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Forward looking statements cover all matters which are not historical facts and include, without limitation, projections relating to results of operations and financial conditions and the Company's plans and objectives for future operations.

Forward looking statements can be identified by the use of forward looking terminology, including terms such as 'believes', 'estimates', 'anticipates', 'expects', 'forecasts', 'intends', 'plans', 'projects', 'goal', 'target', 'aim', 'may', 'will', 'would', 'could' or 'should' or, in each case, their negative or other variations or comparable terminology.

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Openreach Business Briefing

7 December 2023

openreach

Clive Selley

Chief Executive Officer
Openreach

Agenda

Openreach: The Big Picture	Clive Selley
Market & Value Creation	Richard Allwood
Trading & Customers	Katie Milligan
Financial Performance & Outlook	Matt Davies
Summary Conclusions	Clive Selley
Q&A	
Innovation Showcases	Andy Whale, Matt Hemmings, Surinder Khatter

Openreach

Our Executive Team

Clive Selley
Chief Executive Officer

Richard Allwood
Chief Strategy Officer

Katie Milligan
Chief Commercial Officer

Matt Davies
Chief Finance Officer

Andy Whale
Chief Engineer

Matt Hemmings
Managing Director
Fibre & Network Delivery

Surinder Khatter
Managing Director
Service Delivery, FTTP

Peter Stewart
Managing Director
Service Delivery, Copper

Kevin Brady
Director of HR

Catherine Colloms
Managing Director
Corporate Affairs & Brand

James Tappenden
Director
Fibre First & Shared Services

Belinda Bagge
General Counsel

Mark Shurmer
Managing Director
Regulatory Affairs

Jon Furmston
Director
Board Assurance, Governance & Safety

The Big Picture

We are changing our underlying revenue-generating platform **from Copper to Full Fibre**

Full Fibre broadband is the **global 'Gold Standard'** for broadband **for customers**

- It delivers extremely high speeds and it is almost infinitely upgradeable
- It exhibits very low latency
- It is highly reliable

For our business, Full Fibre broadband

- Is lower cost to own and to operate compared to the old copper network
- Commands higher ARPU's

Full Fibre is the future – for our customers, for the UK economy and for our business

Our Strategy

Deliver
great service

Build
our full fibre network at pace

Upgrade
our customers brilliantly

Safely **Inclusively** **Efficiently** **Sustainably**

Openreach

Looking back at the last two years

Deliver
great service

- Strong performance on our Ofcom regulated Quality of Service standards
- Net Promoter Score, on the rise
- Trustpilot rating is 'Excellent'

Build
our full fibre network at pace

- 12.5m premises passed
- Targeting 3.5m build this year, FY24, and 4m FY25
- Commercial build unit cost below £300

Upgrade
our customers brilliantly

- FTTP take-up is 33% and rising
- 'Provisioning Engine' now running at c.35k connections per week
- Provisioning unit cost c.£300
- Broadband ARPU increasing

Strong financial delivery

- Revenue growth[1] **13%**
- EBITDA growth[1] **22%**
- Capex now past peak

[1]Growth H1 FY24 vs. H1 FY22

Looking forward

1

Deliver
great service

2

Build
our full fibre
network at pace

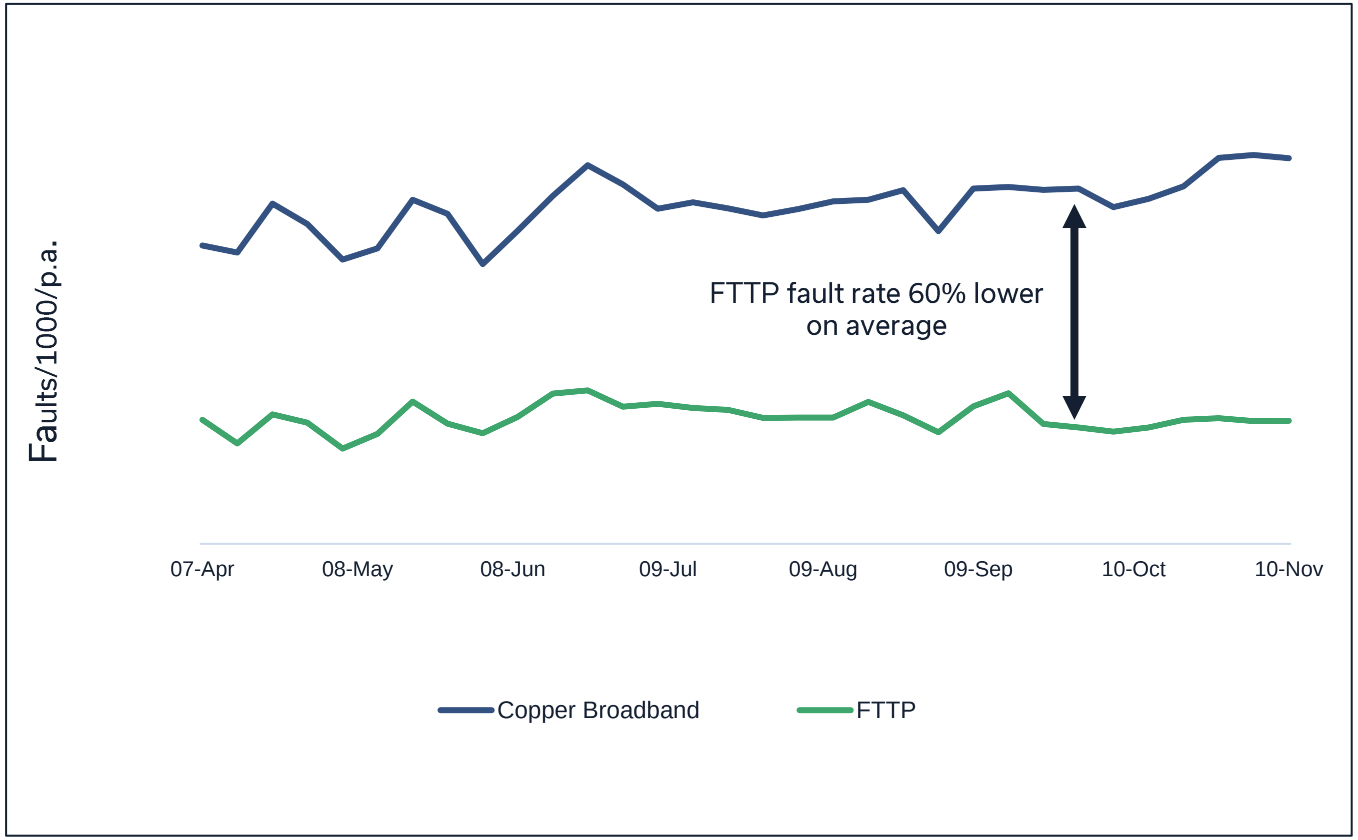
3

Upgrade
our customers
brilliantly

1. Service is better on FTTP

1

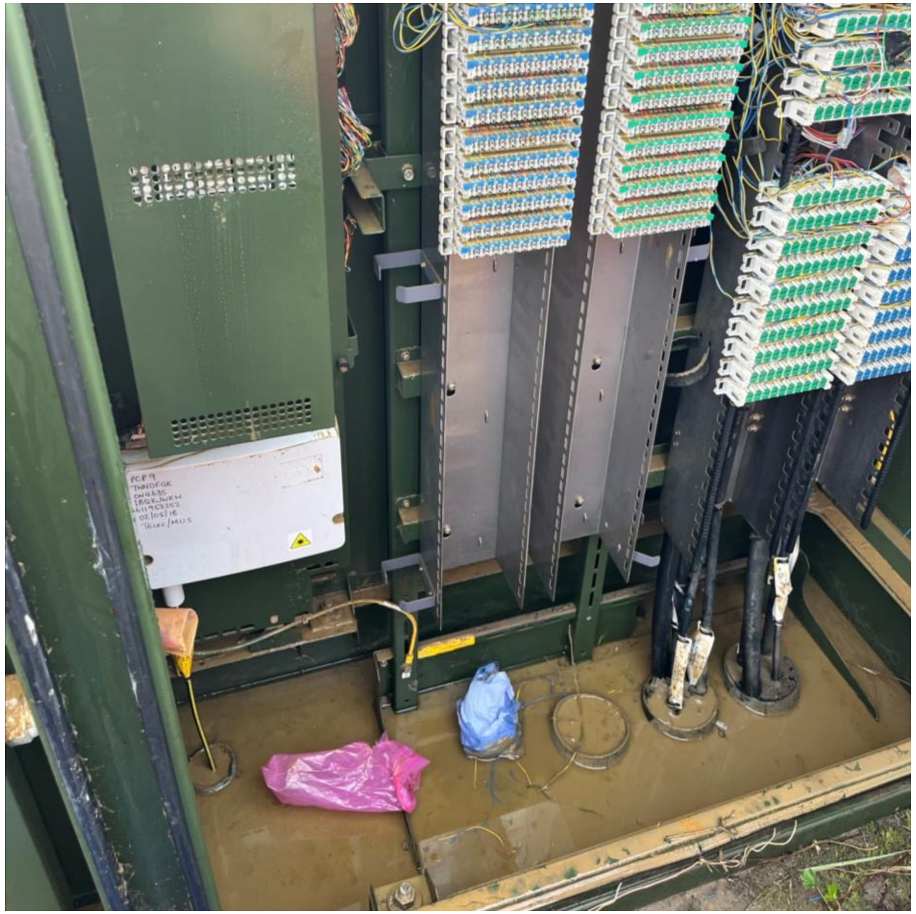
Fault Rates



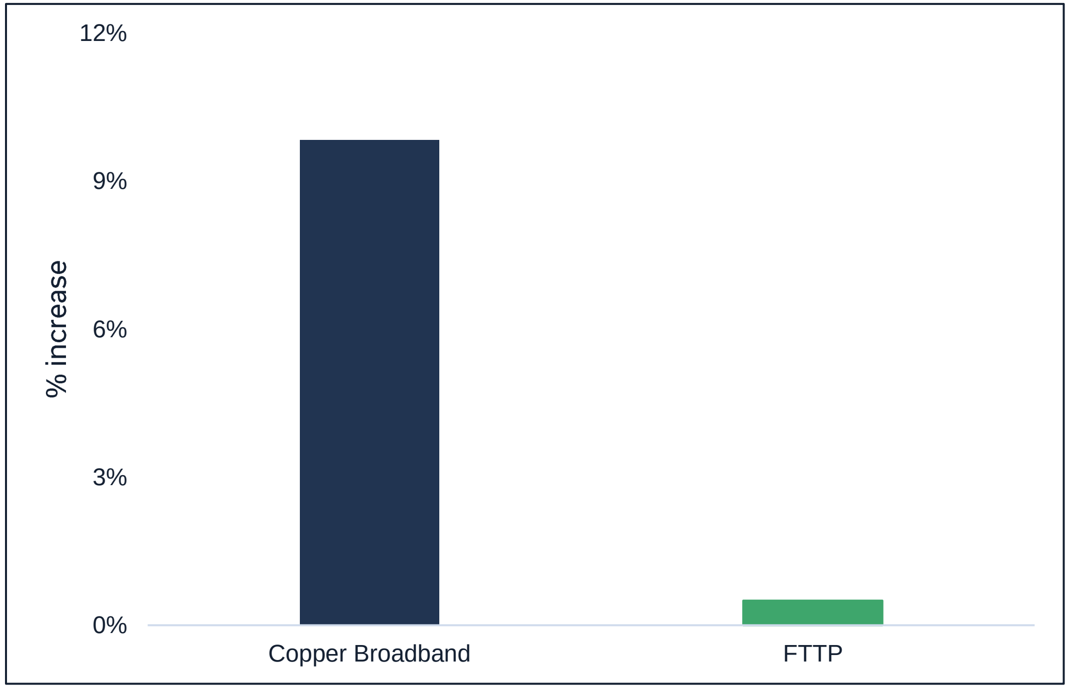
Based on closed network fault rates to 10th November 2023

2. Bad weather has a significantly lower impact on the FTTP network

1



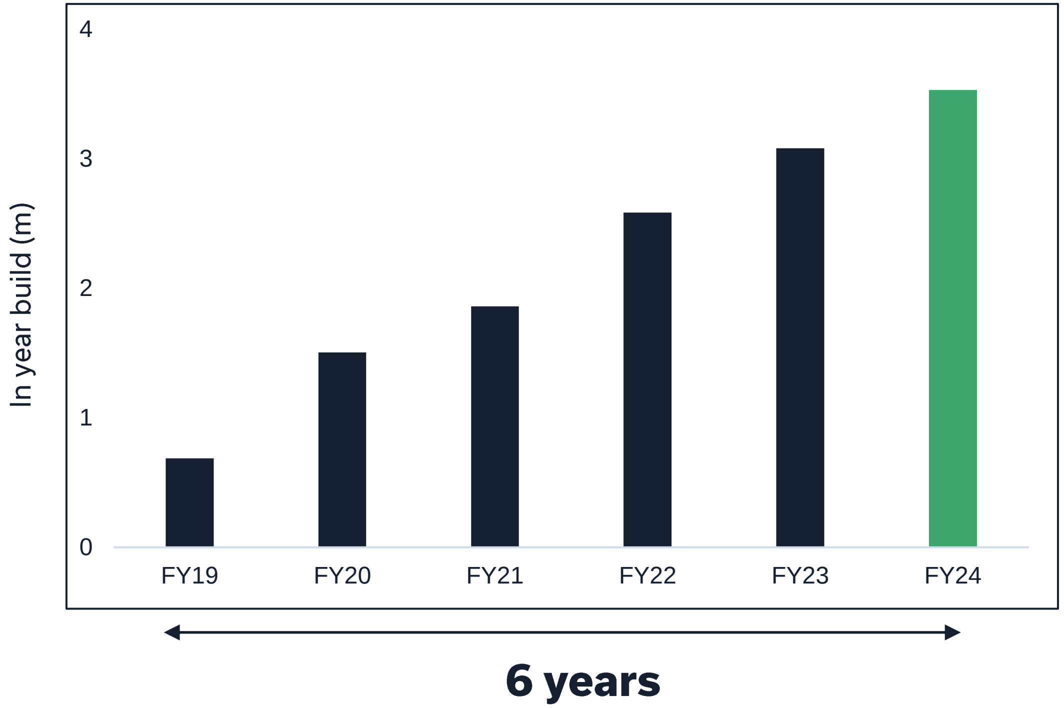
Fault reports during recent storm periods:
Copper vs. FTTP % increase in fault reports

