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BT GROUP PLC  
Form 6-K/A  
December 02, 2002

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 6-K/A

Report of Foreign Private Issuer

Pursuant to Rule 13a-16 or 15d-16 of  
the Securities Exchange Act of 1934

02 December 2002

BT Group plc  
(Translation of registrant's name into English)

BT Centre  
81 Newgate Street  
London  
EC1A 7AJ  
England

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F..X... Form 40-F.....

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes ..... No ..X..

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82- \_\_\_\_\_

Enclosures: 1. Record date correction announcement made on 7 November 2002

November 7, 2002

Record date correction.

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The interim dividend record date should have read 31 December 2002 and not as stated. All other particulars in the announcement, an amended version of which is set out below, remain unchanged.

### SECOND QUARTER AND HALF YEAR RESULTS TO SEPTEMBER 30, 2002

#### SECOND QUARTER AND HALF YEAR HIGHLIGHTS

- Group turnover\* of GBP4,661 million, up 2 per cent
- Profit before taxation\* of GBP496 million, up 55 per cent
- Earnings per share\* of 3.7 pence, up 54 per cent
- Free cash flow of GBP552 million generated
- Net debt reduced by GBP285 million in the quarter
- Interim dividend of 2.25 pence per share
- Broadband end users of 451,000 at November 1
- Customer satisfaction well ahead of the competition

\*from continuing activities before goodwill amortisation and exceptional items

#### Chairman's statement

Sir Christopher Bland, Chairman, commenting on the second quarter results, said:

"This is an excellent set of results. The operating performance of the business has been particularly strong in a difficult market. We generated over half a billion pounds in free cash flow in the quarter.

I am pleased to report that we will be paying an interim dividend of 2.25 pence per share.

The recently announced agreement to dispose of our stake in Cegetel will see net debt reduce by a further GBP2.5 billion on completion.

These results demonstrate our ability to reduce debt, reward our shareholders and invest for the future."

#### Chief Executive's statement

Ben Verwaayen, Chief Executive, commenting on the second quarter results said:

"We continue to make strong progress in achieving our key goals of improving cash flow, earnings per share and customer satisfaction. Free cash flow was GBP552 million and earnings per share\* increased by 54 per cent over last year to 3.7 pence, well ahead of our targets. Customer

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satisfaction was also well ahead of the competition.

Our revenue growth in the quarter was 2 per cent. Although the three year revenue target of 6 to 8 per cent compound annual growth is unlikely to be achieved in the present market conditions, we expect total revenue growth for the second half to be in line with current market expectations. Future revenue growth will benefit from our focus on developing new wave initiatives, particularly in broadband and ICT."

\*from continuing activities before goodwill amortisation and exceptional items

BT Group's results, excluding discontinued activities, exceptional items and goodwill amortisation, are summarised in the following table:

### RESULTS FOR THE SECOND QUARTER AND HALF YEAR TO SEPTEMBER 30, 2002

BT Group's continuing activities before goodwill amortisation  
and exceptional items

|                            | Second quarter |              |                     | 2002<br>GBPm | Half |
|----------------------------|----------------|--------------|---------------------|--------------|------|
|                            | 2002<br>GBPm   | 2001<br>GBPm | Better (worse)<br>% |              |      |
| Group turnover             | 4,661          | 4,557        | 2                   | 9,248        |      |
| EBITDA before leaver costs | 1,515          | 1,403        | 8                   | 2,974        |      |
| EBITDA after leaver costs  | 1,478          | 1,385        | 7                   | 2,781        |      |
| Group operating profit     | 729            | 657          | 11                  | 1,299        |      |
| Net interest charge        | 295            | 352          | 16                  | 595          |      |
| Profit before taxation     | 496            | 321          | 55                  | 818          |      |
| Profit after taxation      | 331            | 206          | 61                  | 546          |      |
| Earnings per share         | 3.7p           | 2.4p         | 54                  | 6.2p         |      |
| Capital expenditure        | 559            | 660          | 15                  | 1,108        |      |
| Net debt                   |                |              |                     | 13,112       |      |

#### GROUP RESULTS

Group turnover increased year on year by 2 per cent to GBP4,661 million in the second quarter. This was a good performance in a difficult market for telecoms operators and solutions businesses. Although the three year revenue target of 6 to 8 per cent compound annual growth is unlikely to be achieved in the present

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market conditions, we expect total revenue growth for the second half to be in line with current market expectations. Future revenue growth will benefit from our focus on developing new wave initiatives.

Group operating profit before goodwill amortisation and exceptional items at GBP729 million for the quarter was GBP72 million higher than the second quarter of last year, with improved gross margins in BT Retail, cost reductions across the lines of business and reduced losses in the overseas activities of BT Ignite. The strong operating performance is despite the negative operating profit effect of unwinding the Concert global venture, the Telereal property sale and leaseback and the impact of GBP37 million of leaver costs (GBP18 million last year). The operating improvement does however reflect the year on year effect of one off charges of GBP52 million, relating to certain regulatory decisions, made in the second quarter of last year.

BT's share of associates and joint ventures operating profits before goodwill amortisation was GBP66 million (GBP9 million last year) in the quarter, benefiting from the unwind of Concert and improved results from Cegetel.

Net interest payable was GBP295 million for the quarter, an improvement of GBP57 million against last year as a result of the significant reduction in the level of net debt.

Profit before taxation of GBP496 million in the quarter increased by 55 per cent reflecting the underlying operating performance of the group and lower net interest costs.

The taxation charge for the quarter was GBP165 million; this represents an effective rate of 33.3 per cent (35.8 per cent last year) on the profit before exceptional items and goodwill amortisation.

Earnings per share before goodwill amortisation and exceptional items were 3.7 pence for the quarter (2.4 pence last year), an increase of 54 per cent.

Goodwill amortisation at GBP3 million for the quarter was GBP38 million lower than last year. This reduction reflects the disposals and goodwill impairment write downs made last year. Earnings per share after goodwill amortisation and exceptional items were 3.7 pence compared to a loss of 15.0 pence last year. An interim dividend of 2.25 pence per share will be paid on February 10, 2003 to shareholders on the register on December 31, 2002. We expect this year's final dividend to be slightly more than the historical level of one and a half times the interim dividend. Our progressive dividend policy remains unchanged.

### Underlying performance and intra-group trading

In the line of business commentaries that follow, references to "underlying performance" are to trading performance after adjusting for the estimated impact of the Concert unwind and business acquisitions and disposals on the line of business results. Trends in the results of the lines of business are described by reference to the underlying performance.

The group results have not been adjusted for the pro forma impact of the Concert unwind.

There is extensive trading between the lines of business, the effect of which is eliminated in arriving at the group results. The intra-group turnover and intra-group costs of BT Retail for comparative periods and the first quarter ended June 30, 2002 have been restated to reflect changes to the intra-group trading arrangements.

