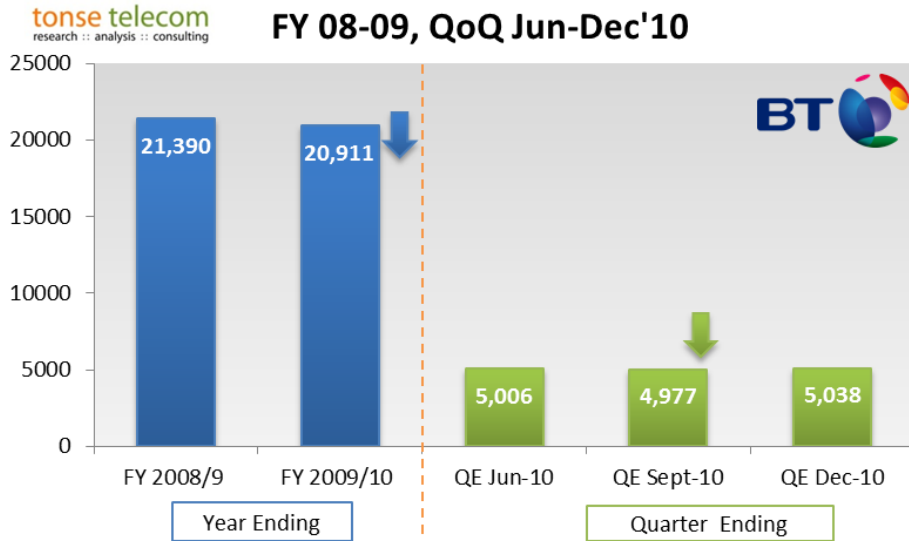
Source : Yahoo Finance



Market Capitalization	23.33B	113.98B	43.63B
Revenue Growth (Qtrly YoY)	-0.018	0.074	-4.10%
Dividend Yield (annual)	0.025	0.058	N/A



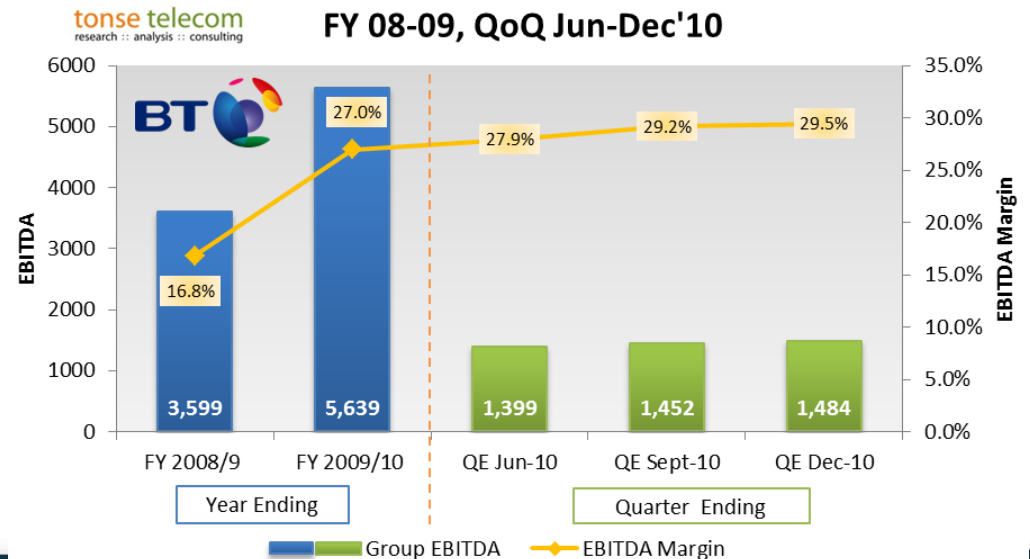
**Revenue in Millions of £**  
FY 08-09, QoQ Jun-Dec'10



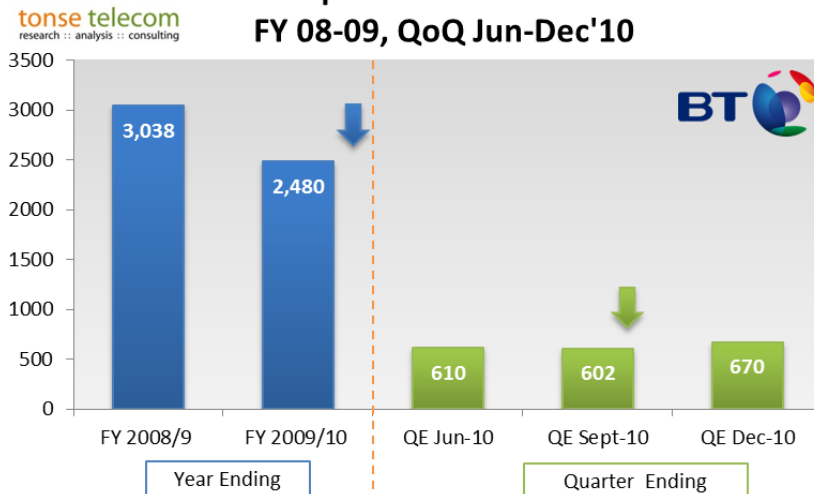
- BT reported impressive 3Q earnings that showed continued execution on cost cutting and cash flow generation.
- Payments to telecommunications operators were down by 12% to £937m reflecting lower mobile termination rates and transit and wholesale call volumes