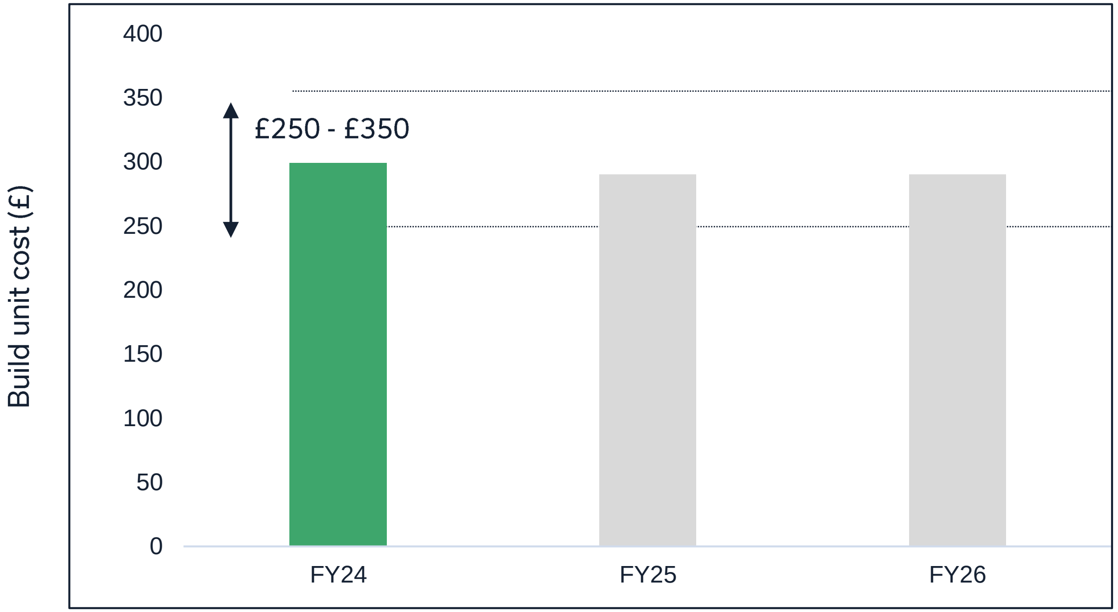


Based on closed network fault rates to 10th November 2023

3. We are accelerating FTTP build
and average unit cost[1] below £300

2

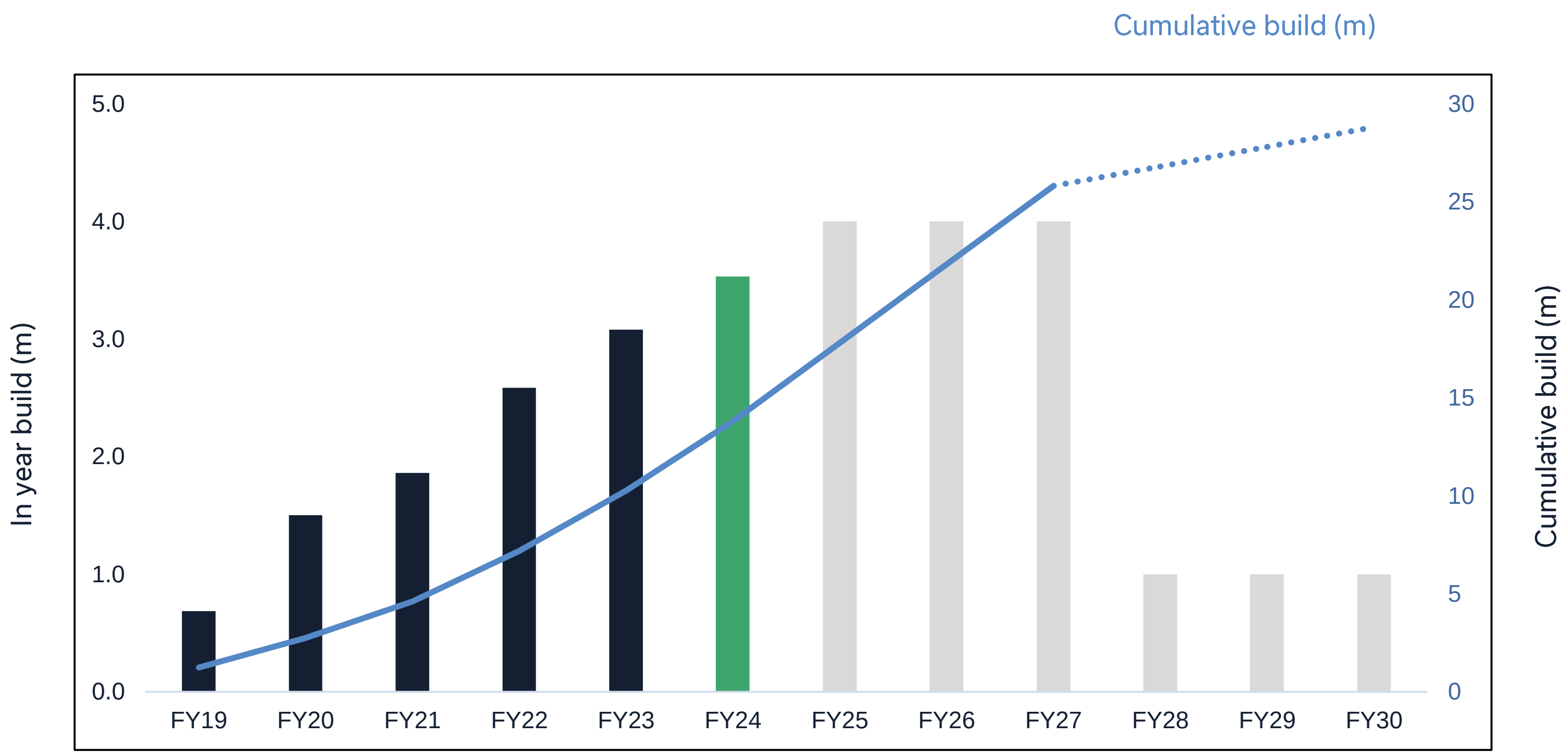




[1]Commercial build unit cost

4. We will continue to build FTTP beyond 25m premises
……….right across the UK

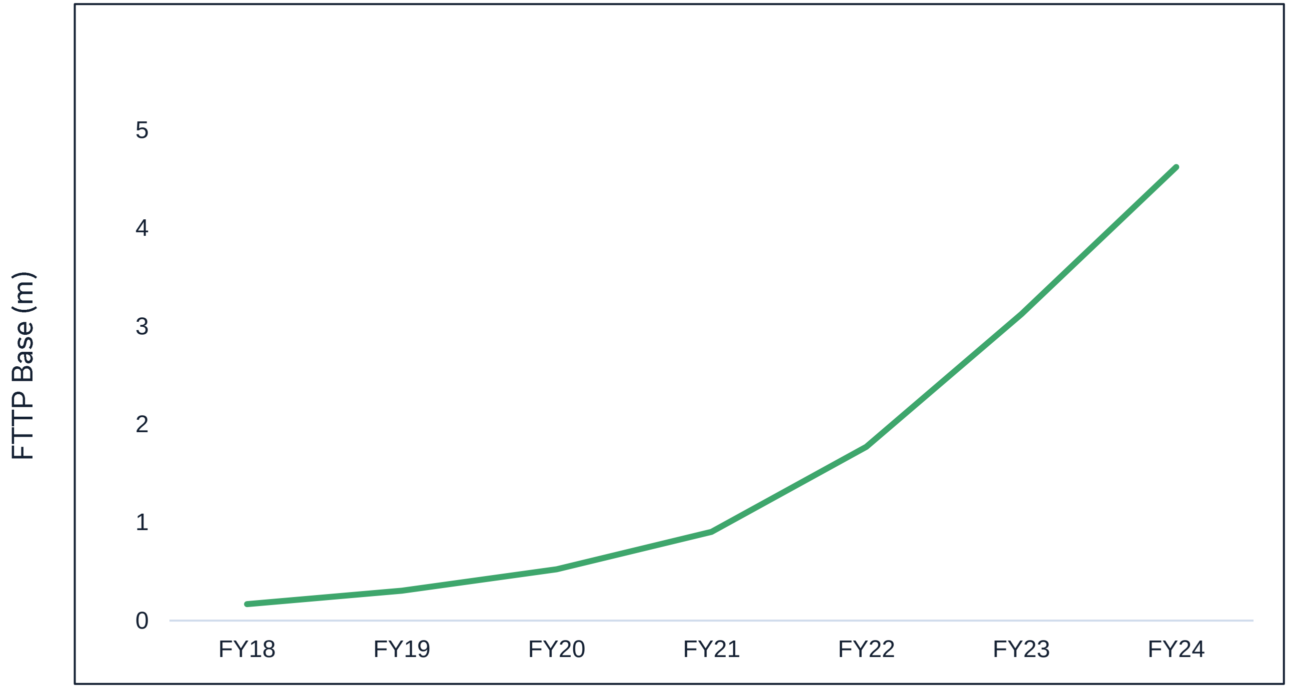
2



5. We are filling the FTTP platform fast

and will continue to do so because we are pricing competitively

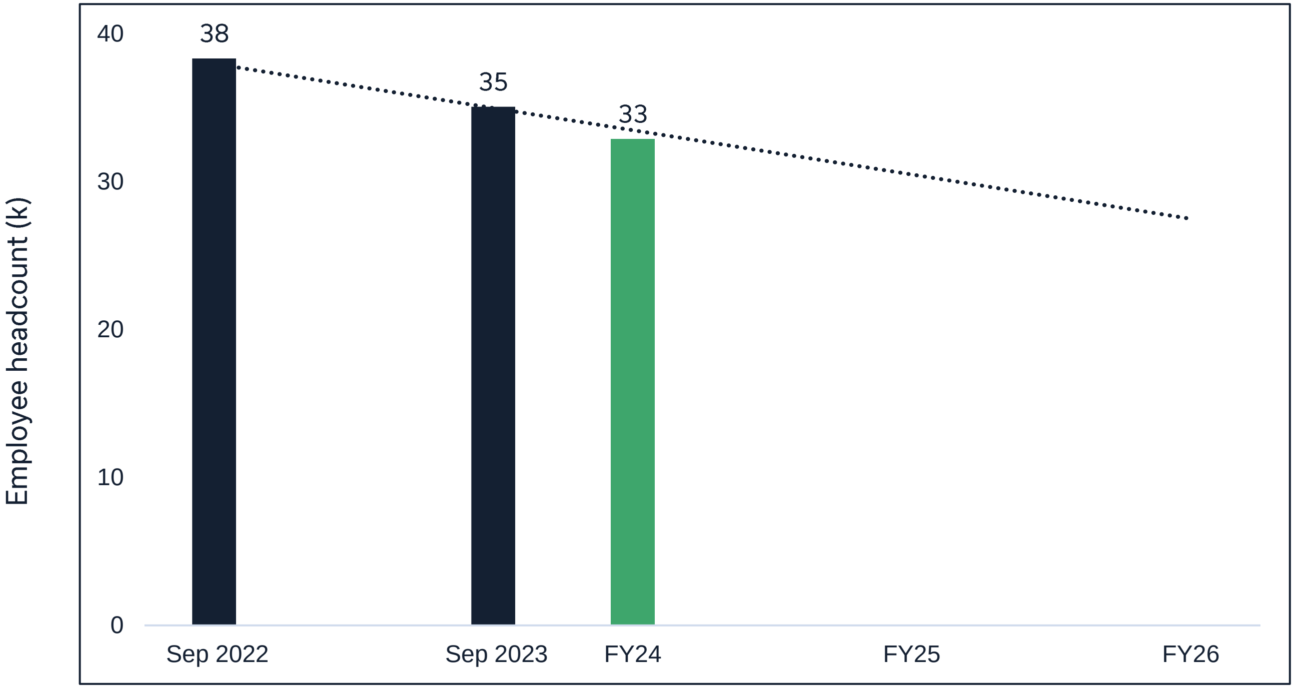
3



4.2m

customer base

6. Our employee workforce is getting smaller driven by lower fault rates, improved fibre build and provision processes and constant technical innovation