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### OPERATING PERFORMANCE BY LINE OF BUSINESS

| Second quarter ended<br>September 30, 2002 (i) | Group<br>Turnover<br><br>GBPm | EBITDA<br>Before exceptional<br>Items<br><br>GBPm | Group operating profit<br>(loss) before goodwill<br>amortisation and<br>exceptional items<br><br>GBPm |
|--|-------------------------------|---|---|
| BT Retail                                      | 3,288                         | 439   | 388   |
| BT Wholesale                                   | 2,833                         | 990   | 512   |
| BT Ignite                                      | 1,267                         | 34  | (115)   |
| BT Openworld                                   | 67                            | (16)  | (22)  |
| Other  | 85                            | 31  | (34)  |
| Intra-group items (ii)                         | (2,879)                       | -   | -   |
| <b>Total</b>                                   | <b>4,661</b>                  | <b>1,478</b>                                      | <b>729</b>  |

| Half year ended<br>September 30, 2002 (i) | Group<br>turnover<br><br>GBPm | EBITDA<br>before exceptional<br>items<br><br>GBPm | Group operating profit<br>(loss) before goodwill<br>amortisation and<br>exceptional items<br><br>GBPm |
|---|-------------------------------|---|---|
| BT Retail                                 | 6,463                         | 858   | 758   |
| BT Wholesale                              | 5,583                         | 1,835   | 885   |
| BT Ignite                                 | 2,513                         | 44  | (245)   |
| BT Openworld                              | 132                           | (38)  | (46)  |
| Other                                     | 168                           | 82  | (53)  |
| Intra-group items (ii)                    | (5,611)                       | -   | -   |
| <b>Total</b>                              | <b>9,248</b>                  | <b>2,781</b>                                      | <b>1,299</b>  |

- i. See note 2 on pages 24 and 25 for prior year figures
- ii. Includes elimination of turnover between businesses, which is included in the turnover of the originating business

| BT Retail |      | Second quarter ended September 30 |                   |  |     | Half<br>ended S |
|-----------|------|-----------------------------------|-------------------|--|-----|-----------------|
| 2002      | 2001 | Better (worse)                    |                   |  | 200 |                 |
| GBPm      | GBPm | Actual                            | Underlying<br>(b) |  | GBP |                 |
|           |      | %                                 | %                 |  |     |                 |
|           |      |                                   |                   |  |     |                 |

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|   |       |           |      |      |      |
|---|-------|-----------|------|------|------|
| Group turnover                          | 3,288 | 3,184 (a) | 3    | 1    | 6,46 |
| Gross margin                            | 948   | 846       | 12   | 8    | 1,90 |
| Sales, general and administration costs | 509   | 531       |      |      | 1,04 |
| EBITDA                                  | 439   | 315       | 39   | 39   | 85   |
| Depreciation                            | 51    | 46        |      |      | 10   |
| Operating profit                        | 388   | 269       | 44   | 44   | 75   |
| Capital expenditure                     | 26    | 18        | (44) | (44) | 4    |
| Operating free cash flow                | 413   | 297       | 39   | 39   | 81   |

(a) Internal turnover restated to reflect changes in intra-group trading arrangements

(b) Adjusting for the effect of the Concert unwind

Compared to the second quarter of last year, BT Retail increased turnover by GBP46 million (1 per cent). Operating profits increased by GBP119 million (44 per cent) due to margin improvements and cost reductions.

The estimated impact on BT Retail of integrating the returning Concert multinational customers and associated sales staff on the reported results for the second quarter of last year would have been to increase turnover by GBP58 million (in the product areas of fixed network calls, exchange line connections and private circuits) and increase gross margin by GBP34 million. There would have been no impact on EBITDA and operating profit.

Turnover for the quarter is summarised as follows:

Second quarter ended September 30

| BT Retail turnover            | 2002  | 2001        | Better (worse) |            |
|-------------------------------|-------|-------------|----------------|------------|
|                               |       |             | Actual         | Underlying |
|                               | GBPm  | (a)<br>GBPm | %              | (b)<br>%   |
| Voice Services                |       |             |                |            |
| Fixed network calls           | 1,200 | 1,217       | (1)            | (2)        |
| Analogue lines                | 772   | 743         | 4              | 4          |
| Other                         | 454   | 433         | 5              | (2)        |
|                               | 2,426 | 2,393       | 1              | -          |
| Intermediate Products         |       |             |                |            |
| Narrowband access (inc. ISDN) | 215   | 187         | 15             | 12         |
| Digital private circuits      | 270   | 298         | (9)            | (12)       |
| Other                         | 184   | 160         | 15             | 10         |
|                               | 669   | 645         | 4              | 1          |

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|   |         |         |          |         |
|---|---------|---------|----------|---------|
| New Wave  | 193     | 146     | 32       | 32      |
| Total   | 3,288   | 3,184   | 3        | 1       |
| <br>Sales to other BT<br>businesses incl. above | <br>458 | <br>515 | <br>(11) | <br>(2) |

(a) Internal turnover restated to reflect changes in intra-group trading arrangements

(b) Adjusting for the effect of the Concert unwind

Turnover from voice services was unchanged from the second quarter of last year, with growth in the consumer market being offset by a decline in the business market. Within this, turnover from fixed network calls including outbound international calls, calls to mobile phones and calls to the internet decreased by 2 per cent to GBP1,200 million reflecting a reduction in call volumes. The effect was partly offset by an increase in revenue from packages such as BT Together and from analogue line rentals and connections.

The continued success of BT Together and BT Answer 1571 has held the rate of decline in geographic call volumes in BT Retail to 4 per cent, consistent with the last quarter. In the second quarter of last year the rate of decline was 5 per cent. The growth in fixed to mobile call minutes of 7 per cent (5 per cent in the last quarter), compares to 13 per cent in the second quarter of last year. Internet related and other non-geographic call minutes declined by 8 per cent compared to the second quarter of last year mainly due to customers continuing to switch to either FRIACO (Flat Rate Internet Access Call Origination) based internet products or, increasingly, broadband.

Within the residential voice market BT Retail has maintained market share at around 73 per cent as it has done since June 2000. In the business voice market, excluding the returned Concert businesses, estimates show BT Retail's market share to be down around 0.5 percentage points since the first quarter to 45 per cent.

Turnover from analogue exchange lines of GBP772 million increased by 4 per cent compared to the second quarter of last year as a result of rebalancing tariff charges. The number of residential voice lines has remained stable.

Other voice services include operator services, directory enquiries, payphones and chargecards. Turnover from these services decreased by 2 per cent to GBP454 million compared to the second quarter of last year.

Turnover from intermediate products of GBP669 million increased by 1 per cent compared to the second quarter of last year, despite the continued migration of customers from retail private circuits to partial private circuits, the effect of which is estimated at GBP41 million for the quarter. Narrowband (ISDN) lines continue to grow and at 3.7 million are 11 per cent higher than last year. Total business lines grew by 1 per cent reflecting the growth in ISDN lines. Other services comprise hardware, conferencing and other data services.

