

BT ANNOUNCES NETWORK TRANSFORMATION TIMETABLE

- *Mass migration of customers from PSTN to IP based network to begin in 2006*
- *Majority of customers' PSTN services on IP network by 2008*
- *Trials of voice services on IP network and fibre to the premises announced*
- *Increase in customer choice, control and service flexibility*

BT today set out the timetable for the transformation of its UK networks. It announced a five year programme to underpin the next generation of converged, multimedia communications services. Mass migration of customers onto the new network will begin in 2006 with the majority due to be completed in 2008.

BT's 21st century network (21CN) programme will create the enabling infrastructure for the growth of BT and the UK telecommunications industry. It is set to completely transform BT's networks, delivering increased customer choice and control.

BT Wholesale chief executive Paul Reynolds said: "The 21CN programme will deliver our vision of a converged, multimedia world where our customers can access any communications service from any device, anywhere – and at broadband speed.

"21CN will drive a radical simplification of BT's operations including significantly lower costs and the capability to launch new services to market faster than we can today. It will empower all our customers, giving them control, choice and flexibility like never before."

The major elements of BT Group's overall strategy including ICT, mobility, broadband, netcentricity and portfolio transformation are underpinned by the 21CN initiative.

Over the next five years 21CN will transform BT's business and its cost base, removing duplication across the current multiple service specific networks and creating a single multi-service network. Total capital spend on the 21CN transformation will be within the previously announced BT capital expenditure envelope of £3 billion per annum. From this year about two thirds of the annual spend is directed to 21CN and other new and intermediate technologies and this proportion is expected to increase. That investment in future infrastructure will enable BT to deliver growing cash savings which are expected to amount to £1 billion per annum by 2008/9.

An early deliverable of this transformation is the first phase of the migration of services from the existing UK public switched telephone network (PSTN) to a multi-service internet protocol (IP) based network which will carry both voice and data services.* As a precursor to large scale migration of voice and other PSTN based services from 2006, the first stage will involve the bypass of the core PSTN network link between two major network nodes at Cambridge and Woolwich. An extension is planned later to Faraday exchange in London.

An initial 1,000 customers served by local exchanges connected to Cambridge and Woolwich will trial end to end voice and data services over the core IP network link.

Paul Reynolds said: "Today the 21CN vision starts to become reality. This is among the most important and ambitious infrastructure transformation programmes in communications anywhere in the world and will put Britain at the forefront of communications innovation.

"But 21CN is more than a next generation network. It's about providing and supporting the next generation of services for all our customers; it's about supporting and generating revenues and profits for shareholders, and it's about supporting and delivering for the communications industry and the economy as a whole."

In addition to making broadband available from exchanges serving 99.6 per cent of people by summer 2005, BT is aiming to have broadband dialtone available to most of its customers in the UK in five years time. Customers will be in control of their own services and will immediately be able to switch the line to broadband use themselves without requiring physical work at the exchange, whatever device they use to access the broadband network.

BT also today announced trials to test the technical and commercial issues associated with the possible deployment of fibre optic cable in the UK local access network. These limited trials are looking particularly at the economics associated with providing services to new build and greenfield site developments.*

BT is today formally launching the procurement process to select long term suppliers, which may not necessarily be those involved in the trials and early implementation stages. Contracts for the main rollout phases will be awarded following a formal competitive tendering process which will be concluded by the end of 2004.

Note to editors:

* For details of the trial migration of voice services onto an IP based network and the fibre to the premises trial see BT news release NR0445 issued today June 9, 2004.

Photographs of Paul Reynolds, BT Wholesale chief executive, and 21st Century Networks related images are available via BT's picture library hosted by Vismedia at www.vismedia.co.uk

A live webcast of BT's press conference will be available at 10.30am British Summer Time June 9, 2004, at www.btplc.com/presentation.

Inquiries about this news release should be made to the BT Group Newsroom on its 24-hour number: 020 7356 5369. From outside the UK dial + 44 20 7356 5369. All news releases can be accessed at our web site: <http://www.bt.com/newscentre>

Forward-looking statements - caution advised

Certain statements in this press 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: transformation of BT's networks and cost base; benefits to customers of the 21CN programme; anticipated capital spend on 21CN transformation and expected cash savings; timescales for delivery of 21CN; and delivery of instantly available broadband.

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 and financial markets conditions in the markets served by BT; future regulatory actions and conditions in BT's operating areas; technological innovations; developments in the convergence of technologies; and the anticipated benefits and advantages of new technologies, products and services, including broadband, not being realised. BT undertakes no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise.

About BT

BT Group plc is the listed holding company for an integrated group of businesses providing voice and data services in the UK and overseas, particularly in Europe, but also in the Americas and the Asia Pacific region. British Telecommunications plc, a wholly-owned subsidiary of BT Group plc, holds virtually all businesses and assets of the BT group.

BT is one of Europe's leading providers of telecommunications services. Its principal activities include local, national and international telecommunications services, higher-value broadband and internet products and services, and IT solutions. In the UK, BT serves over 20 million business and residential customers with more than 29 million exchange lines, as well as providing network services to other licensed operators.

- BT consists principally of three lines of business: **BT Retail**, serving businesses and residential customers and including BT Openworld, one of the UK's leading ISPs.
- **BT Wholesale**, providing network services and solutions within the UK, including ADSL, conveyance, transit, bulk delivery of private circuits, frame relay and ISDN connections.
- **BT Global Services**, BT's managed services and solutions provider, serving multi-site organisations worldwide. Its core target market is the top 10,000 global multi-site organisations with European operations.

There are a number of other businesses within the BT group, including **BT Exact**, an internationally renowned centre of excellence in IT and networking technologies. It is also BT's technology and research and development business.

In the year ended 31 March 2004, BT's turnover was £18,519million with profit before goodwill amortisation, exceptional items and taxation of £2,016million.

For more information, visit www.bt.com