- EBITDA increased by 7% reflecting continued cost reductions and lower lever costs.

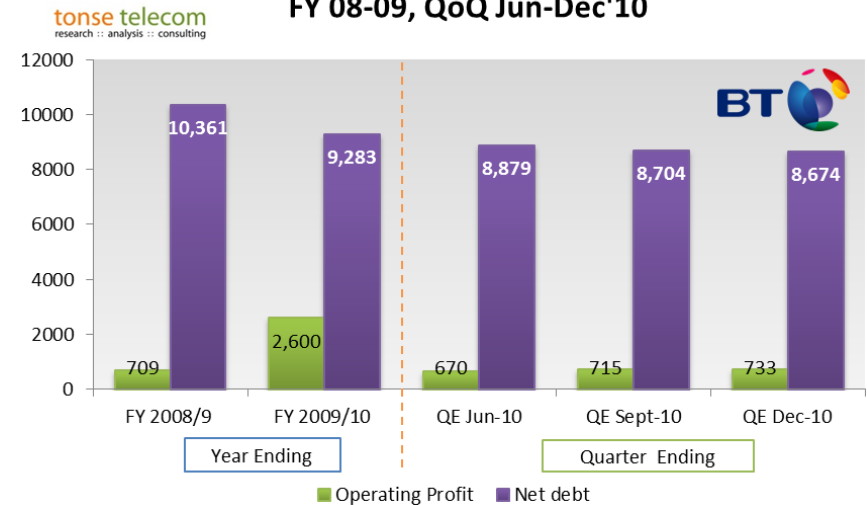
**EBITDA in Millions of £, EBITDA Margin(%)**  
FY 08-09, QoQ Jun-Dec'10