New Wave revenue grew by 32 per cent in the quarter as a result of the continued focus on the information, communications and technology ("ICT"), broadband and mobility products. The benefit of product launches during the quarter should contribute to further revenue growth in the second half of the year.

During the quarter BT Retail announced the next strand of its ICT strategy, namely the provision of applications management, hosting, mobility and web services which together with the IP infrastructure portfolio products helped BT achieve some notable wins: Unilever, Dixons Group and Leisure Link.

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BT Retail fully launched its direct broadband product on September 22, 2002. Volumes are being stimulated by an extensive marketing campaign.

September also saw the launch of the BT click&buy micropayments service which offers customers a secure means of buying digital content on the internet. At launch, twenty content partners were on-line with a further twenty-five signed up.

The increase in gross margin of GBP68 million (1.7 percentage points to 28.8 per cent) compared to the second quarter of last year continues to benefit from a more favourable traffic mix, value added offers and lower wholesale prices. The prior year effect of one-off charges relating to regulatory decisions, totalling GBP30 million, in the second quarter of last year has also improved the year on year gross margin.

Cost transformation programmes have generated a 10 per cent saving in sales, general and administration costs of GBP56 million against the second quarter of last year. These savings have been driven by the implementation of the call centre rationalisation programme, the reduction in business expenses, lower service payments resulting from improvements in service quality and other similar cost transformation programmes. On a full year basis these programmes are expected to deliver GBP200 million savings in the voice services and intermediate products.

EBITDA in the second quarter was GBP124 million (39 per cent) higher than the prior year which enabled BT Retail to contribute an operating free cash flow (EBITDA less capital expenditure) of GBP413 million in the quarter; GBP116 million better than the second quarter of last year.

The second quarter saw continued success in achieving our objective of establishing "clear blue water" against the competition for customer satisfaction. Customer satisfaction was well ahead in all areas of the business with Consumer achieving 80 per cent satisfaction (9 per cent ahead of the competition), Business achieving 67 per cent (3 per cent ahead) and Major Business achieving 66 per cent (10 per cent ahead).

### BT Wholesale

Second quarter ended September 30

|  | 2002<br>GBPm | 2001<br>GBPm | Better (worse) |                  |
|--|--------------|--------------|----------------|------------------|
|  |              |              | Actual<br>%    | Underlying*<br>% |
| Group turnover                               | 2,833        | 3,027        | (6)            | -                |
| Total operating costs<br>before depreciation | 1,872        | 2,090        |                |                  |
| Other operating income                       | 29           | 54           |                |                  |
| EBITDA                                       | 990          | 991          | -              | -                |
| Depreciation                                 | 478          | 468          |                |                  |
| Operating profit                             | 512          | 523          | (2)            | (2)              |
| Capital expenditure                          | 385          | 439          | 12             | 12               |
| Operating free<br>cash flow                  | 605          | 552          | 10             | 10               |

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\*Adjusting for the effect of the Concert unwind and transfer of a major account from BT Ignite

BT Wholesale's turnover for the quarter at GBP2,833 million was flat and operating profit was 2 per cent lower than the second quarter of last year at GBP512 million. Operating free cash flow has continued to improve, showing growth of 10 per cent, mainly as a result of tight control of capital expenditure.

### Second quarter ended September 30

| BT Wholesale turnover | 2002<br>GBPm | 2001<br>GBPm | Better (worse) |                  |
|-----------------------|--------------|--------------|----------------|------------------|
|                       |              |              | Actual<br>%    | Underlying*<br>% |
| Internal turnover     | 1,968        | 2,097        | (6)            | (3)              |
| Concert               | -            | 148          | n/m            | n/m              |
| UK fixed operators    | 515          | 480          | 7              | 4                |
| UK mobile operators   | 350          | 302          | 16             | 16               |
| Total                 | 2,833        | 3,027        | (6)            | -                |

\*Adjusting for the effect of the Concert unwind and transfer of a major account from BT Ignite

Turnover was flat due to the adverse market conditions in the telecommunications sector and a reduction in prices.

External turnover in the quarter of GBP865 million showed an increase of GBP66 million (8 per cent) over the second quarter of last year. This partly reflects the year on year effect of regulatory provisions, made in the second quarter of last year, for the retrospective effect of the Oftel Number Translation Services (NTS) determination. This reduced prior year revenues by GBP22 million.

New business external revenues, including broadband and solutions, at GBP45 million were 55 per cent higher than the second quarter of last year reflecting, in part, the significant growth of wholesale ADSL lines of which there were 451,000 as at November 1, 2002.

Within traditional products, the impact of price reductions - due to flat rate price packages, new Network Charge Control (NCC) pricing formulae and Oftel determinations - coupled with unfavourable market conditions have continued to slow turnover growth. Mobile operator originated transit continues to grow although the effect is partly offset by the decline in fixed operator originated transit. FRIACO revenues continue to grow but are partly offset by the slow down in the conveyance revenues they substitute. Also, revenues from retail private circuits are down, due to migration of customers to lower priced partial private circuits.

Internal turnover in the quarter at GBP1,968 million showed a decrease of GBP65 million (3 per cent) due to a reduction in both volumes and prices charged to BT Retail, partly offset by an increase in sales (including ADSL) to other BT lines of business.

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Despite network volume increases, BT Wholesale's operating costs, excluding depreciation, of GBP1,872 million were broadly flat against the second quarter of last year. Full time equivalent staff numbers have reduced by 8 per cent since the second quarter of last year, the benefit of which is recognised in lower capital investment and improved operating efficiencies. Leaver costs were GBP6 million in the second quarter, GBP5 million higher than last year.

Depreciation at GBP478 million increased by GBP10 million (2 per cent) reflecting the move towards shorter asset lives partly offset by reduced capital expenditure.

Operating profit decreased by GBP11 million (2 per cent) whilst operating profit margins remained stable at 18 per cent.

Capital expenditure at GBP385 million decreased by GBP54 million (12 per cent) reflecting the continued tight control over capital investment.

BT Wholesale has maintained its focus on managed cash costs (operating costs excluding payments to other network operators and depreciation, plus capital expenditure). Managed cash costs at GBP1,436 million decreased by 3 per cent despite an increase in network volumes. Managed cash cost savings are GBP133 million, year to date, and BT Wholesale remains on track to achieve the full year target savings of GBP200 million after allowing for price and volume effects.

### BT Ignite

Second quarter ended September 30

|                          | 2002<br>GBPm | 2001<br>GBPm | Better (worse) |                  |
|--------------------------|--------------|--------------|----------------|------------------|
|                          |              |              | Actual<br>%    | Underlying*<br>% |
| Group turnover           | 1,267        | 1,131        | 12             | 1                |
| EBITDA                   | 34           | 34           | -              | n/m              |
| Group operating loss     | (115)        | (87)         | (32)           | 25               |
| Capital expenditure      | 93           | 104          | 11             | 48               |
| Operating free cash flow | (59)         | (70)         | 16             | 70               |

\*Adjusting for the effect of the Concert unwind, acquisitions and disposals and the transfer of a major account to BT Wholesale

BT Ignite made good progress in the quarter with a significant improvement in underlying profitability and cash flow despite experiencing difficult trading conditions in the corporate sector and reduced carrier revenues. Underlying operating losses for the quarter were reduced by 25 per cent on last year.