The 'Fibre Dividend' is delivering NOW

Expectation of Openreach over the next 2 years

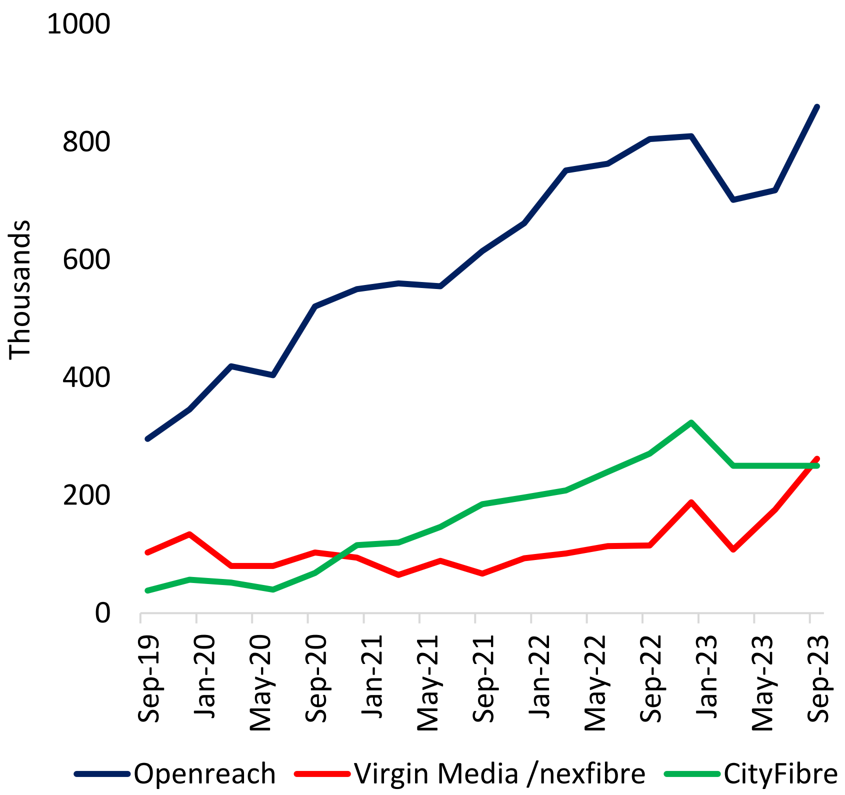
1. Build rate 1 million per quarter, commercial build average **unit cost <£300**
2. Rapid fibre build of **25m premises by December 2026**
3. **Opex costs decline** as customers migrate from copper to fibre
4. **Steadily reducing** employee base
5. **Growing** EBITDA
6. **Increasing cash generation**

Richard Allwood

Chief Strategy Officer
Openreach

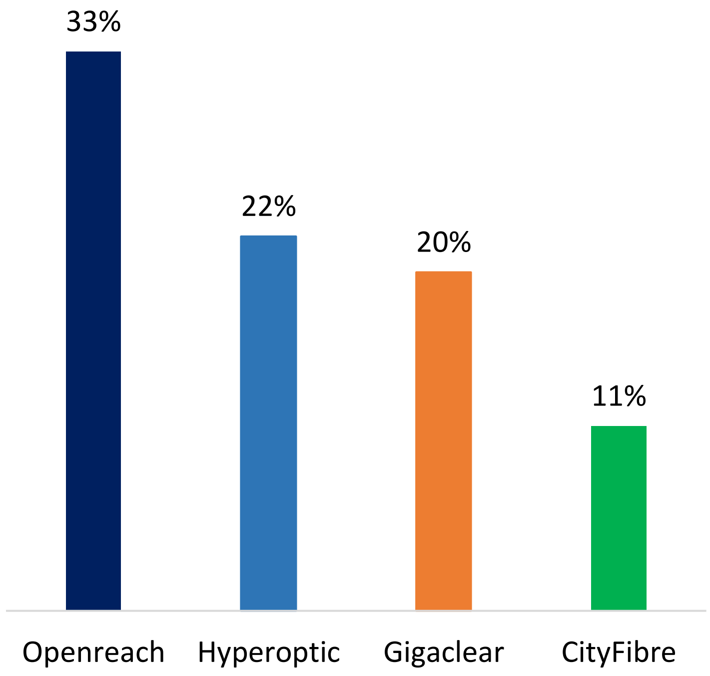
We remain well ahead of the competition

Quarterly build rate (premises)[1]



Average cost per premises[2]

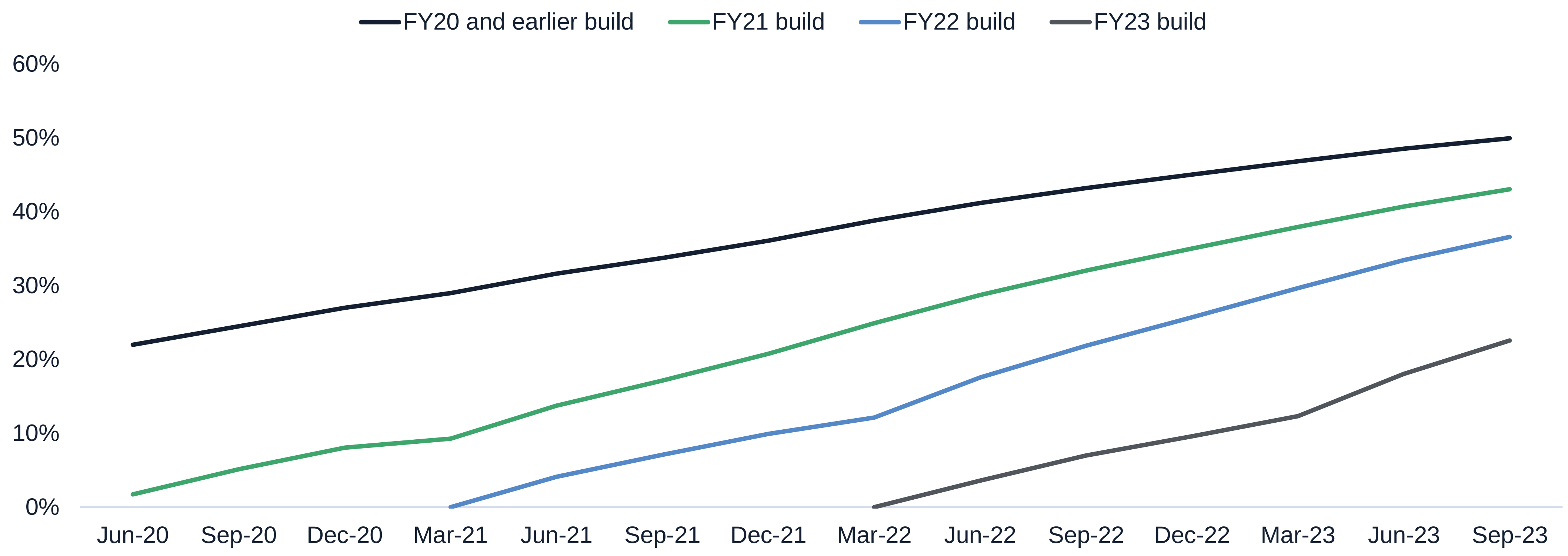
Take-up: Latest reported[1]



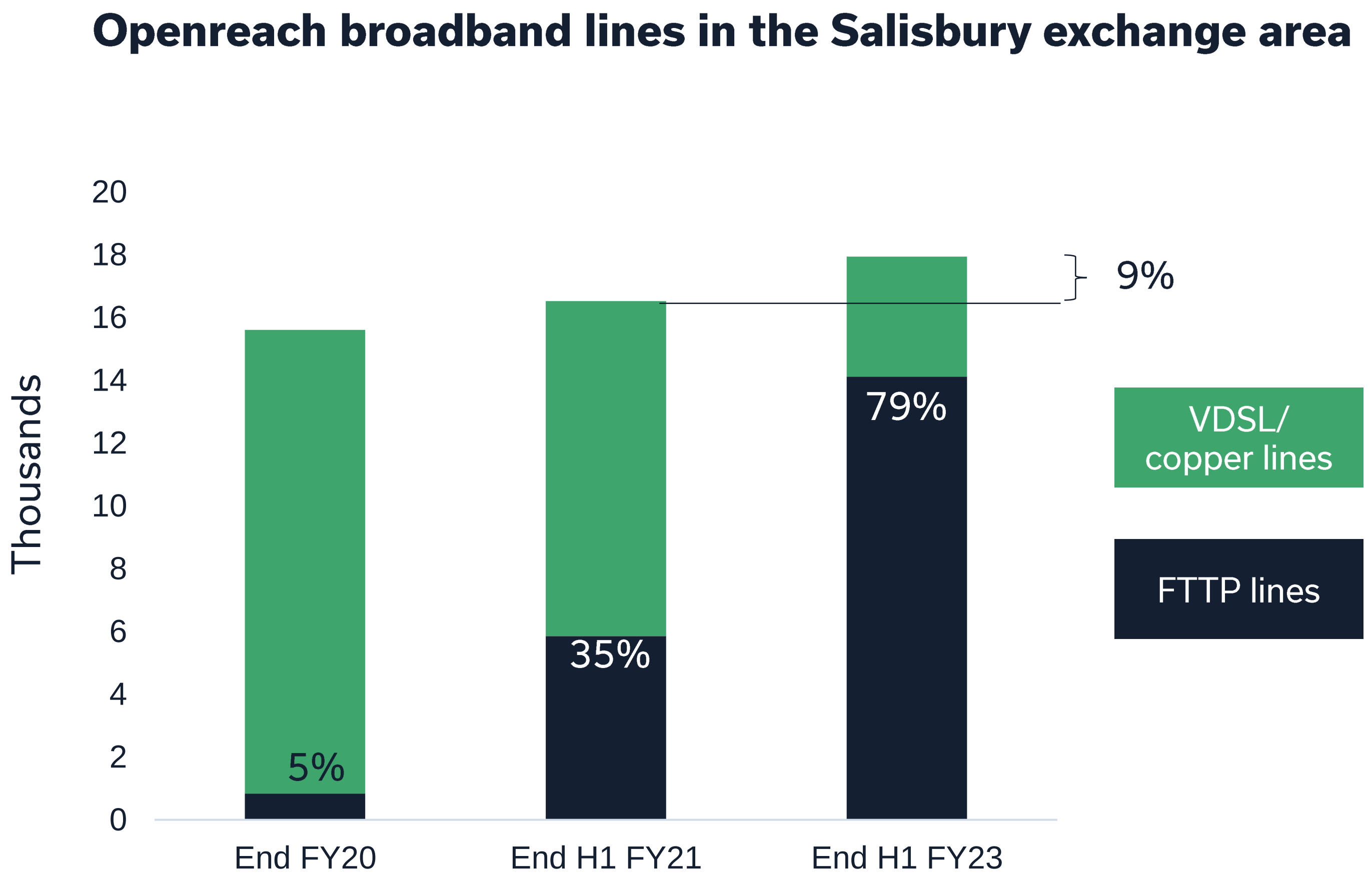
1 Company reports
2 Company reports, ISP Review report re CityFibre build cost 6th November 2022

In older build cohorts our take-up is 50% and still growing

FTTP take-up by build cohort



Where we have FTTP we are growing our broadband base



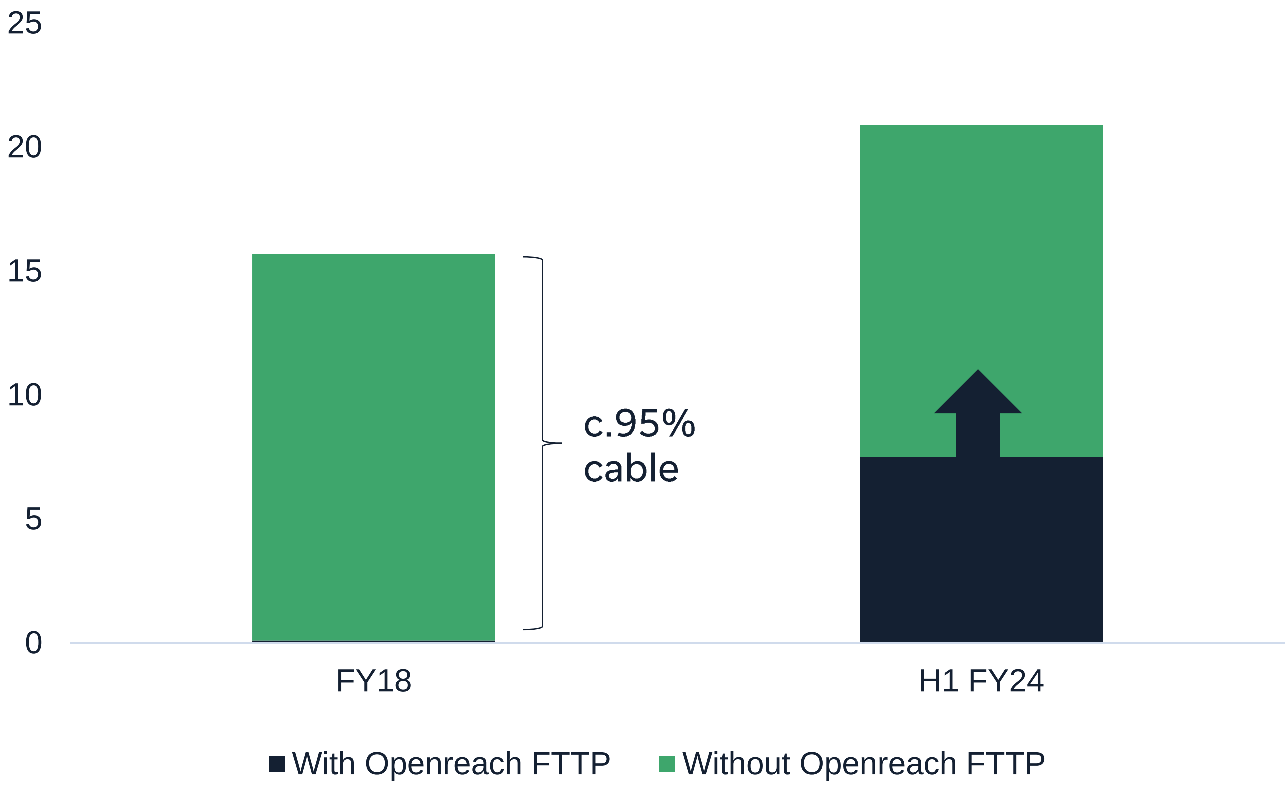
- Win-back opportunity from established competitors
- Better able to compete with new competitors