**Capex in Millions of £**  
FY 08-09, QoQ Jun-Dec'10

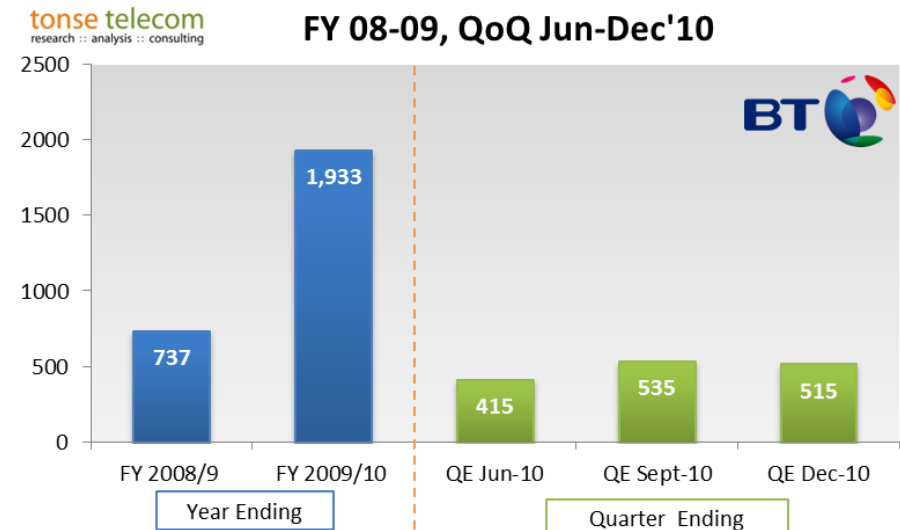


**Net Debt, Operating Profit in Millions of £**  
FY 08-09, QoQ Jun-Dec'10

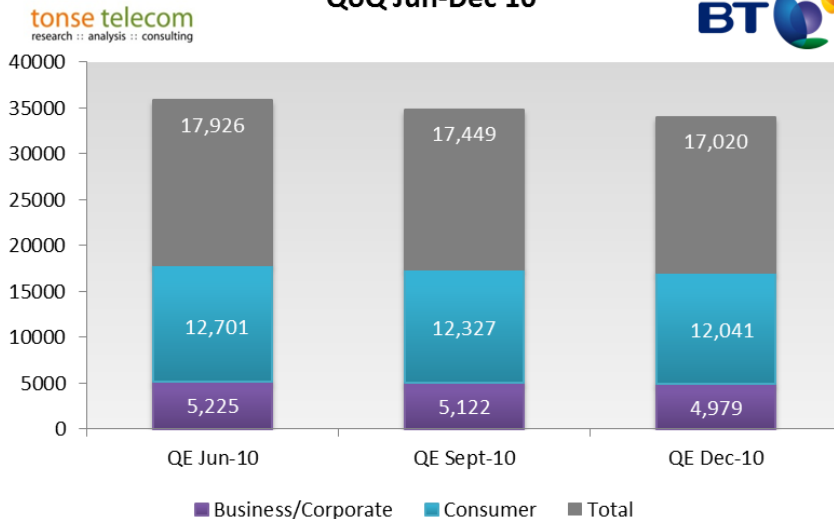


- Capital expenditure increased due to the ongoing investment in our fibre roll out programme.
- Free cash flow was an inflow of £515m reflecting improved profitability and working capital. In addition, BT received £67m from the disposal of a 5.5% interest in Tech Mahindra.
- Net Debt reduction of £1438m in the year.

**Free Cash Flow in Millions of £**  
FY 08-09, QoQ Jun-Dec'10



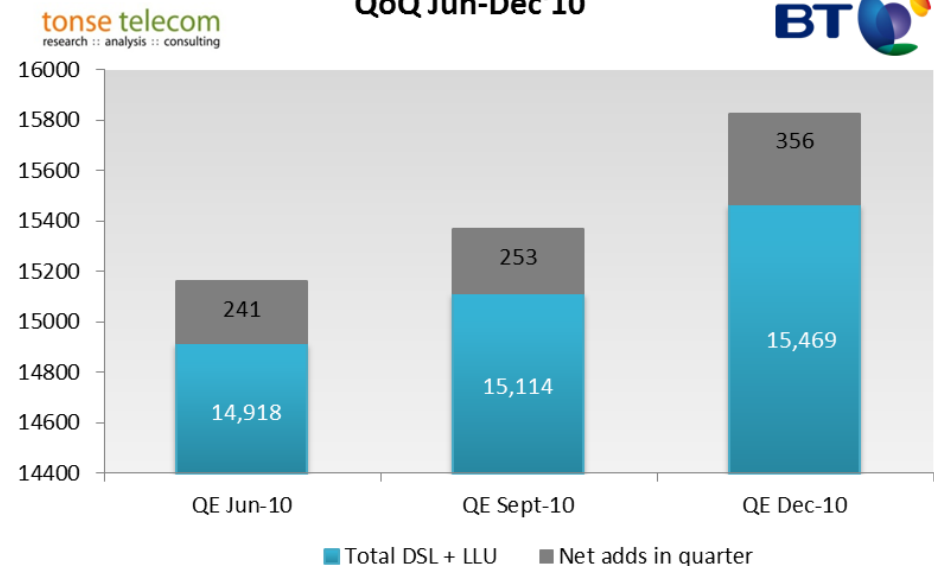
**BT Group: Lines sold through BT lines of business ('000)**  
QoQ Jun-Dec'10



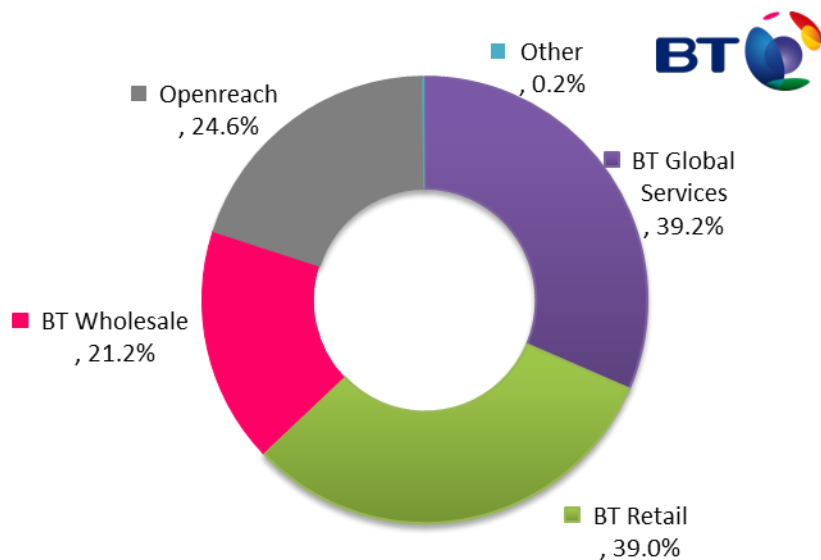
- BT Openreach fiber rollout is expected to hit 5 million homes by spring 2011.