Underlying turnover for the quarter grew at 1 per cent to GBP1,267 million. This includes the impact of a 16 per cent fall in Global Carrier turnover primarily due to the decline in trade with AT&T and Worldcom following the unwind of the Concert global venture. Excluding Global Carrier, BT Ignite's turnover grew by 6 per cent. Global Products grew by 10 per cent and Solutions by 9 per cent. Syntegra has outperformed the declining systems integration market, holding turnover at around last year's level. European Connectivity turnover fell by 2 per cent to GBP243 million due mainly to the decline of non-core revenues as BT Ignite has exited non profitable elements of the SME and consumer markets in Europe. Growth in core European Connectivity revenues was 5 per cent compared to

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the second quarter of last year.

Costs have been managed carefully to compensate for the lower revenue growth with EBITDA improving by GBP49 million over the second quarter of last year. As part of the cost reduction programme approximately 350 people left under early leaver terms at a cost of GBP14 million (GBP5 million last year). Excluding leaver costs EBITDA was GBP58 million ahead. All businesses generated an improvement in EBITDA compared to the second quarter of last year.

European operations have made excellent progress towards their targeted EBITDA break even run rate by March 31, 2003 with their combined EBITDA improving by GBP25 million to a loss of GBP4 million. The results benefited from one off credits in the quarter of GBP3 million. During the second quarter Spain became the second operation to generate positive EBITDA, following Ireland in the first quarter.

The operating loss was GBP101 million in the quarter before early leaver costs, a GBP48 million improvement from the second quarter of last year.

Capital expenditure was GBP93 million in the quarter, GBP87 million lower than the second quarter of last year. As a result, the operating free cash outflow (EBITDA less capital expenditure) of GBP59 million was 70 per cent better than the second quarter of last year.

### BT Openworld

|                          | Second quarter ended September 30 |              | Better<br>% | Half |
|--------------------------|-----------------------------------|--------------|-------------|------|
|                          | 2002<br>GBPm                      | 2001<br>GBPm |             |      |
| Group turnover           | 67                                | 56           | 20          |      |
| EBITDA                   | (16)                              | (25)         | 36          |      |
| Group operating loss     | (22)                              | (36)         | 39          |      |
| Capital expenditure      | 1                                 | 3            | 67          |      |
| Operating free cash flow | (17)                              | (28)         | 39          |      |

BT Openworld made further good improvements in turnover, profitability and cash flow. Turnover for the second quarter was GBP67 million, an increase of GBP11 million (20 per cent) on the second quarter of last year. The improvement is mainly due to growth in new broadband products and continued growth in the core narrowband product range.

EBITDA loss for the second quarter was GBP16 million, GBP9 million (36 per cent) less than the second quarter of last year and GBP6 million less than the previous quarter. Operating losses fell by 39 per cent to GBP22 million. The reduced losses reflect economies of scale from increased volumes, in particular in the narrowband business, which is now EBITDA positive. This is well ahead of the target date of March 31, 2003.

As at September 30, 2002, BT Openworld had 213,000 broadband customers, representing approximately 20 per cent of the total UK broadband market.

### CASH FLOW AND NET DEBT

Cash inflow from operating activities amounted to GBP1,423 million in the quarter. This represents a strong conversion of profits into cash with EBITDA of

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GBP1,478 million in the quarter. The reported cash inflow last year of GBP1,433 million in the quarter was generated from both the continuing and discontinued activities of the Group.

The cash outflow on fixed asset purchases was GBP602 million in the quarter which compares to GBP804 million from the continuing activities last year. This reflects the continued management focus and control over capital expenditure. Full year capital expenditure is expected to be around GBP2.8 billion.

Free cash flow (before acquisitions and disposals, dividends and financing) was GBP552 million in the quarter.

Net debt at September 30, 2002 was GBP13.1 billion, a reduction of GBP285 million in the quarter. BT repaid GBP381 million of gross borrowings during the quarter, principally bonds held by Esat, the group's Irish subsidiary.

The group's gross borrowings at September 30, 2002 totalled GBP16,978 million, compared with GBP18,440 million at March 31, 2002. After deducting short term investments and cash of GBP3,866 million (GBP4,739 million at March 31, 2002), net debt was GBP13,112 million at September 30, 2002 (GBP13,701 million at March 31, 2002).

In the third quarter the previously announced annual deficiency funding and special contribution for early leavers' pension costs, totalling approximately GBP340 million, will be paid to the BT Pension Scheme. In addition, bond interest payments of approximately GBP370 million will be made.

### POST BALANCE SHEET EVENTS

On October 16, 2002, BT agreed to sell its 26 per cent stake in Cegetel for EUR4.0 billion (GBP2.5 billion) in cash representing a return of around two and a half times on the total investment in Cegetel. BT will recognise a profit of approximately GBP1.4 billion after taking account of goodwill of GBP0.9 billion that had previously been written off directly to reserves. The transaction is conditional upon relevant regulatory approvals and is expected to complete during the second half of the year.

A review has been undertaken of the group's London office strategy with a view to reducing the number of office based staff and the number of office locations in the London and M25 area. It is anticipated this will require an exceptional property rationalisation charge of between GBP150 and GBP200 million to be recognised in the third quarter.

On October 8, 2002 the shareholders of Blu SpA agreed to the sale of their shares to Telecom Italia Mobile. As a result BT expects to write back approximately GBP150 million of exceptional charges when the transaction completes.

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The half year report, which contains the independent review report of the auditors, will be advertised in the Financial Times on November 8, 2002.

The third quarter results of BT Group are expected to be announced on February 13, 2003.