Our FTTP overlap with competitors is growing

Allowing our retailers to compete more effectively

Competitor footprint

Million premises



- c.**21**m premises with service available from one of our competitors
- We cover over **35**% today, up from **1**% in FY18
- As our footprint grows, so does our **ability to compete**

We are building a truly nationwide FTTP footprint

		H1 FY24		By FY27	FY28-30
	Places	FTTP coverage >0%	FTTP coverage >50%	FTTP coverage >50%	
Cities	76	99%	39%	>90%	Deeper coverage
Towns	1.2k	98%	36%	>90%	Deeper coverage
Villages	6.3k	83%	19%	>60%	Broader coverage

Definitions: Cities as published by the Cabinet Office; Towns are locations with at least 4,000 premises; Villages are locations with 250 to 4,000 premises
Source: Openreach analysis based on data from Ordnance Survey, the Office of National Statistics, and Openreach internal addressing systems

The regulatory framework is delivering

Wholesale Fixed Telecoms Market Review 2021 – 26:

- A clear set of rules giving regulatory certainty to investors for at least ten years and creating a level playing field which allows competition on the merits

Key elements:

- 10-year+ framework
- Fair bet for investors
- Regulated Physical Infrastructure Access
- Price indexation
- Modest premium for FTTP anchor

Outcomes:

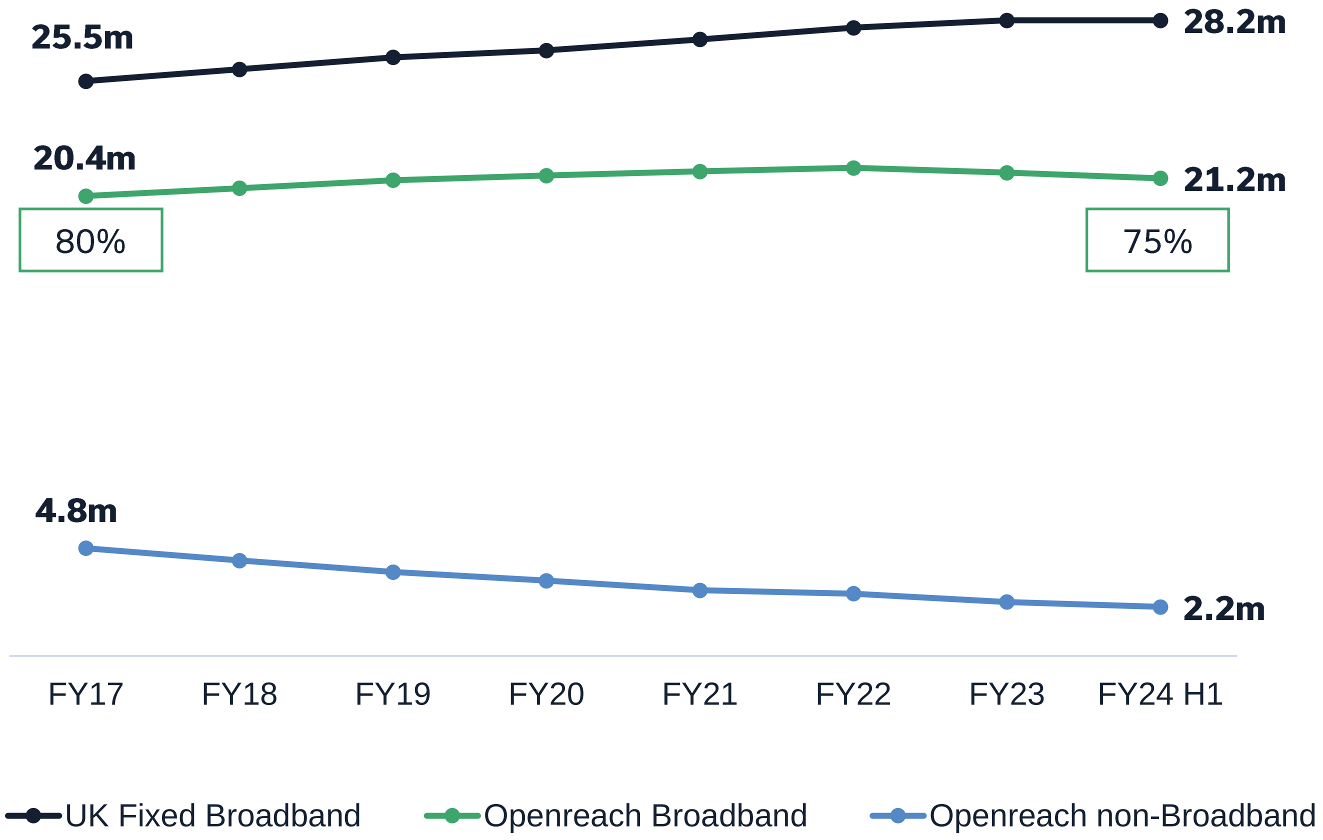
- Rapid fibre investment and build
- Extensive use of PIA
- Rising take-up of full fibre
- Rising competition for full fibre services
- Nationwide coverage

One area requiring further development:

- Approach to Openreach copper withdrawal

Growth in fixed broadband lines slowed in FY23 and FY24

We still see future potential



Headwinds:

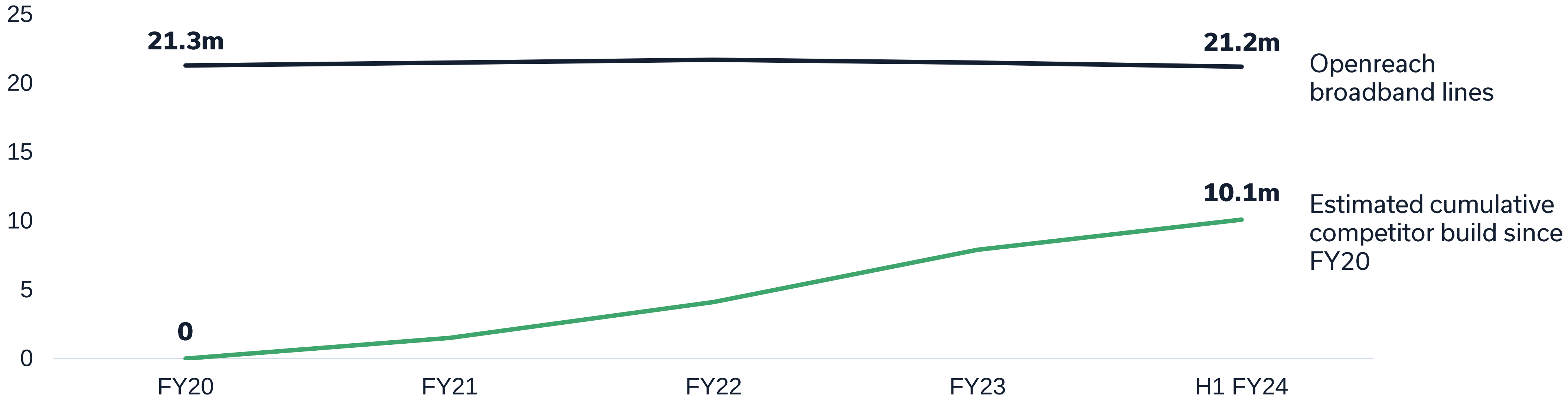
- Slowdown in housing market
- Cost of living pressure
- Pull forward during pandemic
- Mobile only growth

Tailwinds:

- Housing recovery
- Migration of voice, TV and public services to IP
- More connected things
- Fixed broadband penetration c.**85%**

The softer market makes it harder to offset competitor losses

But our base remains reasonably stable



Estimated impact on Openreach broadband lines (k)	H1 FY21	H2 FY21	H1 FY22	H2 FY22	H1 FY23	H2 FY23	H1 FY24
From market growth including impact from dual lines	+167	+220	+191	+222	+87	+176	-14
From losses to competition	-98	-106	-122	-135	-219	-255	-241
Movement in broadband lines	+69	+114	+69	+87	-132	-79	-255

Openreach estimates

We have several levers to drive value creation through this decade

Openreach Value Creation Framework

Revenue	Customers x ARPU		• Indexation • Speed tiers • FTTC -> FTTP
Opex	Opex/line		• Falling repair volume • Headcount reduction • Process, data and AI
Capex	Build unit cost x Premises passed	Provision unit cost x Connections	Ethernet unit cost x Connections	• Engineering innovation • Skilling • Smarter procurement
OOI[1]/Group charges	Copper recovery value	Exchange exit	• Freeing up assets for sale or hand-back

[1]Other Operating Income

Summary

Well placed to succeed

- ✓ Fastest builder; lowest cost; highest take-up
- ✓ Competitive pricing
- ✓ Our broadband line base is growing where we have FTTP
- ✓ We are building a truly nationwide FTTP network

Compelling value creation that can withstand a range of scenarios

- ✓ ARPU growth
- ✓ Opex per line reduction
- ✓ Margin expansion
- ✓ Capex unit cost discipline
- ✓ Copper recovery and exchange exit

Katie Milligan

Chief Commercial Officer
Openreach

A reminder of our market

Voice & Broadband	Ethernet	PIA & Other

Our three commercial priorities

1	2	3
First choice as a Network Partner	Grow Full Fibre Base	Grow ARPU

First choice as a Network Partner

1

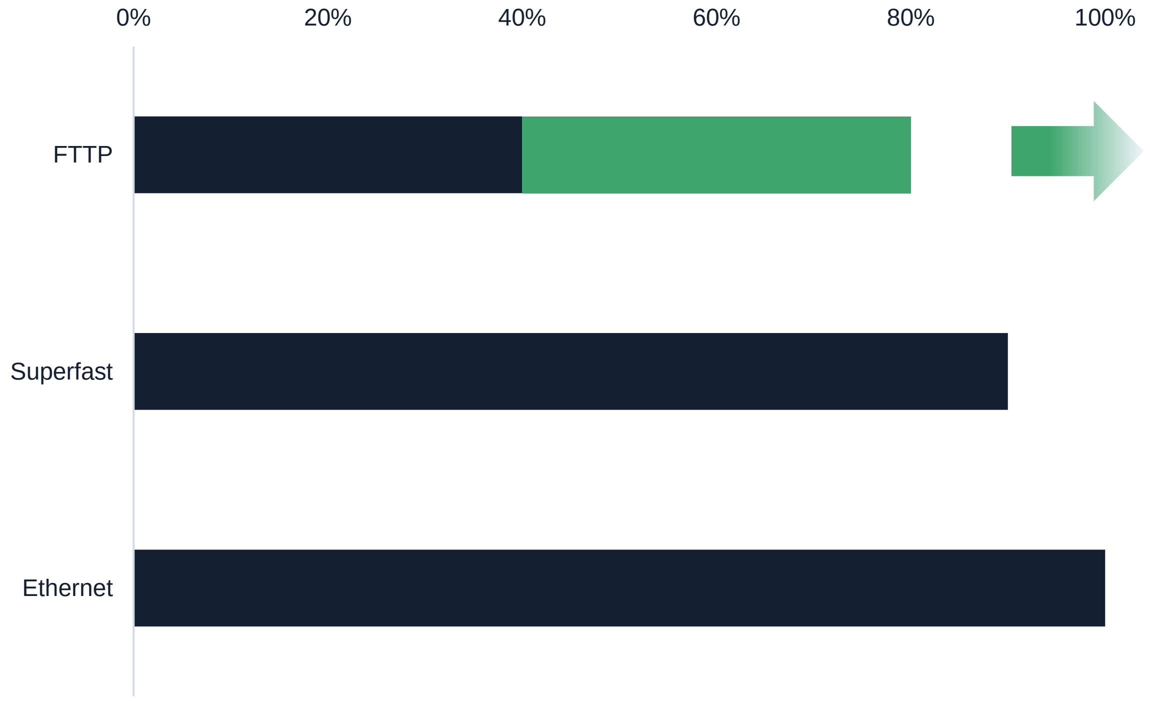
1. **The UK's leading network,** across the UK
2. **Competitive** on price
3. UK-wide repeatable, sustainable **service at scale**
4. **Deep systems integration** and **collaboration with CPs** drives innovation
5. We have **clear plans for sustainability**

First choice as a Network Partner

The UK's leading network, across the UK

1

Availability to order
%



- Our Superfast Fibre portfolio covers **90%** of all premises
- Approaching **40%** coverage of FTTP and our pace is now hitting maximum velocity
- This **will double by Dec 26** and we will continue build utilising our extensive VDSL fibre network
- Ethernet covers the whole of the UK

First choice as a Network Partner

Competitive on price

1

- Regulation provides long term certainty of fair pricing
- Competitive on price
- Equinox, **a ten-year deal** with
  - Transparent, predictable pricing
  - In exchange for proportion of Openreach orders on FTTP
  - Incentives for use of higher speeds
  - Support for base migration

First choice as a Network Partner

UK-wide repeatable, sustainable service at scale

1

	Broadband	Ethernet
QoS[1]	30/30	5/5
NPS[2]	45	54
Trustpilot	"Excellent"	
Customer Satisfaction	93%	