- BT Vision, Increased net adds of 40,000 for the quarter and that's more than actually the previous two quarters combined.
- BT has **2.6 Million Wi-Fi Hotspots**.
- MoU on Wi-Fi Hotspots was **881 Million** minutes this quarter.
- BT Retail had a good quarter with growth in business revenues and highest share of DSL broadband net additions for eight years, representing a 53% market share of DSL and LLU net additions.

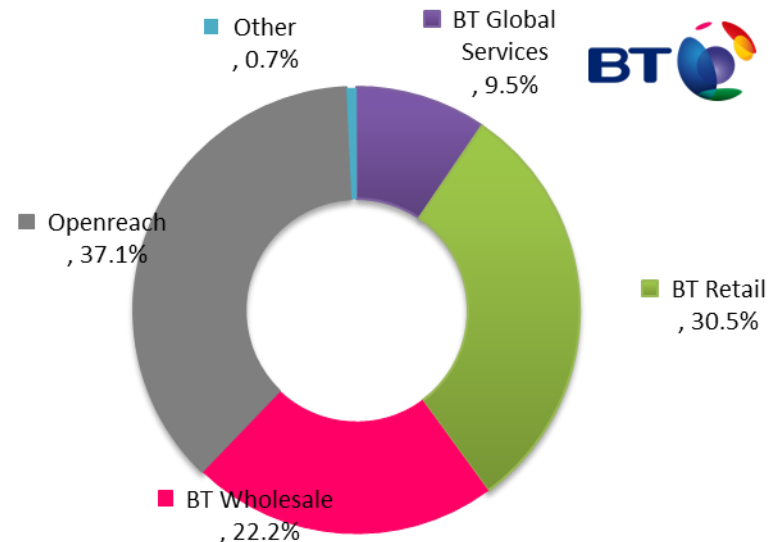
**BT Group: Broadband Stats('000)**  
QoQ Jun-Dec'10



## Revenue Split for QE Dec-10



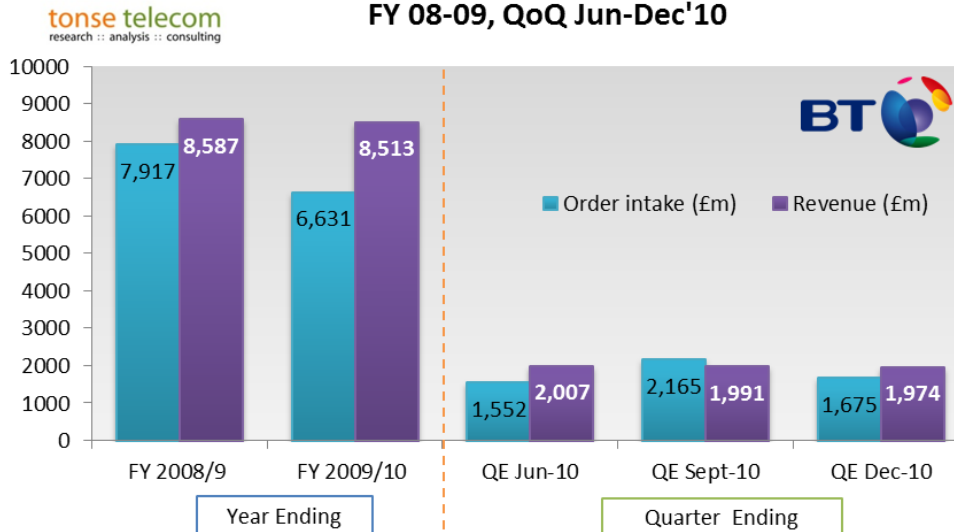
## EBITDA Split for QE Dec-10



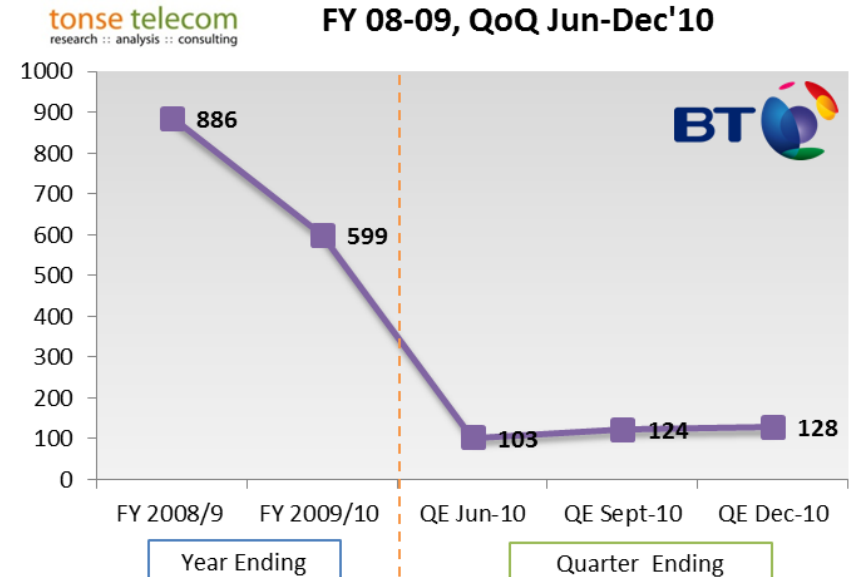
- BT Retail had a good quarter with growth in business revenues and our highest share of DSL broadband net additions for eight years.
- Openreach benefited from a stronger broadband market and growth in its copper line base.
- BT Global Services is now expected to be cash flow positive this year, a year earlier than targeted.