### GROUP PROFIT AND LOSS ACCOUNT

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for the three months ended September 30, 2002

|   |       |  | Continuing activities                                    |   |
|---|-------|--|--|---|
|   |       |  | Before goodwill<br>amortisation and<br>exceptional items | Goodwill<br>amortisation and<br>exceptional items |
| (unaudited)   | Notes |  | GBPm   | (no)  |
| Total turnover  |       |  | 5,094  |   |
| Group's share of associates and joint ventures turnover             |       |  | (433)  |   |
| Group turnover  | 2     |  | 4,661  |   |
| Other operating income  |       |  | 44   |   |
| Operating costs   |       |  | (3,976)  |   |
| Group operating profit (loss)                                       | 2     |  | 729  |   |
| Group's share of operating profits of associates and joint ventures | 4     |  | 66   |   |
| Total operating profit (loss)                                       |       |  | 795  |   |
| Loss on sale of fixed asset investments and group undertakings      |       |  | -  |   |
| Profit on sale of property fixed assets                             |       |  | 3  |   |
| Amounts written off investments                                     |       |  | (7)  |   |
| Net interest payable  | 6     |  | (295)  |   |
| Profit (loss) before taxation                                       |       |  | 496  |   |
| Taxation  |       |  | (165)  |   |
| Profit (loss) after taxation  |       |  | 331  |   |
| Minority interests  |       |  | (9)  |   |
| Profit (loss) attributable to shareholders                          |       |  | 322  |   |
| Earnings per share  |       |  |  |   |
| - basic   | 9     |  | 3.7p   |   |
| - diluted   |       |  | 3.7p   |   |

### GROUP PROFIT AND LOSS ACCOUNT

for the three months ended September 30, 2001

|   |       |  | Continuing activities                                    |   |
|---|-------|--|--|---|
|   |       |  | Before goodwill<br>amortisation and<br>exceptional items | Goodwill<br>amortisation and<br>exceptional items |
| (unaudited)   | Notes |  | GBPm   | (note 7)<br>GBPm                                  |
| Total turnover  |       |  | 5,487  | -   |
| Group's share of associates and joint ventures turnover |       |  | (1,087)  | -   |
| Trading between group and principal                     |       |  | 157  | -   |

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|  |   |         |         |
|--|---|---------|---------|
| joint venture  |   |         |         |
| Group turnover   | 2 | 4,557   | -       |
| Other operating income   | 3 | 74      | -       |
| Operating costs  |   | (3,974) | (123)   |
| Group operating profit (loss)  | 2 | 657     | (123)   |
| Group's share of operating profits (losses) of associates and joint ventures | 4 | 9       | (825)   |
| Total operating profit (loss)  |   | 666     | (948)   |
| Profit on sale of fixed asset investments and group undertakings             |   | -       | 2       |
| Profit on sale of property fixed assets                                      |   | 7       | -       |
| Amounts written off investments  |   | -       | (535)   |
| Net interest payable   | 6 | (352)   | -       |
| Profit (loss) before taxation  |   | 321     | (1,481) |
| Taxation   |   | (115)   | (2)     |
| Profit (loss) after taxation   |   | 206     | (1,483) |
| Minority interests   |   | (1)     | -       |
| Profit (loss) attributable to shareholders                                   |   | 205     | (1,483) |
| Earnings (loss) per share  | 9 |         |         |
| - basic  |   | 2.4p    |         |
| - diluted  |   | 2.4p    |         |

GROUP PROFIT AND LOSS ACCOUNT

for the six months ended September 30, 2002

| (unaudited)   | Notes | Continuing activities                              |   | Goodwill amortisation and exceptional items (not |
|---|-------|--|---|--|
|   |       | Before goodwill amortisation and exceptional items | Goodwill amortisation and exceptional items |  |
|   |       | GBPm   |   |  |
| Total turnover  |       |  | 10,092                                      |  |
| Group's share of associates and joint ventures turnover             |       |  | (844)                                       |  |
| Group turnover  | 2     |  | 9,248                                       |  |
| Other operating income  |       |  | 96  |  |
| Operating costs   |       |  | (8,045)                                     |  |
| Group operating profit (loss)                                       | 2     |  | 1,299                                       |  |
| Group's share of operating profits of associates and joint ventures | 4     |  | 115   |  |
| Total operating profit (loss)                                       |       |  | 1,414                                       |  |
| Profit on sale of fixed asset investments and group undertakings    | 5     |  | -   |  |
| Profit on sale of property fixed assets                             |       |  | 6   |  |

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|                                     |   |       |
|-------------------------------------|---|-------|
| Amounts written off investments     |   | (7)   |
| Net interest payable                | 6 | (595) |
| Profit before taxation              |   | 818   |
| Taxation                            |   | (272) |
| Profit after taxation               |   | 546   |
| Minority interests                  |   | (11)  |
| Profit attributable to shareholders |   | 535   |
| Dividends                           | 8 |       |
| Retained profit for the period      |   |       |
| Earnings per share                  | 9 |       |
| - basic                             |   | 6.2p  |
| - diluted                           |   | 6.2p  |

GROUP PROFIT AND LOSS ACCOUNT

for the six months ended September 30, 2001

| (unaudited)  | Notes | Continuing activities                                    |   | Dis<br>activ<br>eli |
|--|-------|--|---|---------------------|
|  |       | Before goodwill<br>amortisation and<br>exceptional items | Goodwill<br>amortisation and<br>except-ional<br>items<br>(note 7) |                     |
|  |       | GBPm   | GBPm  |                     |
| Total turnover   |       | 10,921   | -   |                     |
| Group's share of associates and joint<br>ventures turnover                         |       | (2,188)  | -   |                     |
| Trading between group and principal<br>joint venture                               |       | 322  | -   |                     |
| Group turnover   | 2     | 9,055  | -   |                     |
| Other operating income   | 3     | 167  | -   |                     |
| Operating costs  |       | (7,872)  | (166)   |                     |
| Group operating profit (loss)  | 2     | 1,350  | (166)   |                     |
| Group's share of operating profits<br>(losses) of associates and joint<br>ventures | 4     | (43)   | (843)   |                     |
| Total operating profit (loss)  |       | 1,307  | (1,009)   |                     |
| Profit on sale of fixed asset<br>investments and group undertakings                |       | -  | 129   |                     |
| Profit on sale of property fixed assets  |       | 12   | -   |                     |
| Amounts written off investments  |       | -  | (535)   |                     |
| Net interest payable   | 6     | (798)  | -   |                     |
| Profit (loss) before taxation  |       | 521  | (1,415)   |                     |
| Taxation   |       | (221)  | 2   |                     |
| Profit (loss) after taxation   |       | 300  | (1,413)   |                     |

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|  |   |      |         |
|--|---|------|---------|
| Minority interests                         |   | (1)  | -       |
| Profit (loss) attributable to shareholders |   | 299  | (1,413) |
| Earnings per share                         | 9 |      |         |
| - basic                                    |   | 3.7p |         |
| - diluted                                  |   | 3.7p |         |