- We are a scale player with many years of experience in delivering for our customers
  - **c. 150,000** provision and repair visits per week
  - >**35,000** FTTP visited connections per week
  - **1,000**+ Ethernet per week
- Our performance is **best in class**
- **Utilising AI** to improve even further

[1]Ofcom regulated Quality of Service standards
[2]Net Promoter Score

First choice as a Network Partner

Deep systems integration and collaboration with CPs drives innovation

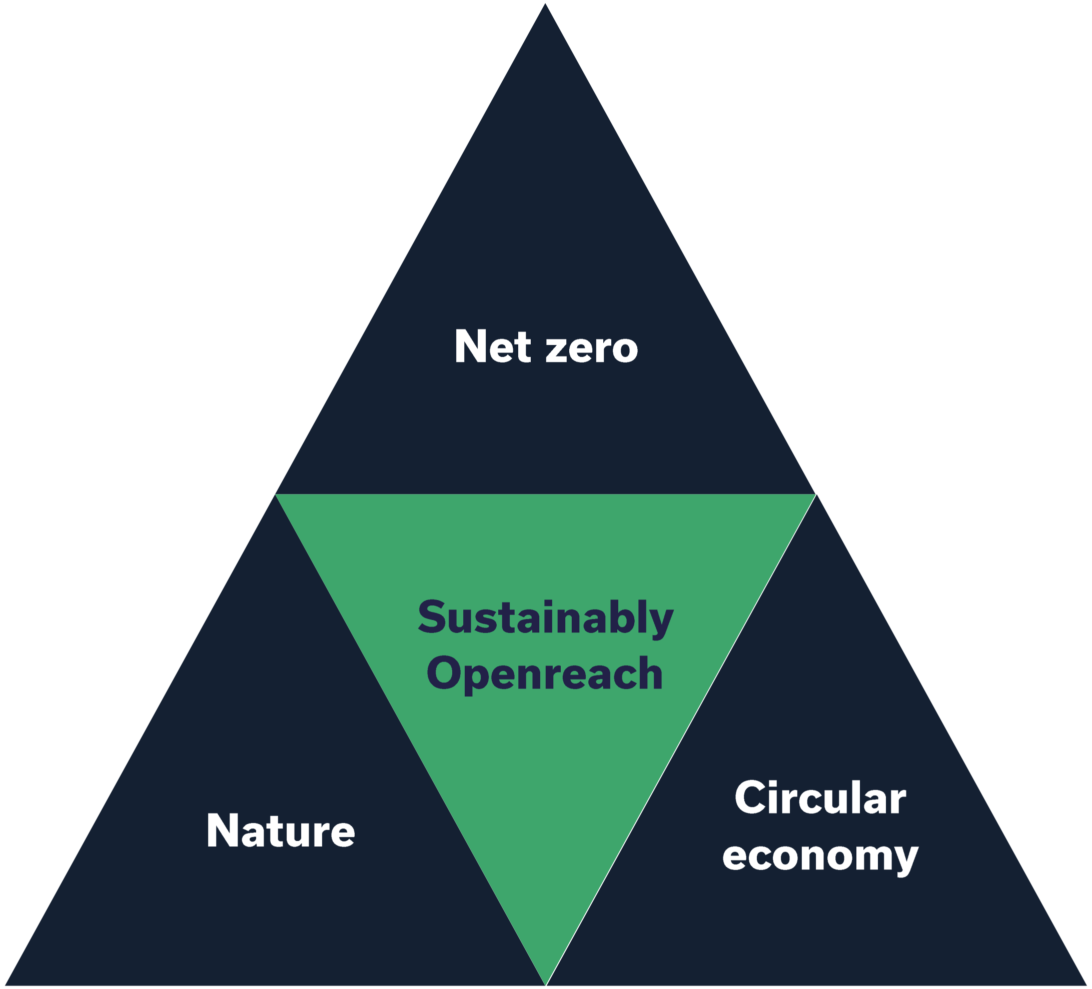
1

- We have integrated our systems and processes with CPs over many years
- We've collaborated with CPs to enable them to develop an "own-brand" engineering experience for their customers
- Launched with Sky who are achieving with **97%** successful "on-the-day" installations for over **3,000 orders per week**
- Now trialling further integration to allow Sky more control over their customers' installation journey

First choice as a Network Partner

We have clear plans for sustainability

1

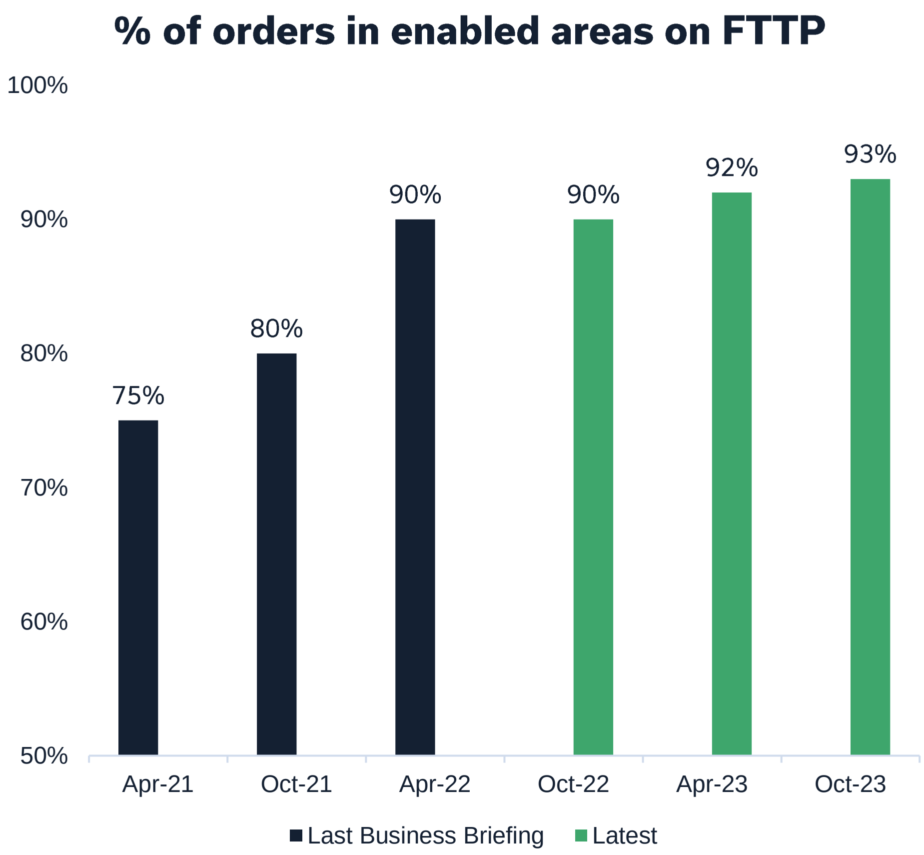


- Three objectives:
  - **reduce** our **carbon footprint**
  - use **fewer materials** and **reduce our waste**
  - **reduce** our **impact** on the **natural habitats** we encounter
- **Net Zero** by 2031
- FTTP **80% more energy efficient** than Copper
- Over **4,000 electric vehicles** in our fleet **by end FY24**
- **Using AI** to better plan routes and tasks

Grow full fibre base

Demand is booming with more than 9 out of 10 orders on FTTP

2

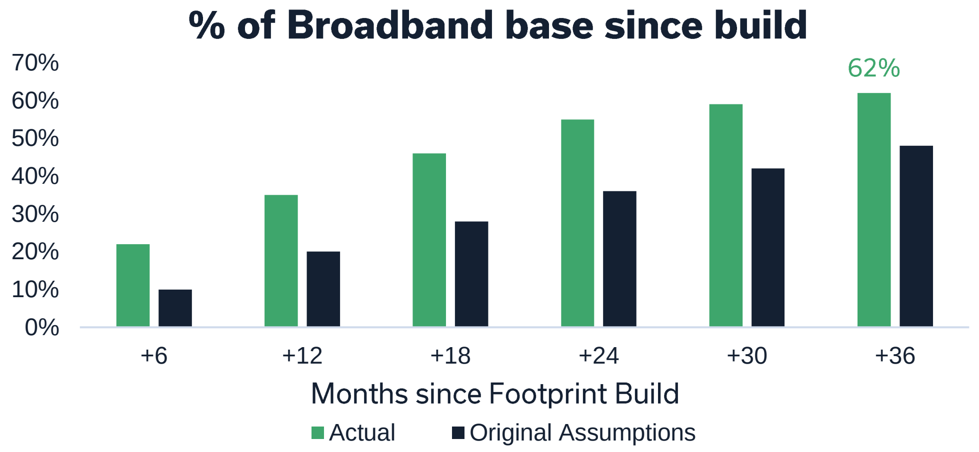


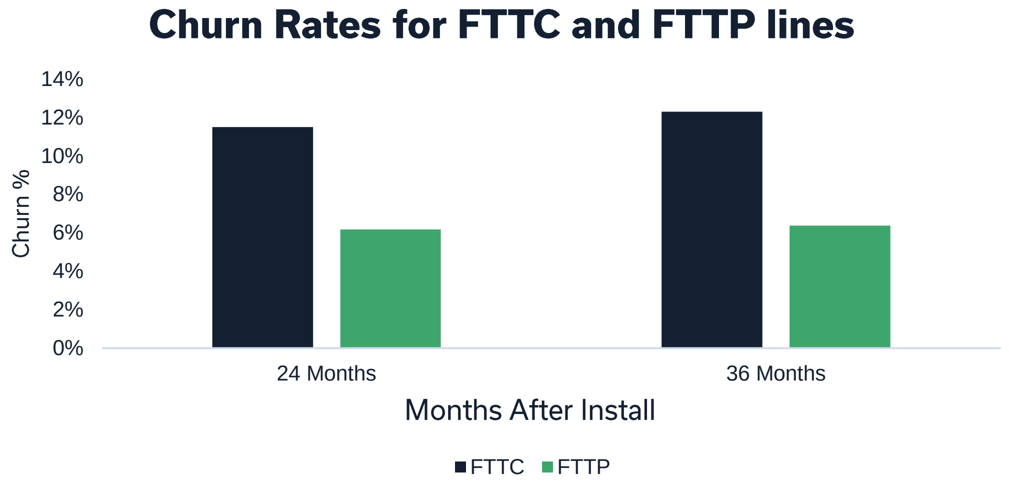
- FTTP represents c. **93%** of all orders in enabled areas
- **All four of our major CPs** are now achieving **at least 90%**
- Around **50%** of our homes passed are in exchanges where we have declared Stop Sell – in these exchanges **100%** of orders are FTTP

Grow full fibre base

We're seeing 62% migration of lines to FTTP within 3 years

2



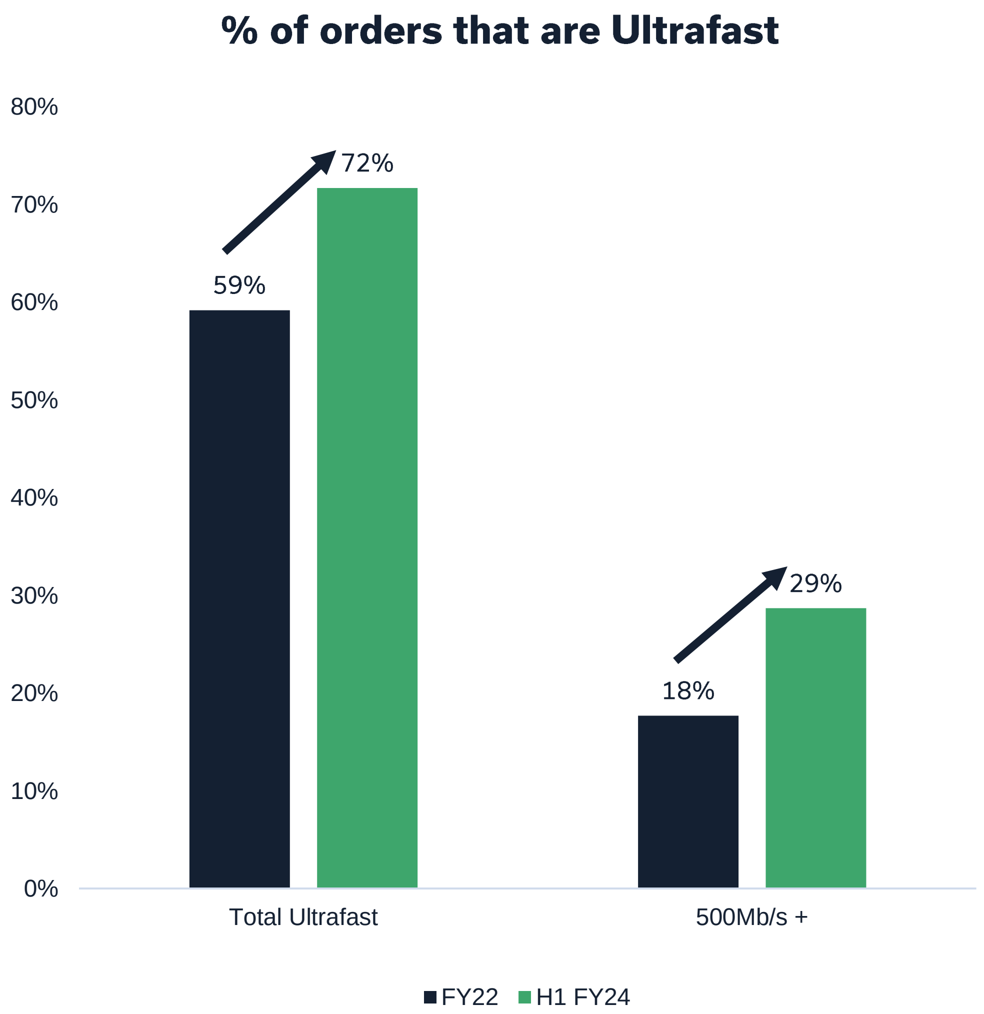


- We're seeing **faster take up than we had expected**
- **62%** of our broadband lines in enabled areas migrate to FTTP after footprint release – **50%** in twenty months
- We have over **4 million FTTP lines,** of which Sky have over 1m
- Overall take up is growing steadily despite accelerating build. Take up is **33%**
- **20%** of our total Broadband lines are **now FTTP**
- Churn on **FTTP is roughly half of FTTC lines** of equivalent age