BT Global Services: Order intake, Revenue in Millions of £  
FY 08-09, QoQ Jun-Dec'10



BT Global Services: Capex in Millions of £  
FY 08-09, QoQ Jun-Dec'10



- Revenue decreased by 7% in the quarter. It reflects the impact of lower wholesale and transit revenues (including the impact of mobile termination rate reductions), reduced UK calls and lines revenue and a one-off revenue adjustment. BT Global Services is now expected to be cash flow positive this year, a year earlier than targeted.
- Total order intake for the quarter was up 8% at £1.7bn. This reflects some significant contract wins and extensions with leading organisations in the global financial services sector.
- BT also signed new contracts in the UK with Gala Coral for broadband and voice services across 1,600 outlets, and outside the UK with customers such as DigitPA in Italy to connect 340 offices in 125 countries and ArcelorMittal to support operations in over 700 sites across more than 40 countries.



# BT Retail

In UK and Ireland



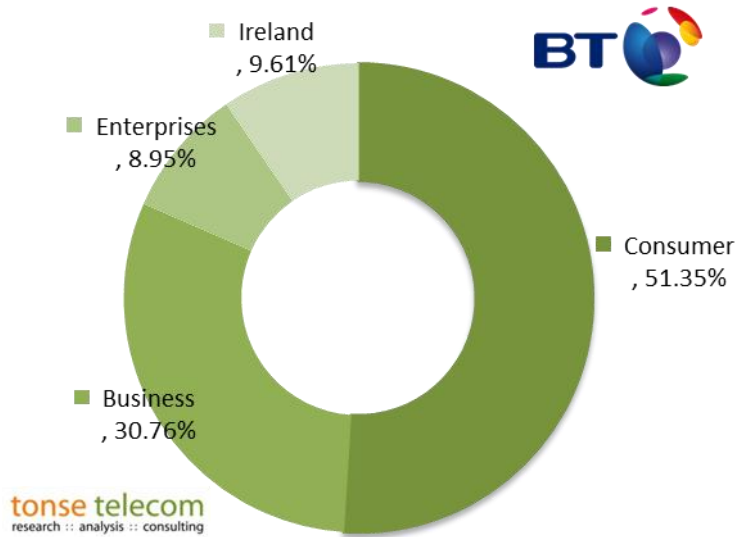
- UK Broadband market trends positive.
- Broadband prices continue to increase.
- The principal losers in the broadband market appear to be Orange (Everything Everywhere), other ISPs, and the legacy Tiscali base.
- Sky and TalkTalk are launching their own FTTH trial.
- BT is losing Retail Market share mainly to other unbundlers rather than Cable or customers giving up the line entirely.
- This has positively impacted Openreach.
- BT has 2.6 Million Wi-Fi Hotspots.
- MoU on Wi-Fi Hotspots was 881 Million minutes this quarter.



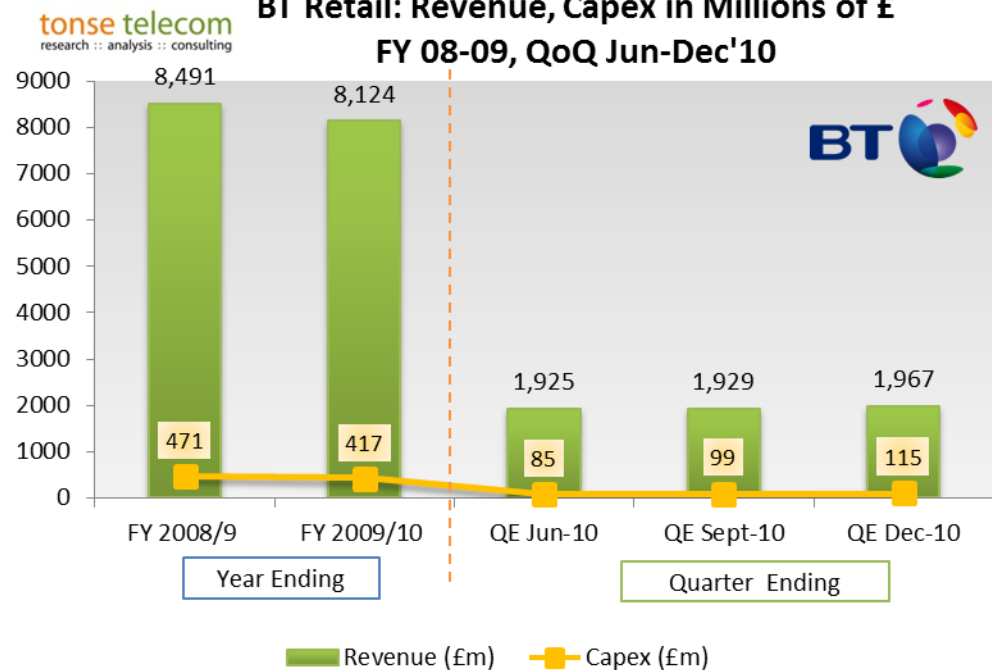
- BT Retail had a good quarter with growth in business revenues and highest share of DSL broadband net additions for eight years, representing a 53% market share of DSL and LLU net additions.
- Consumer ARPU increased to £322, up £5 over the previous quarter, largely due to the increasing penetration of broadband in our customer base.
- Capex increased by 28% principally due to fibre roll out in Northern Ireland.