GROUP CASH FLOW STATEMENT

for the three months and six months ended September 30, 2002

| (unaudited)  | Second quarter<br>ended September 30 |              | Half<br>ended Se |
|--|--------------------------------------|--------------|------------------|
|  | 2002<br>GBPm                         | 2001<br>GBPm | 2002<br>GBPm     |
| Net cash inflow from operating activities (note 10)                  | 1,423                                | 1,433        | 2,735            |
| Dividends from associates and joint ventures                         | 1                                    | 1            | 1                |
| Net cash outflow for returns on investments and servicing of finance | (235)                                | (138)        | (606)            |
| Taxation paid  | (58)                                 | (144)        | (146)            |
| Purchase of tangible fixed assets                                    | (602)                                | (1,204)      | (1,269)          |
| Net sale of fixed asset investments                                  | 1                                    | 55           | 1                |
| Sale of tangible fixed assets  | 22                                   | 21           | 42               |
| Net cash outflow for capital expenditure and financial investments   | (579)                                | (1,128)      | (1,226)          |
| Acquisitions   | (105)                                | (32)         | (127)            |
| Disposals  | -                                    | 383          | 128              |
| Net cash inflow (outflow) for acquisitions and disposals             | (105)                                | 351          | 1                |
| Equity dividends paid  | (173)                                | -            | (173)            |
| Cash inflow before use of liquid resources and financing             | 274                                  | 375          | 586              |
| Management of liquid resources                                       | 334                                  | 3,878        | 1,117            |
| Issue of ordinary share capital                                      | -                                    | 107          | 42               |
| New loans  | 17                                   | 1            | 20               |
| Repayment of loans   | (381)                                | (499)        | (1,467)          |
| Net movement on short-term borrowings                                | -                                    | (4,365)      | (64)             |
| Net cash outflow from financing                                      | (364)                                | (4,756)      | (1,469)          |
| Increase (decrease) in cash  | 244                                  | (503)        | 234              |
| Decrease in net debt from cash flows (note 11)                       | 274                                  | 482          | 628              |

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GROUP BALANCE SHEET

at September 30, 2002

|   | September 30<br>2002<br>(unaudited)<br>GBPm | 2001<br><br>GBPm |
|---|---|------------------|
| Fixed assets  |   |                  |
| Intangible assets                                       | 230   | 18,557           |
| Tangible assets   | 15,995                                      | 21,748           |
| Investments   | 946   | 1,797            |
|   | 17,171                                      | 42,102           |
| Current assets  |   |                  |
| Stocks  | 104   | 253              |
| Debtors   | 5,384                                       | 6,186            |
| Investments   | 3,748                                       | 6,973            |
| Cash at bank and in hand                                | 118   | 404              |
|   | 9,354                                       | 13,816           |
| Creditors: amounts falling due within one year          |   |                  |
| Loans and other borrowings                              | 1,584                                       | 6,202            |
| Other creditors   | 7,180                                       | 8,239            |
|   | 8,764                                       | 14,441           |
| Net current assets (liabilities)                        | 590   | (625)            |
| Total assets less current liabilities                   | 17,761                                      | 41,477           |
| Creditors: amounts falling due after more than one year |   |                  |
| Loans and other borrowings                              | 15,394                                      | 17,704           |
| Provisions for liabilities and charges (note 12)        | 2,304                                       | 2,763            |
| Minority interests                                      | 67  | 78               |
| Capital and reserves (note 13)                          |   |                  |
| Called up share capital                                 | 434   | 9,890            |
| Reserves  | (438)                                       | 11,042           |
| Total equity shareholders' funds (deficiency)           | (4)   | 20,932           |
|   | 17,761                                      | 41,477           |

NOTES

1 Basis of preparation

The unaudited interim results of BT Group, which are not statutory accounts, have been prepared on the basis of the accounting policies as set out in the report and accounts of BT Group plc for the year ended March 31, 2002. Figures

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for the year ended March 31, 2002 are extracts from the group accounts for that year.

The group accounts for the year ended March 31, 2002, on which the auditors issued an unqualified report which did not contain a statement under Section 237 (2) or (3) of the Companies Act 1985, have been delivered to the Registrar of Companies.

The activities of mm02, Japan Telecom, J-Phone Communications, Airtel and Yell were disposed of in the year ended March 31, 2002, and are shown as discontinued operations in the profit and loss account for the comparative periods. The eliminations are intra-group eliminations.

### 2 Results of businesses

The tables below show the results of BT's lines of business. There is extensive trading between many of the business units and profitability is dependent on the transfer price levels. These intra-group trading arrangements are subject to review and have changed in certain instances. Comparative figures were restated for these changes during the first quarter.

During the second quarter, the intra-group turnover and intra-group costs of BT Retail for comparative periods and the first quarter ended June 30, 2002 have been further restated to reflect refinements to the intra-group trading arrangements. This has no impact on the group results.

### 2 Results of businesses continued

#### (a) Operating results

|  | Group turnover | EBITDA before<br>exceptional items |
|--|----------------|------------------------------------|
|  | GBPm           | GBPm                               |
| Second quarter ended<br>September 30, 2002           |                |                                    |
| BT Retail  | 3,288          | 439                                |
| BT Wholesale   | 2,833          | 990                                |
| BT Ignite  | 1,267          | 34                                 |
| BT Openworld   | 67             | (16)                               |
| Other  | 85             | 31                                 |
| Intra-group items (ii)                               | (2,879)        | -                                  |
| Total before exceptional items                       | 4,661          | 1,478                              |
| Second quarter ended<br>September 30, 2001 (i)       |                |                                    |
| BT Retail  | 3,184          | 315                                |
| BT Wholesale   | 3,027          | 991                                |
| BT Ignite  | 1,131          | 34                                 |
| BT Openworld   | 56             | (25)                               |
| Other  | 69             | 70                                 |
| Intra-group items (ii)                               | (2,910)        | -                                  |
| Total continuing activities before exceptional items | 4,557          | 1,385                              |

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|                                |       |       |
|--------------------------------|-------|-------|
| Discontinued activities        | 1,062 | 71    |
| Intra-group items (ii)         | (315) | -     |
| Total before exceptional items | 5,304 | 1,456 |

2 Results of businesses continued

(a) Operating results continued

|                                       | Group turnover | EBITDA before<br>exceptional items |
|---------------------------------------|----------------|------------------------------------|
|                                       | GBPm           | GBPm                               |
| Half year ended<br>September 30, 2002 |                |                                    |
| BT Retail                             | 6,463          | 858                                |
| BT Wholesale                          | 5,583          | 1,835                              |
| BT Ignite                             | 2,513          | 44                                 |
| BT Openworld                          | 132            | (38)                               |
| Other                                 | 168            | 82                                 |
| Intra-group items (ii)                | (5,611)        | -                                  |
| Total before exceptional items        | 9,248          | 2,781                              |

Half year ended  
September 30, 2001 (i)

|  |         |       |
|--|---------|-------|
| BT Retail  | 6,315   | 676   |
| BT Wholesale   | 6,016   | 1,951 |
| BT Ignite  | 2,146   | 70    |
| BT Openworld   | 102     | (63)  |
| Other  | 173     | 174   |
| Intra-group items (ii)                               | (5,697) | -     |
| Total continuing activities before exceptional items | 9,055   | 2,808 |
| Discontinued activities                              | 2,270   | 176   |
| Intra-group items (ii)                               | (567)   | -     |
| Total before exceptional items                       | 10,758  | 2,984 |

(i) The results of the lines of business for the quarter ended September 30, 2001 and the half year ended September 30, 2001 have been restated to reflect changes to intra-group trading arrangements.

(ii) Includes elimination of intra-group turnover between businesses which is included in the total turnover of the originating business.