Grow ARPU

FTTP speed mix is improving

3

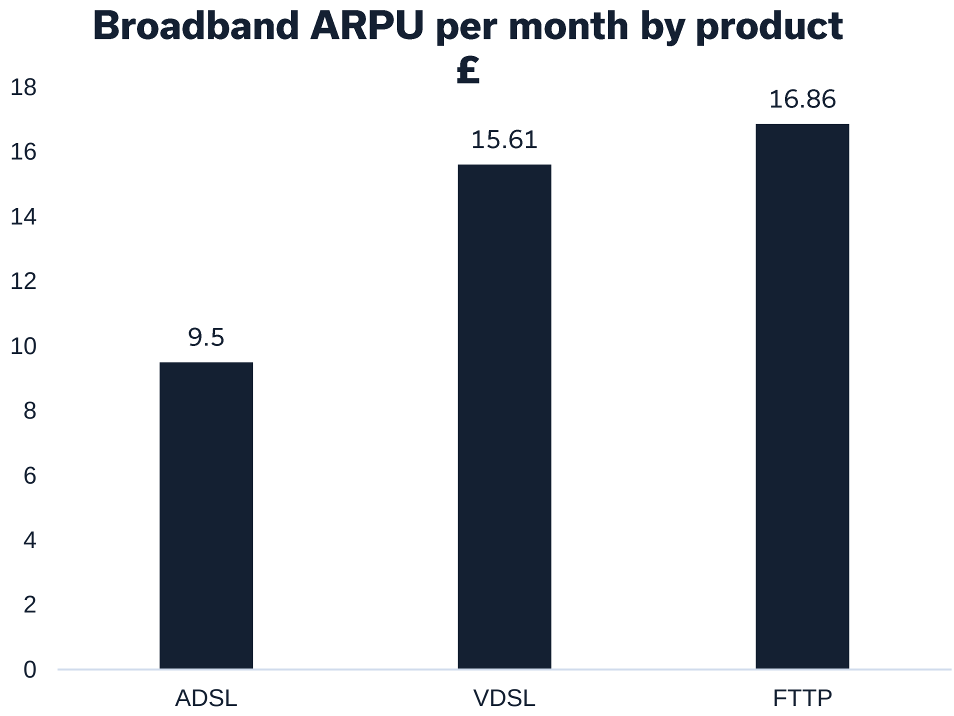


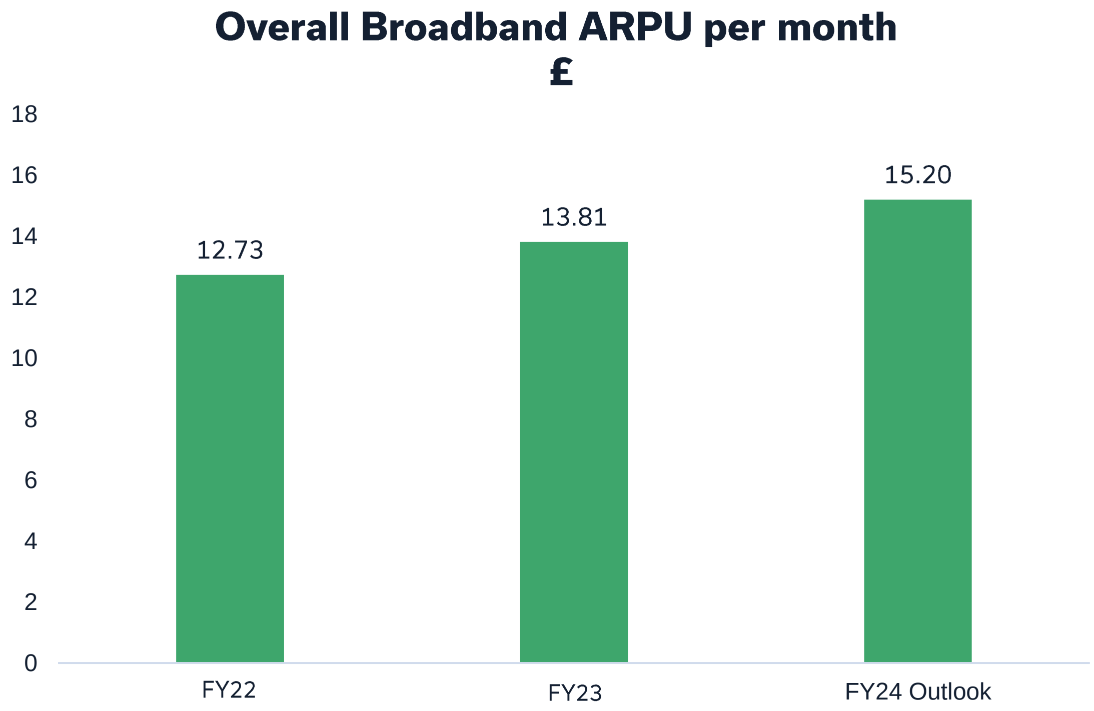
- FTTP delivers the best speed for customers
- **72**% of orders are Ultrafast speeds – one major CP achieves **85**%
- **29**% of orders are on our highest tiers (500Mb/s+)
- Ladder of price tiers to enable customers grow ARPU - we're continuing to extend to 1.2Gbps and 1.8Gbps
- CPI-1.25% on tiers incentivises higher speed sales

Grow ARPU

Broadband ARPU is more than offsetting line losses

3





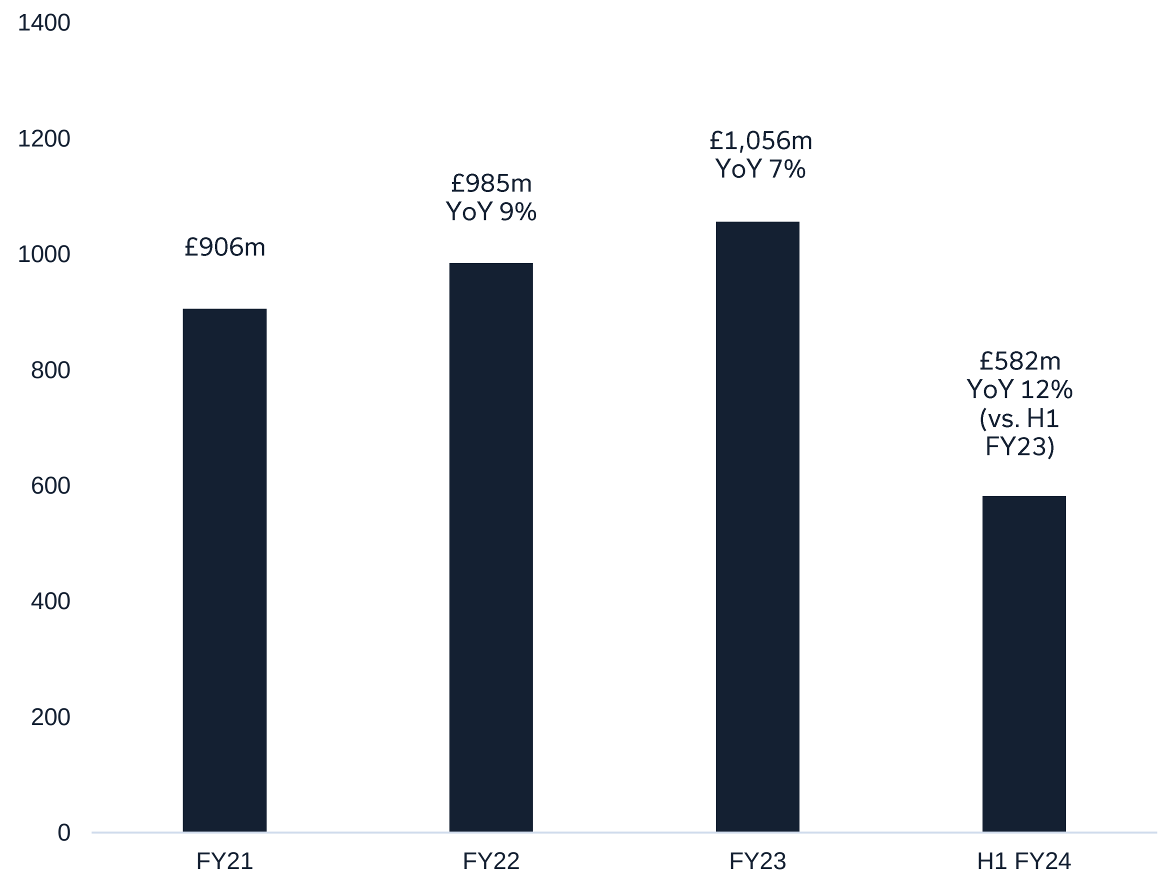
- Broadband revenue has grown **8.8**% YoY in H1 with ARPU offsetting line losses
- ARPU on Broadband products has grown by **19**% since FY22 driven by mix and CPI
- FTTP ARPU is **8**% higher than VDSL and will continue to grow driven by speeds mix
- 2 out of 5 of our largest CPs have already reached the level to trigger ARPU share

Grow ARPU

Our Ethernet portfolio is a £1bn+ business in its own right

3

Revenue from Ethernet Services

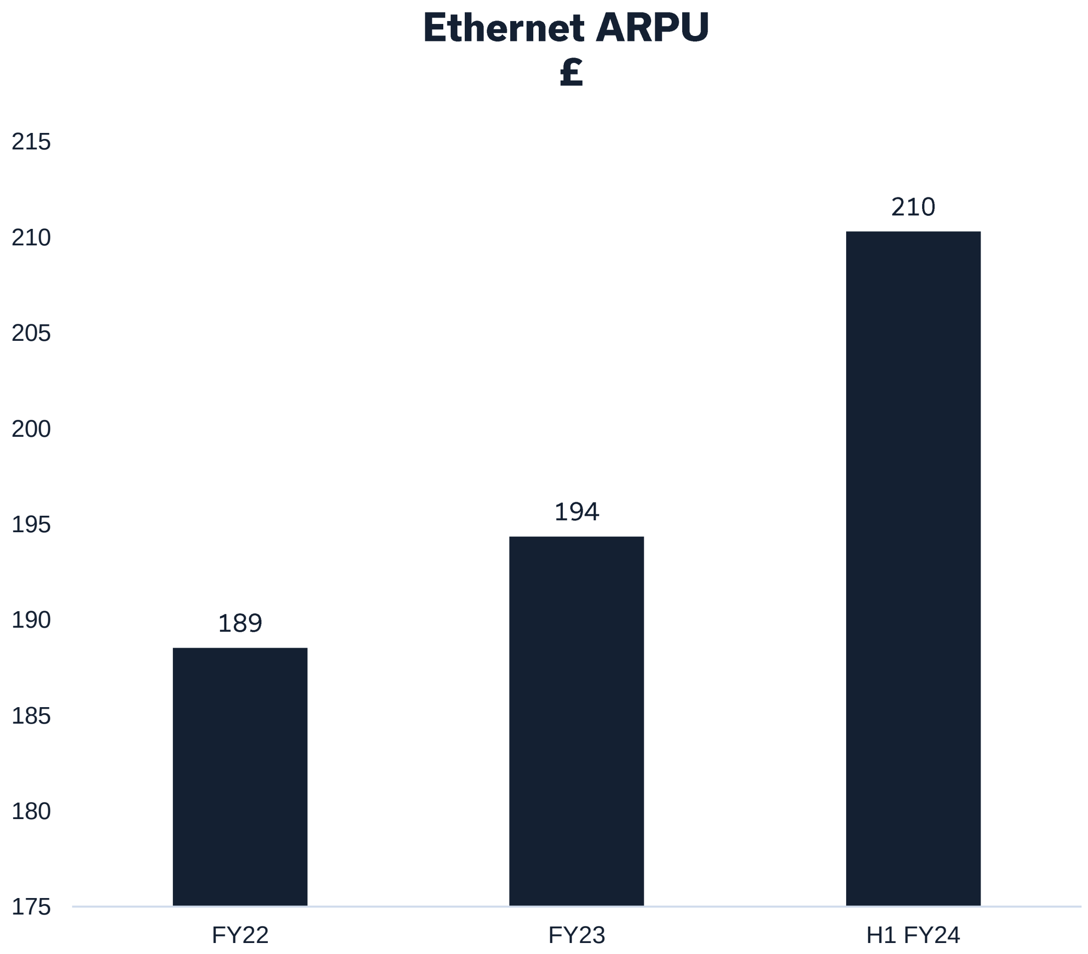


- Ethernet **provides secure, business grade connectivity** to businesses throughout the UK
- Our Ethernet is used to support **critical national infrastructure products**, **Mobile networks**, **Government** and **Schools projects**
- We now have **over 400k Ethernet lines**
- Revenue grew **12%** YoY in H1
- Our Full Fibre network **is driving lower cost**