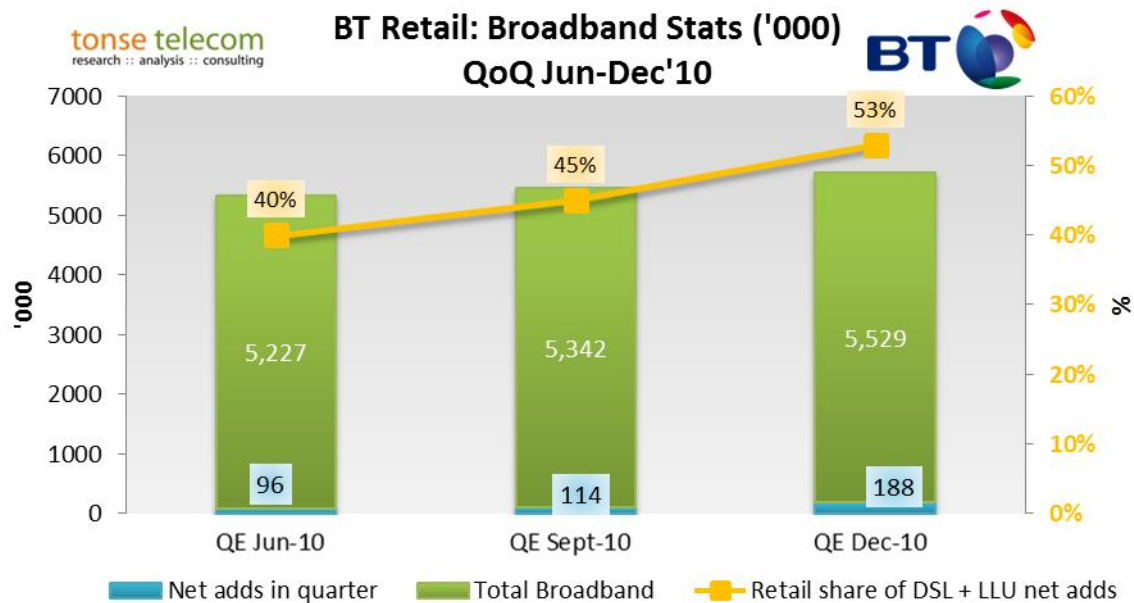
Key Stats	QE Jun-10	QE Sept-10	QE Dec-10
Call minutes (bn)	10.95	10.77	11.16
Consumer ARPU2 (£)	314	317	322
Active Consumer lines ('000)	10,932	10,713	10,571
Net adds in quarter	14	24	40