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2 Results of businesses continued

### BT Ignite analysis

|   | 2002<br>GBPm | Second quarter ended<br>September 30 |                               | Underlying (i)<br>% |
|---|--------------|--------------------------------------|-------------------------------|---------------------|
|   |              | 2001<br>GBPm                         | Better (worse)<br>Actual<br>% |                     |
| Before goodwill amortisation<br>and exceptional items |              |                                      |                               |                     |
| Group turnover  |              |                                      |                               |                     |
| Solutions   | 475          | 434                                  | 9                             | 9                   |
| Syntegra  | 143          | 145                                  | (1)                           | -                   |
| Global Products                                       | 459          | 379                                  | 21                            | 10                  |
| Global Carrier  | 247          | 64                                   | 286                           | (16)                |
| Other and eliminations                                | (57)         | 109                                  |                               |                     |
|   | 1,267        | 1,131                                | 12                            | 1                   |
| European connectivity included<br>above               | 243          | 248                                  | (2)                           | (2)                 |
| EBITDA  |              |                                      |                               |                     |
| Solutions   | 45           | 31                                   |                               |                     |
| Syntegra  | 5            | 3                                    |                               |                     |
| Global Products                                       | (27)         | 5                                    |                               |                     |
| Global Carrier  | 34           | 5                                    |                               |                     |
| Other (ii)  | (23)         | (10)                                 |                               |                     |
|   | 34           | 34                                   | -                             | n/m                 |
| European connectivity included<br>above               | (4)          | (29)                                 |                               |                     |
| Group operating<br>profit (loss)                      |              |                                      |                               |                     |
| Solutions   | 26           | 11                                   |                               |                     |
| Syntegra  | 2            | 1                                    |                               |                     |
| Global Products                                       | (123)        | (51)                                 |                               |                     |
| Global Carrier  | 13           | (11)                                 |                               |                     |
| Other (ii)  | (33)         | (37)                                 |                               |                     |
|   | (115)        | (87)                                 | (32)                          | 25                  |
| European connectivity included<br>above               | (43)         | (68)                                 |                               |                     |
| Capital expenditure                                   | 93           | 104                                  | 11                            | 48                  |
| Operating free cash flow                              | (59)         | (70)                                 | 16                            | 70                  |

(i) Adjusted for the effect of the Concert unwind, acquisitions and disposals and the transfer of a major account to BT Wholesale.

(ii) Other is after charging leaver costs of GBP14 million in the second quarter (GBP5 million last year) and GBP39 million (GBP5 million last year) in the half year ended September 30, 2002.

BT Ignite's comparative figures for the segmental results have been reclassified to reflect the new internal financial reporting lines that were introduced with effect from March 31, 2002.

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### 2 Results of businesses continued

#### (b) Capital expenditure on plant, equipment and motor vehicle additions

|                             | Second quarter<br>ended September 30 |      |
|-----------------------------|--------------------------------------|------|
|                             | 2002                                 | 2001 |
|                             | GBPm                                 | GBPm |
| BT Retail                   | 26                                   | 18   |
| BT Wholesale                | 385                                  | 439  |
| BT Ignite                   | 93                                   | 104  |
| BT Openworld                | 1                                    | 3    |
| Other                       | 54                                   | 96   |
| Total continuing activities | 559                                  | 660  |
| Discontinued activities     | -                                    | 339  |
| Total                       | 559                                  | 999  |

#### (c) Net operating assets (liabilities)

|              | September 30 |
|--------------|--------------|
|              | 2002         |
|              | GBPm         |
| BT Retail    | (141)        |
| BT Wholesale | 12,117       |
| BT Ignite    | 1,510        |
| BT Openworld | (37)         |
| Other        | 926          |
| Total        | 14,375       |

Note: Net operating assets (liabilities) comprise tangible and intangible fixed assets, stocks, debtors less creditors (excluding loans and other borrowings) and provisions for liabilities and charges (excluding deferred tax). The March 31, 2002 comparatives have been restated to reflect changes to the method of allocating central balances to the lines of business.

### 3 Other operating income

In the quarter and half year ended September 30, 2001 other operating income included income from the provision of administration services to the Concert global venture of GBP28m and GBP70m, respectively.

### 4 Group's share of profits (losses) of associates and joint ventures

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|  | Second quarter<br>ended September 30 |              |
|--|--------------------------------------|--------------|
|  | 2002<br>GBPm                         | 2001<br>GBPm |
| Share of operating profits (losses) before goodwill amortisation and exceptional items                           | 66                                   | 9            |
| Provision for impairment of Concert tangible fixed assets and goodwill, and share of redundancy and unwind costs | -                                    | (806)        |
| Provision for impairment of other associates and joint ventures assets and goodwill                              | -                                    | (10)         |
| Amortisation of goodwill   | -                                    | (9)          |
| Share of operating profits (losses) of continuing associates and joint ventures                                  | 66                                   | (816)        |
| Discontinued activities  | -                                    | 2            |
| Total share of operating profits (losses) of associates and joint ventures                                       | 66                                   | (814)        |

5 Profit on sale of fixed asset investments and group undertakings

The profit in the six months ended September 30, 2002 of GBP66m is mainly attributable to the sale of BskyB shares.

6 Net interest payable

|                               | Second quarter<br>ended September 30 |              |
|-------------------------------|--------------------------------------|--------------|
|                               | 2002<br>GBPm                         | 2001<br>GBPm |
| Group                         | 343                                  | 460          |
| Joint ventures and associates | 6                                    | 35           |
| Total interest payable        | 349                                  | 495          |
| Interest receivable           | (54)                                 | (133)        |
| Net interest payable          | 295                                  | 362          |
| Analysed:                     |                                      |              |
| Continuing activities         | 295                                  | 352          |
| Discontinued activities       | -                                    | 10           |
|                               | 295                                  | 362          |

7 Exceptional items and goodwill amortisation

|  | Second quarter<br>ended September 30 |              |
|--|--------------------------------------|--------------|
|  | 2002<br>GBPm                         | 2001<br>GBPm |
| Attributable to continuing activities: |                                      |              |
| Impairment of Concert and AT&T Canada  | -                                    | (1,153)      |

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|   |     |         |
|---|-----|---------|
| investments   |     |         |
| Impairment of other investments and related costs                       | -   | (221)   |
| Costs related to mm02 demerger  | -   | (68)    |
| Profit (loss) on sale of group undertakings and fixed asset investments | (4) | 2       |
| Goodwill amortisation   | (3) | (41)    |
| Net credit (charge) before tax and minority interests                   | (7) | (1,481) |
| Attributable to discontinued activities:                                |     |         |
| Profit on sale of group undertakings and fixed asset investments        | -   | 9       |
| mm02 demerger costs   | -   | (6)     |
| Goodwill amortisation   | -   | (90)    |
| Net credit (charge) before tax and minority interests                   | -   | (87)    |
| Total exceptional items and goodwill amortisation                       | (7) | (1,568) |

8 Dividends

|                  | Half year<br>ended September 30<br>2002<br>pence per share | 2001 |
|------------------|--|------|
| Interim dividend | 2.25   | -    |

9 Earnings per share

The basic earnings per share are calculated by dividing the profit attributable to shareholders by the average number of shares in issue after deducting the company's shares held by employee share ownership trusts. In calculating the diluted earnings per share, share options outstanding and other potential ordinary shares have been taken into account.