Grow ARPU

Ethernet ARPU is growing driven by CPI pricing

3



- ARPU grew **8%** in FY24 driven by improving mix and CPI
- **77%** of EAD[1] orders now at 1Gbps
- Innovating to create speed ladder from **1Gbps to 10Gbps**

[1]Ethernet Access Direct

Grow ARPU

We are building the next generation of Ethernet

3

- Market will move towards **Very High Bandwidth**
- We need to build **a new speed ladder** to unlock further ARPU improvements
- We are **introducing new tiers** – 2Gbps, 3Gbps and 5Gbps
- New contract gives **flexibility** to target offers

We are also delivering on our PIA commitments

Strong demand and build milestones reached	**500k+** lines connected
Strong service performance maintained	**99.9%** NA[1] validation
Network coverage increasing	**40%** of our poles **50%** of our ducts
Improving and working safely together	"Tour of Duty"
Doing the right things for customers	NPS at **30**

[1]Network Adjustment

Colin Jones

Chief Operating Officer
Sky UK

Summing up – Our three commercial priorities

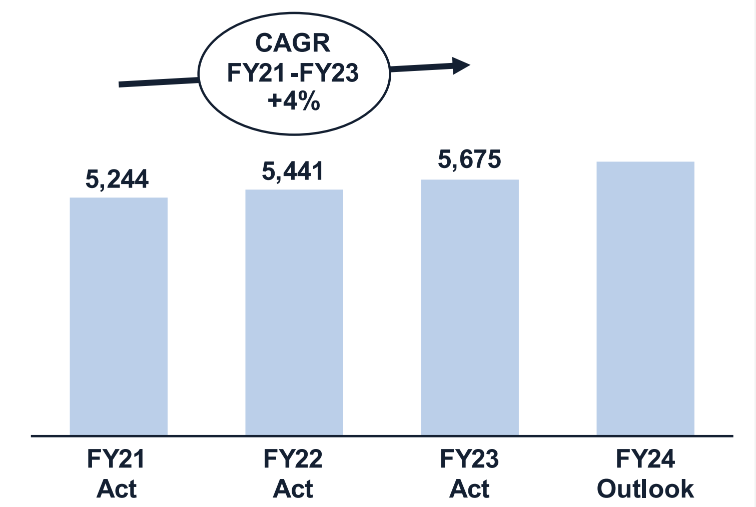
First choice as a Network Partner	Grow Full Fibre Base	Grow ARPU


Matt Davies
Chief Financial Officer
Openreach

Financial Performance

Strong dependable financial performance as we migrate to new technologies

(1) Revenue (£m)



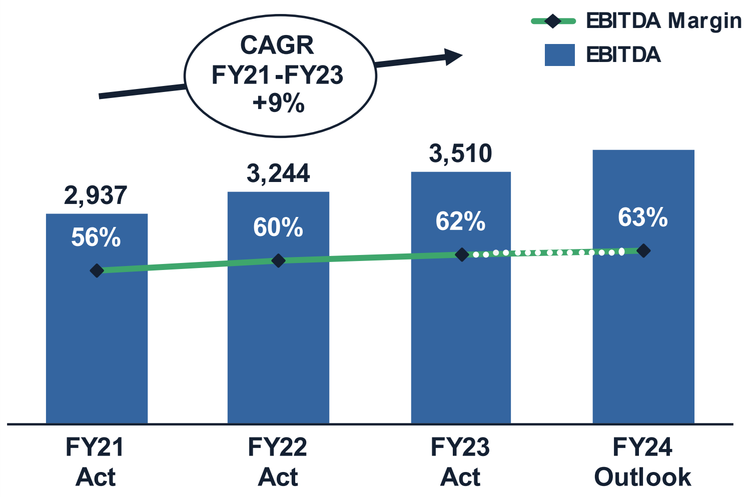
LOOKING BACK

- Revenue CAGR of 4% FY21 to FY23

IN YEAR

- Revenue growth 8% in H1 FY24

(2) EBITDA (£m) and EBITDA Margin (%)



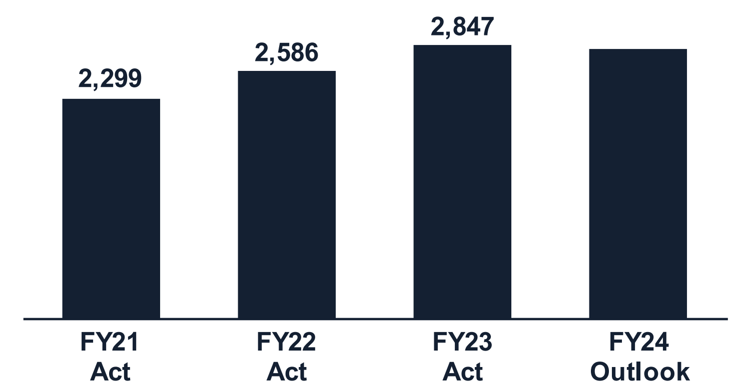
LOOKING BACK

- EBITDA CAGR of 9% FY21 to FY23

IN YEAR

- EBITDA growth 12% in H1 FY24
- EBITDA margin 63% in H1 FY24

(3) Capex (£m)



LOOKING BACK

- Significant increase in FTTP investment with FY23 spend up £0.8bn versus FY21
- Total capex spend up £0.5bn in FY23 versus FY21 with increased FTTP offset by lower legacy capex

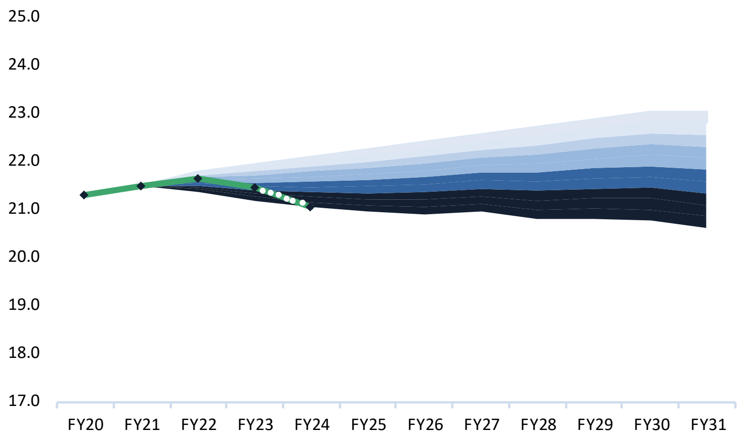
IN YEAR

- H1 capex down £114m versus H1 FY23 (8%)
- H1 FTTP capex down £151m versus H1 FY23 (16%)

Revenue

Broadband base at lower end of range but more than offset by better-than-expected ARPU

(1) Broadband Base (m)



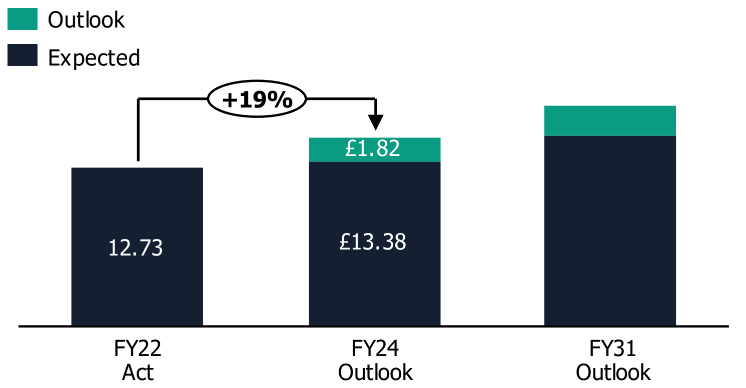
Business Briefing 2021

- Market share reduces in all scenarios
- Broadband base broadly maintained with c.400k market growth offset by c.400k alt-net losses, per year

Business Briefing 2023

- Broadband market declines in H1 FY24, therefore no offset to comp losses of c.240k
- Long term highly unlikely broadband penetration has peaked at 85%

(2) Broadband ARPU (£)



FY31 assumes ARPU growth in line with CPI, forecast at 2% per year

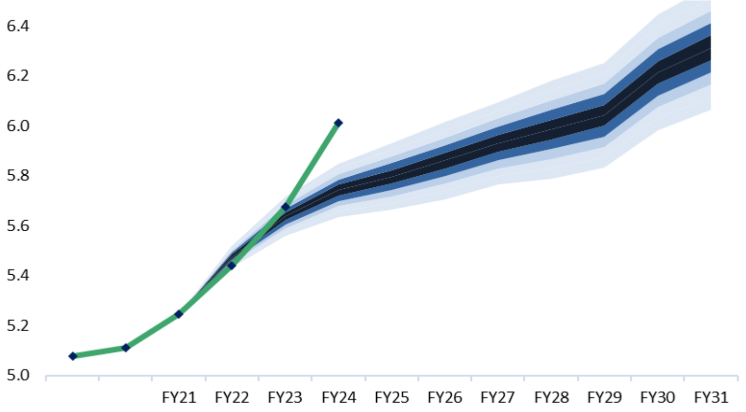
Business Briefing 2021

- Minimum expected ARPU growth in line with CPI at 3% FY23 and 2% thereafter

Business Briefing 2023

- ARPU growth materially higher than previous forecast
- ARPU upside more than offsets lower market growth
- Outlook for ARPU more than offsets risk of low market growth

(3) Total Openreach Revenue[1] (£bn)



Business Briefing 2021

- In all scenarios revenue grows over the long term

Business Briefing 2023

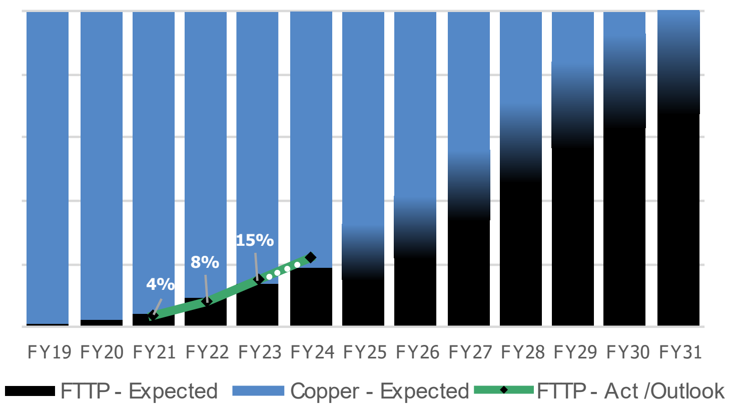
- Impact of smaller broadband more than offset by higher ARPU with revenue above top end of range [FY24 Revenue Consensus c.£0.2bn higher than Consensus at time of previous business briefing]
- Long term expect a softer market to be offset by higher ARPU, therefore remain on track for FY31 revenue projections

[1] FY24 reflects consensus at time of business briefing

Opex

FTTP penetration is higher than expected, driving lower than expected faults and lower Opex

(1) Broadband Base Mix (%)



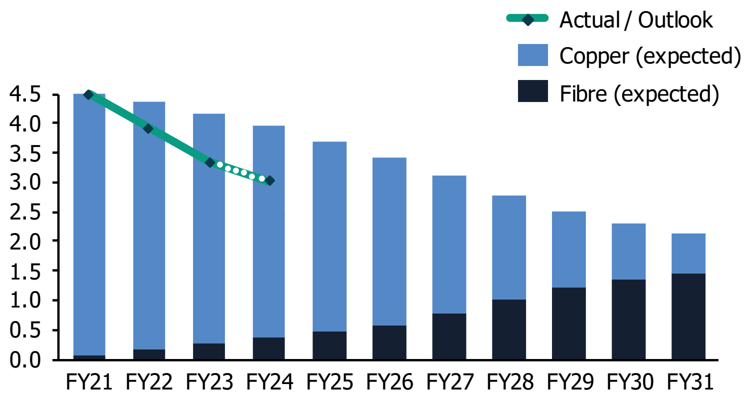
Business Briefing 2021

- Broadband base will become dominated by FTTP by FY31 – underpinned by Equinox

Business Briefing 2023

- Broadband base higher than the outlook given at the time of the last business briefing
- On track to have majority of broadband base on FTTP by calendar 2026

(2) Fault Volumes by Product (m)



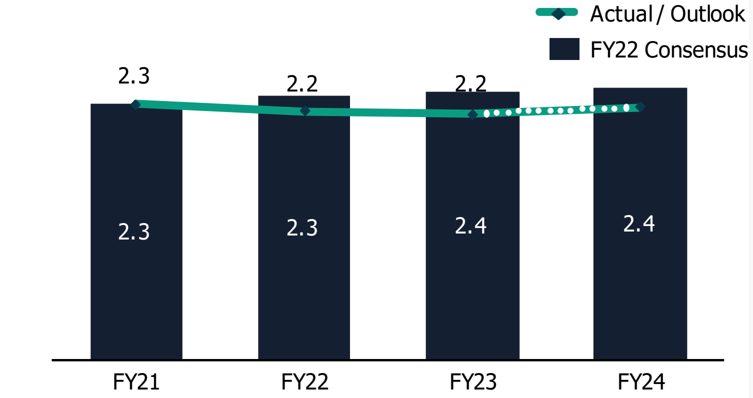
Business Briefing 2021

- Fault rates of FTTP c.50% lower than copper
- Fault rates to reduce in line with migration to FTTP

Business Briefing 2023

- Fault volumes dropping faster than expected, driven by a higher proportion of the base on FTTP and in life fault rates better than expected at 60% lower than copper

(3) Opex Cost Base (£bn)



Business Briefing 2021

- Service costs make up c.35% of Opex costs
- Average service cost per line drops by around 60% by FY31
- Opex savings c.£0.5bn by 'end of decade'.