**BT Retail: Revenue Split for QE Dec-10**



**BT Retail: Revenue, Capex in Millions of £**  
FY 08-09, QoQ Jun-Dec'10





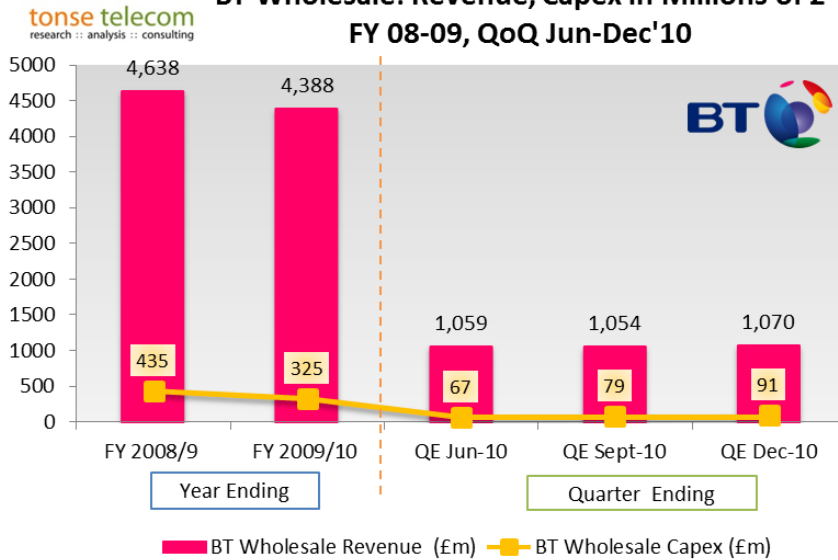
- BT and Sky have excelled in the quarter, with BT reporting net adds of +187k
- Sky achieved sector leading Net adds of +204k
- High share reflects the success of BT broadband strategy, including BT Infinity and Wi-Fi, as well as BT competitive offers and growth in Plusnet brand. BT also saw the take up of BT Vision more than double, with 40,000 net additions in the quarter, the highest for seven quarters.



# BT Wholesale, Openreach

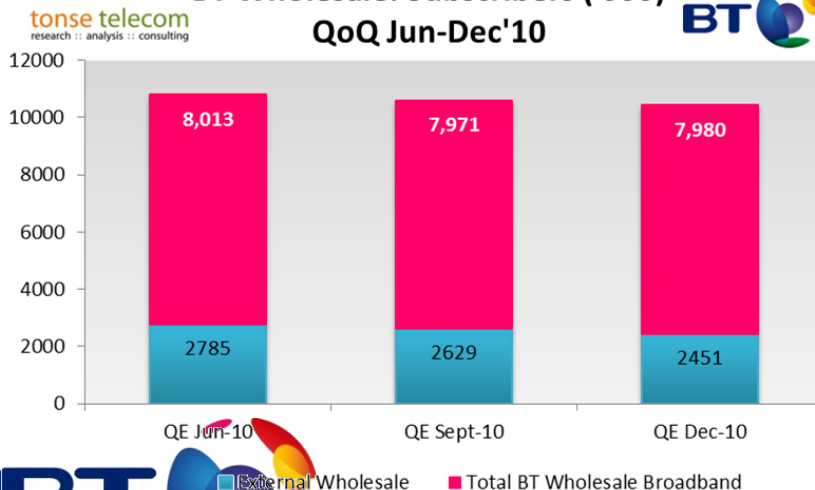


**BT Wholesale: Revenue, Capex in Millions of £**  
FY 08-09, QoQ Jun-Dec'10

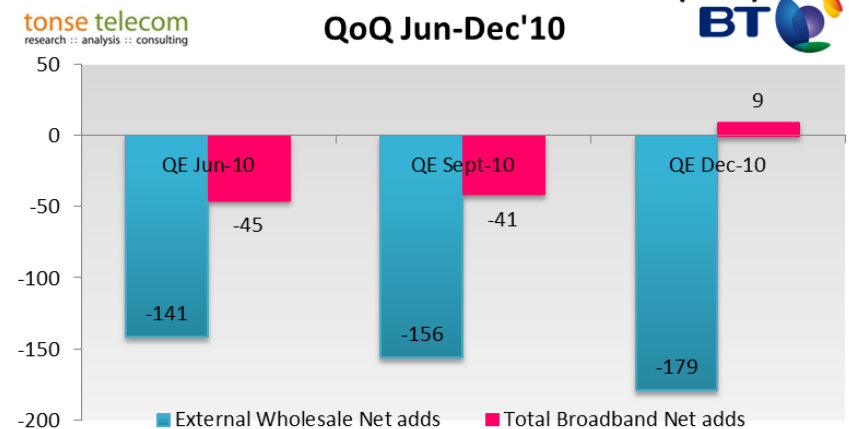


- Adjusted revenue was flat reflecting a reduction in Broadband Revenue, revenue impacted by continued migration to LLU.
- BT signed a new contract with KCOM Group to provide next generation IP Voice Services.
- EBITDA decreased by 2% ,depreciation and amortisation down by 10%.
- Operating profit increased by 7%.
- Increase in Capex due to Ethernet and ADSL 2+ rollout.