The average number of shares in the periods were:

|         | Second quarter<br>ended September 30 |       | ende  |
|---------|--------------------------------------|-------|-------|
|         | 2002                                 | 2001  | 2002  |
|         | million of shares                    |       | mil   |
| Basic   | 8,613                                | 8,530 | 8,609 |
| Diluted | 8,649                                | 8,578 | 8,659 |

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### 10 Reconciliation of operating profit to operating cash flow

|   | Second quarter<br>ended September 30 |              |      |
|---|--------------------------------------|--------------|------|
|   | 2002<br>GBPm                         | 2001<br>GBPm | ende |
| Group operating profit                    | 726                                  | 344          |      |
| Depreciation and amortisation             | 752                                  | 1,031        |      |
| Changes in working capital                | (93)                                 | 96           |      |
| Provision movements and other             | 38                                   | (38)         |      |
| Net cash inflow from operating activities | 1,423                                | 1,433        |      |

### 11 Net debt

#### (a) Analysis

|  | At September 30 |              |              |
|--|-----------------|--------------|--------------|
|  | 2002<br>GBPm    | 2001<br>GBPm | 2001<br>GBPm |
| Long-term loans and other borrowings falling due after more than one year                  | 15,394          |              | 17,704       |
| Short-term borrowings and long-term loans and other borrowings falling due within one year | 1,584           |              | 6,202        |
| Total debt   | 16,978          |              | 23,906       |
| Short-term investments   | (3,748)         |              | (6,973)      |
| Cash at bank   | (118)           |              | (404)        |
| Net debt at end of period  | 13,112          |              | 16,529       |

### 11 Net debt continued

#### (b) Reconciliation of net cash flow to movement in net debt

|  | Second quarter<br>ended September 30 |              |      |
|--|--------------------------------------|--------------|------|
|  | 2002<br>GBPm                         | 2001<br>GBPm | ende |
| Net debt at beginning of period                | 13,397                               | 17,481       | 1    |
| Decrease in net debt resulting from cash flows | (274)                                | (482)        |      |
| Net debt assumed or issued on acquisitions     | -                                    | -            |      |
| Currency and other movements                   | (16)                                 | 174          |      |
| Other non-cash movements                       | 5                                    | (644)        |      |
| Net debt at end of period                      | 13,112                               | 16,529       | 1    |

### 12 Provisions for liabilities and charges

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|                        | Second quarter<br>ended September 30 |       |
|------------------------|--------------------------------------|-------|
|                        | 2002                                 | 2001  |
|                        | GBPm                                 | GBPm  |
| Deferred taxation      | 2,146                                | 2,276 |
| Pension provisions (a) | 33                                   | 372   |
| Other provisions       | 125                                  | 115   |
|                        | 2,304                                | 2,763 |

(a) The pension provision relating to the BT Pension Scheme of GBP351m at September 30, 2001 has moved into a prepayment of GBP231m at September 30, 2002 and is included in debtors.

13 Share capital and reserves

|  | Share capital | Reser |
|--|---------------|-------|
|  | GBPm          | G     |
| Balances at April 1, 2002                          | 434           | (7    |
| Profit for the six months ended September 30, 2002 | -             | (1    |
| Dividend   | -             | (     |
| Goodwill written back on disposals                 | -             | (     |
| Currency movements (a)                             | -             | (     |
| Balances at September 30, 2002                     | 434           | (4    |

(a) Net of GBP7m movement on the retranslation of foreign borrowings and other hedging instruments in the six months ended September 30, 2002.

14 Earnings before interest, taxation, depreciation and amortisation (EBITDA)

|   | Second quarter<br>ended September 30 |       | ende |
|---|--------------------------------------|-------|------|
|   | 2002                                 | 2001  |      |
|   | GBPm                                 | GBPm  |      |
| Group operating profit before exceptional items | 726                                  | 441   |      |
| Depreciation                                    | 749                                  | 893   |      |
| Amortisation                                    | 3                                    | 122   |      |
| EBITDA before exceptional items                 | 1,478                                | 1,456 |      |
| Analysed:                                       |                                      |       |      |
| Continuing activities                           | 1,478                                | 1,385 |      |
| Discontinued activities                         | -                                    | 71    |      |
| Total before exceptional items                  | 1,478                                | 1,456 |      |

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### 15 United States Generally Accepted Accounting Principles

The results set out above have been prepared in accordance with accounting principles generally accepted in the United Kingdom. The table below sets out the results calculated in accordance with United States Generally Accepted Accounting Principles.

|   | Second quarter<br>ended September 30<br>2002 | 2001    |
|---|--|---------|
| Net income (loss) attributable to<br>shareholders (GBP million) including<br>discontinued activities and exceptional<br>items | 514  | (1,046) |
| Earnings (loss) per ADS (GBP)   |  |         |
| - basic   | 0.60   | (1.23)  |
| - diluted   | 0.59   | (1.23)  |

Each American Depositary Share (ADS) represents 10 ordinary shares of BT Group plc.

Shareholders' equity, calculated in accordance with United States Generally Accepted Accounting Principles, is GBP3,798m deficiency at September 30, 2002 (September 30, 2001 - GBP18,538m surplus, March 31, 2002 - GBP4,247m deficiency).

#### Forward-looking statements - caution advised

Certain statements in this results release 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: expectations regarding broadband growth and the benefits of other new wave initiatives; the possible or assumed future results of operations of BT and/or its lines of business; dividend cover and the group's cash position; expectations regarding revenue growth, capital expenditure, investment plans, cost reductions, return on capital employed and pension funding; the sale of Blu SpA; the disposal of Cegetel and net debt.

Although BT Group 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.

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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 and its lines of business; future regulatory actions and conditions in BT's operating areas, including competition from others in the UK and other international communications markets; selection by BT and its lines of business 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 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; developments in the convergence of technologies; the anticipated benefits and advantages of new technologies, products and services, including broadband and other new wave initiatives, not being realised; the timing of entry and profitability of BT and its lines of business in certain communication markets; significant changes in market shares for BT and its principal products and services; to the extent that BT chooses to sell assets or minority interests in its subsidiaries, prevailing market levels for such sales; general financial market conditions affecting BT's performance; the reintegration of Concert; and the outcome of the actuarial funding valuation as at December 31, 2002. BT Group undertakes no obligation to update any forward-looking statements whether as a result of new information, future events or otherwise.

### Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

BT Group PLC  
(Registrant)

By: /s/ Patricia Day

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Patricia Day, Assistant Secretary. Head of Shareholder Services

Date 02 December, 2002