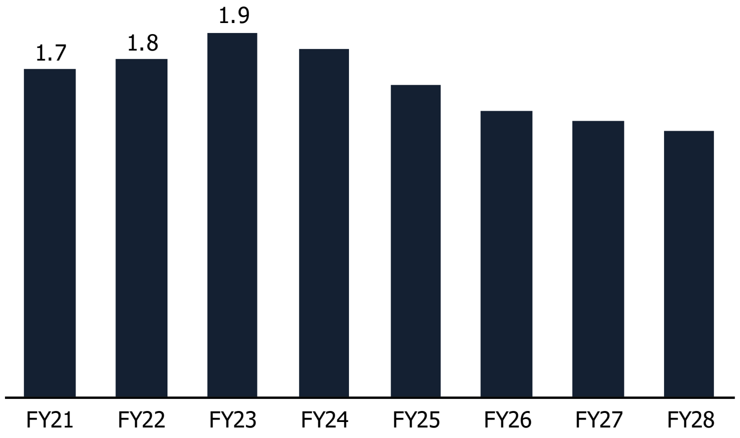
Business Briefing 2023

- Opex costs lower than expected due to lower fault rates [FY24 Opex c.£0.2bn lower than Consensus at time of previous business briefing]
- Pulling forward £0.5bn of Opex savings from 'end of decade' to FY28 as a result oflower repair volumes

Total Direct Labour Costs & Capitalisation

Expected to significantly reduce labour costs underpinning c.£1bn of lower capex in FY28

(1) Total Direct Labour Cost (£bn)



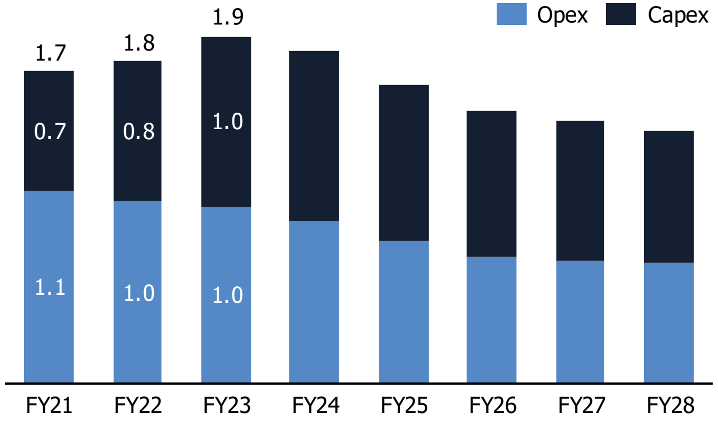
LOOKING BACK

- Total labour cost growing as we scaled up FTTP build and provision, peaking in FY23 and now declining with a c.3k reduction in H1 FY24

LOOKING FORWARD

- Total labour cost to come down driven by lower fault rates and efficiency initiatives

(2) Capitalised Direct Labour Cost (£bn)



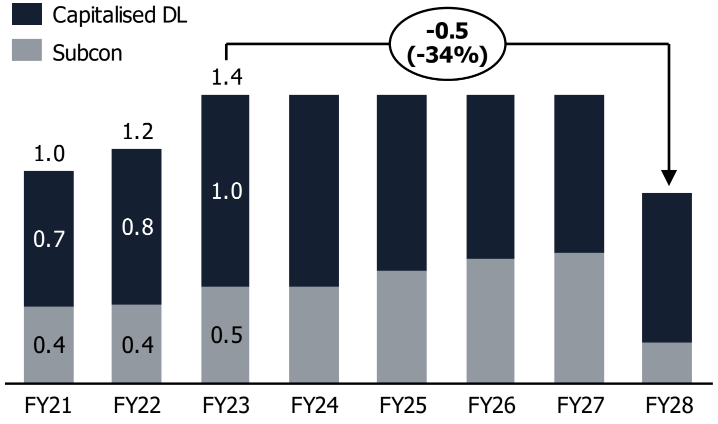
LOOKING BACK

- Non capitalised labour shrinking in line with lower fault volumes
- Capitalised labour grows in line with increased FTTP build capex

LOOKING FORWARD

- Non capitalised labour continues to shrink in line with lower fault volume
- Capitalised labour shrinks as a result of build efficiency and higher mix of sub-con

(3) Capitalised DL + Sub-con (£bn)



LOOKING BACK

- Total capitalised labour including sub -con grows in line with FTTP build and provision, including WIP growth

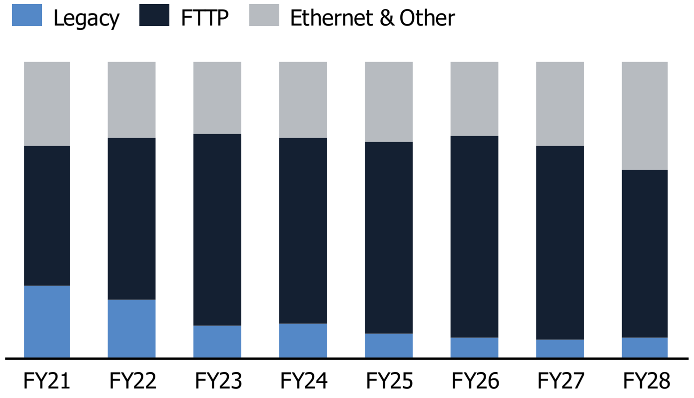
LOOKING FORWARD

- Total capitalised labour has peaked and now expected to be broadly flat until FY28
- Total capitalised labour drops significantly in FY28 in line with the drop in FTTP build, contributing the majority of the £1bn reduction in capex

Capex

Capex has peaked with investment in FTTP dropping by £1bn in FY28

(1) Capex by Product (%)



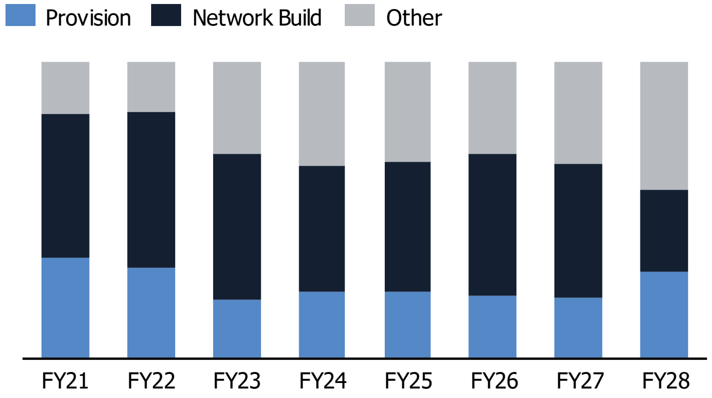
Business Briefing 2021

- FTTP capex peaks in FY26, offset by reductions in legacy

Business Briefing 2023

- Legacy spend reducing from £0.6bn in FY21 to £0.3bn in FY23, a reduction of c.50%

(2) Capex by Activity (%)



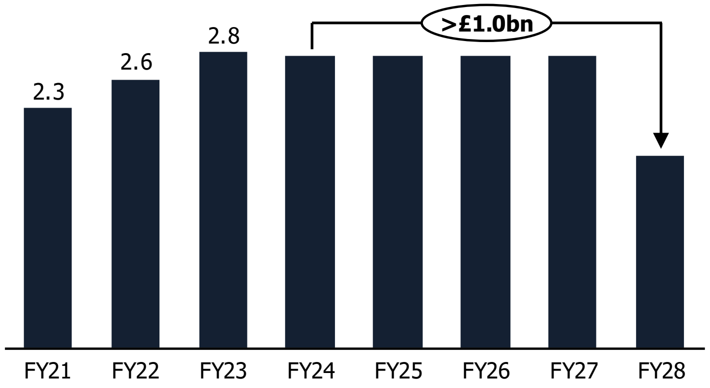
Business Briefing 2021

- Network build dominates capex until 2026
- Provision scales to growth in FTTP base
- Post 2026 network capex drops as bulk of FTTP build completes

Business Briefing 2023

- Provision now expected to make up higher proportion of capex driven by higher FTTP provision volumes

(3) Total Capex Spend (£bn)



Business Briefing 2021

- Total capex peaks from around FY24
- Peak FTTP investment in FY26 offset by lower legacy investment and efficiency
- FY28 capex drops off by at least £1bn as bulk of FTTP build completes

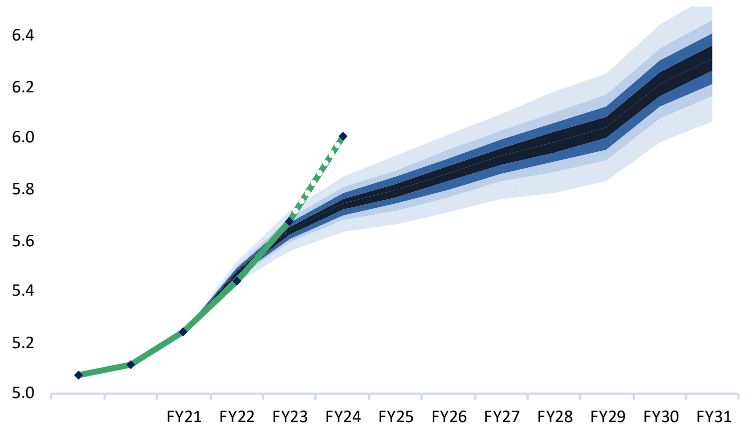
Business Briefing 2023

- Capex has peaked and expected to be broadly flat until FY28
- We remain on track for >£1bn capex saving in FY28

Summary

Openreach ahead of expectations to date and in line with previous outlook over long term

(1) Revenue driven by ARPU



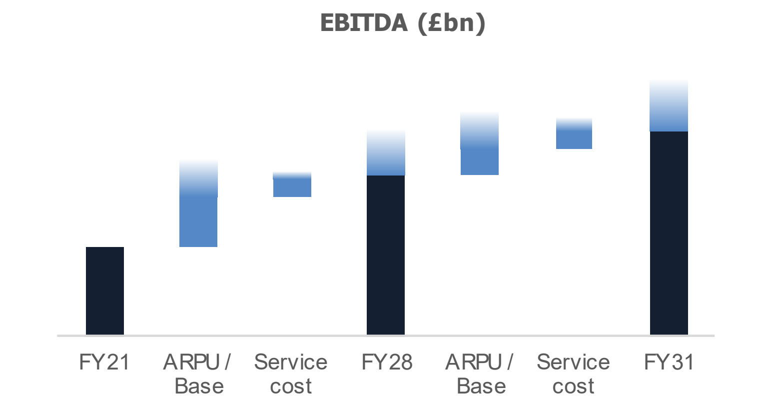
Business Briefing 2021

- We are confident we will grow revenue over the long term in a wide range of altnet build scenarios

Business Briefing 2023

- Revenue ahead of expectations in FY24
- Longer term headwinds from smaller broadband market offset by higher ARPU
- Expect revenue to be within range provided at last business briefing

(2) EBITDA further supported by increasing margins[1]



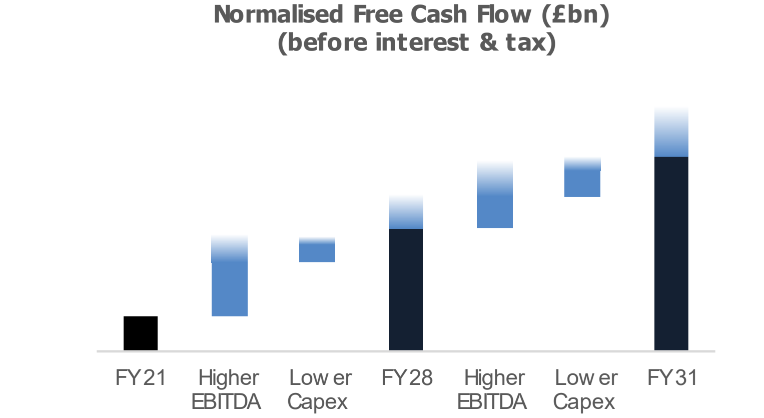
Business Briefing 2021

- The growth in revenue will translate to growth in EBITDA which will be further enhanced by expanding margins

Business Briefing 2023

- EBITDA ahead of expectations in FY24
- Expect Opex costs to be c.£0.5bn lower than FY23 by FY29, pulled forward from 'end of decade'
- On track for sustained EBITDA growth

(3) Cashflow benefits from higher EBITDA and lower capex[1]



Business Briefing 2021

- Capex reduces as build to 25m homes completes in Dec 2028 & provision volumes hit peak in FY28
- EBITDA increases from revenue flow through and lower cost to serve FTTP platform

Business Briefing 2023

- Sustained EBITDA and growth and lower capex drive inflection in NFCF in FY28 and further growth to FY31

[1] EBITDA and Cashflow graphs not to scale

Clive Selley

Chief Executive Officer
Openreach

In Conclusion

1. The future of this Openreach business is **Full Fibre**
2. Peak build run-rate will be achieved in Q4 FY24 of **1 million premises** passed **per quarter**
3. The **25m footprint** completes **December 2026**
4. We continue building post December 2026 – **right across the UK**
5. Unit cost of commercial build has fallen and will **stay flat** FY24 - FY26.
   Peak capex for Openreach **was FY23**
6. Selling and provisioning FTTP at scale – **take-up rate increasing** FY24 - FY26
7. Opex costs decline as customers migrate from copper to fibre, driving **EBITDA and Cash growth**
8. The ‘Fibre Dividend’ is delivering **NOW**
9. **High confidence** in the fibre business case

Q+A

Thank you

openreach