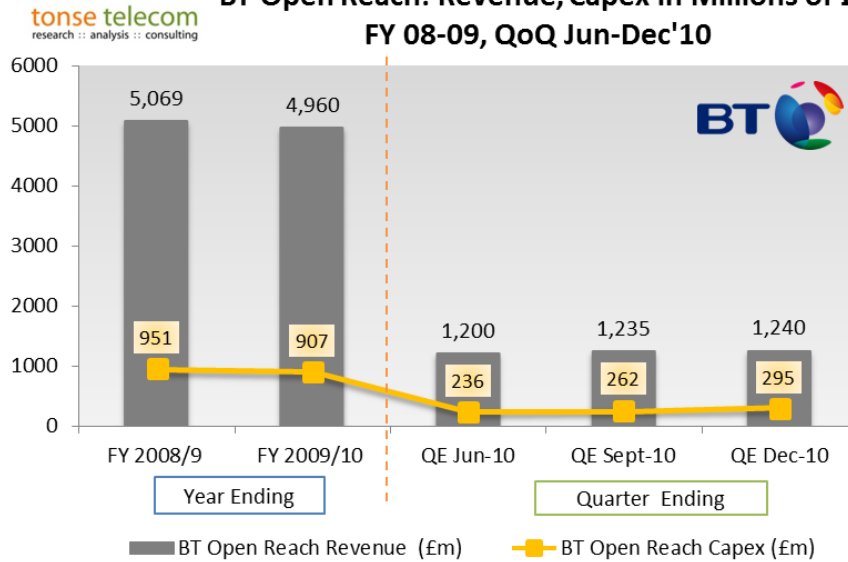
**BT Wholesale: Subscribers ('000)**  
QoQ Jun-Dec'10



**BT Wholesale: Subscribers Net adds ('000)**  
QoQ Jun-Dec'10

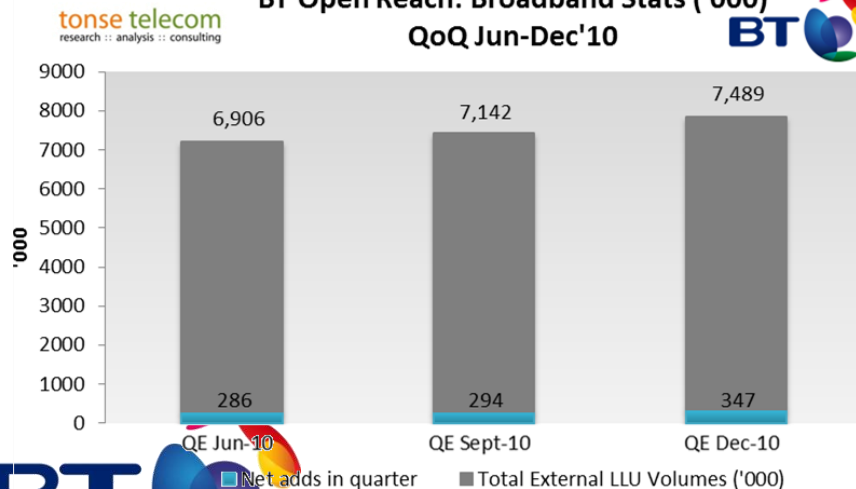


**BT Open Reach: Revenue, Capex in Millions of £**  
FY 08-09, QoQ Jun-Dec'10

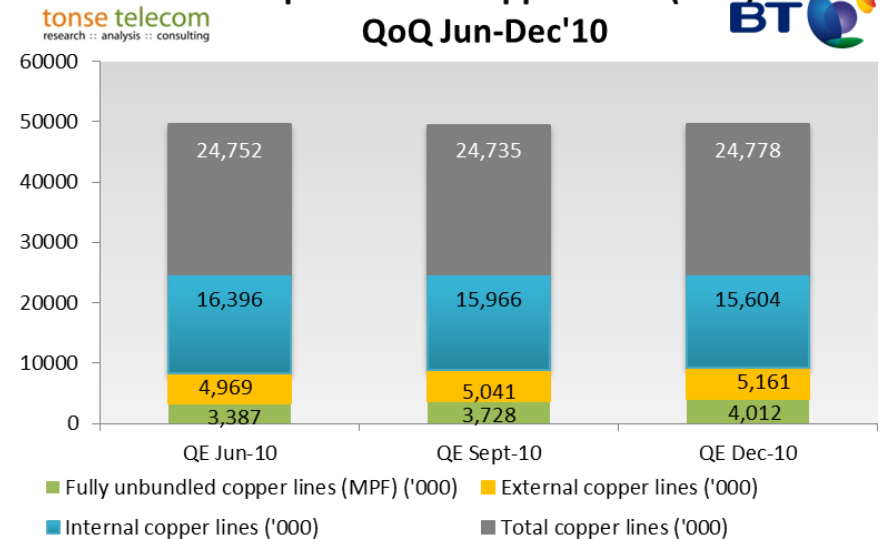


- Openreach benefited from a stronger broadband market and growth in its copper line base.
- Total copper line base increased by 43k in Q3-2010.

**BT Open Reach: Broadband Stats ('000)**  
QoQ Jun-Dec'10



**BT Open Reach: Copper Lines ('000)**  
QoQ Jun-Dec'10



## **Disclaimers**

### **Disclaimers:**

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# THANK YOU !

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