BT GROUP PLC
Form 6-K
November 13, 2008

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

Report of Foreign Private Issuer

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

13 November, 2008

BT Group plc

(Translation of registrant's name into English)

**BT Centre
81 Newgate Street
London
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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. Interim Results announcement made on 13 November, 2008

November 13, 2008

SECOND QUARTER AND HALF YEAR RESULTS TO SEPTEMBER 30, 2008

SECOND QUARTER - KEY POINTS

- Revenue of £5,303 million, up 4 per cent
- EBITDA before specific items[1] and leaver costs of £1,429 million, down 1 per cent
- BT Global Services EBITDA before leaver costs of £119 million, down 36 per cent
- Operating profit before specific items

[1] and leaver costs of £744 million, down 1 per cent

- Profit before taxation, specific items[1] and leaver costs of £590 million, down 11 per cent
- Earnings per share before specific items[1] and leaver costs of 5.9 pence, down 3 per cent
- Interim dividend maintained at 5.4 pence per share
- Free cash inflow of £369 million, up by £198 million

The income statement, cash flow statement and balance sheet from which this information is extracted are set out on pages 17 to 23.

Ian Livingston, Chief Executive, commenting on the second quarter's results, said:

"Three out of our four business units, BT Retail, BT Wholesale and Openreach are delivering on or ahead of target. But profits in BT Global Services are simply not good enough and we are taking decisive action to put matters right. We have appointed Hanif Lalani as the new CEO of BT Global Services and he will continue to grow the business while reducing the cost base.

Demand for our BT Global Services proposition remains strong, revenue grew strongly in the quarter and the pipeline is healthy. What we have to do now is translate revenue growth into better profitability.

We continue to expect BT group revenue to grow for the full year. However because of the reduction in profitability in BT Global Services, group EBITDA[2] is likely to show a small decline in the current financial year."

[1] Specific items are significant one off or unusual items as defined in note 4 on page 27.

[2] Before specific items and leaver costs.

RESULTS FOR THE SECOND QUARTER AND HALF YEAR TO SEPTEMBER 30, 2008

	Second quarter	Half year

	2008 £m	*2007 £m*	Better (worse) %	2008 £m	*2007 £m*	Better (worse) %
Revenue	5,303	*5,095*	4	10,480	*10,128*	3
EBITDA						
- before specific items and leaver costs	1,429	*1,448*	(1)	2,862	*2,873*	-
- before specific items	1,393	*1,405*	(1)	2,753	*2,822*	(2)
Operating profit						
- before specific items and leaver costs	744	*755*	(1)	1,486	*1,471*	1
- before specific items	708	*712*	(1)	1,377	*1,420*	(3)
- after specific items	670	*521*	29	1,312	*1,179*	11
Profit before taxation						
- before specific items and leaver costs	590	*660*	(11)	1,203	*1,318*	(9)
- before specific items	554	*617*	(10)	1,094	*1,267*	(14)
- after specific items	516	*435*	19	1,029	*1,035*	(1)
Earnings per share						
- before specific items and leaver costs	5.9p	*6.1p*	(3)	12.0p	*12.1p*	(1)
- before specific items	5.6p	*5.7p*	(2)	10.9p	*11.7p*	(7)
- after specific items	5.2p	*4.2p*	24	10.3p	*11.6p*	(11)
Capital expenditure	766	*799*	4	1,568	*1,702*	8
Free cash flow	369	*171*	116	(365)	*19*	n/m
Interim dividend				5.4p	*5.4p*	-
Net debt				11,028	*9,618*	(15)

The commentary focuses on the results before specific items and leaver costs. This is consistent with the way that financial performance is measured by management and we believe allows a meaningful analysis to be made of the trading results of the group. Specific items are defined in note 4 on page 27. Leaver costs are shown in note 3(b) on page 27.

The income statement, cash flow statement and balance sheet are provided on pages 17 to 23. A reconciliation of EBITDA before specific items and leaver costs to group operating profit is provided on page 32. A definition and reconciliation of free cash flow and net debt are provided on pages 29 to 31.

INTERIM MANAGEMENT REPORT
GROUP RESULTS - SECOND QUARTER TO SEPTEMBER 30, 2008

Revenue at £5,303 million was 4 per cent higher in the quarter, with continued growth in managed solutions and broadband and convergence revenue. EBITDA before specific items and leaver costs decreased by 1 per cent year on year, primarily due to the decline in BT Global Services EBITDA. The other lines of business have performed well in uncertain economic conditions, both BT Retail and Openreach delivered growth in EBITDA and in BT Wholesale the rate of year on year EBITDA decline has slowed compared with recent quarters.

The decline in EBITDA in BT Global Services is disappointing, and is primarily due to slower than anticipated delivery of efficiency savings, the continued decline in higher margin
UK
business and the negative effects of currency movements. W
e have taken decisive action to rectify the situation and are focused on speeding up the execution of our cost efficiency and margin improvement initiatives. François Barrault resigned as Chief Executive, BT Global Services and as a BT Group plc
Board director on October 30, 2008. He has been replaced by Hanif Lalani, currently Group Finance Director. The business continues to offer a compelling customer proposition and order intake in BT Global Services remains strong, with contract wins of £1.8 billion in the second quarter and £8.4 billion achieved over the last 12 months.

Earnings per share before specific items and leaver costs decreased by 3 per cent to 5.9 pence.

We had 13.3 million wholesale broadband connections (DSL and LLU) at September 30, 2008, including 5.1 million local loop unbundled lines. There were 258,000 net additional broadband connections in the quarter. Our retail share of those net additions was 27 per cent. In the maturing broadband market, we remain the
UK
's number one retail broadband provider with a customer base of 4.6 million. BT's retail market share of the DSL and LLU installed base was 34 per cent at September 30, 2008.

Revenue

Revenue at £5,303 million was 4 per cent higher than last year. Foreign exchange movements and the impact of acquisitions contributed £112 million and £126 million, respectively, to revenue growth. Managed solutions revenue, including MPLS and networked IT services, increased by 23 per cent to £1,523 million, and broadband and convergence revenue increased by 2 per cent to £649 million. This was partially offset by an 8 per cent decline in revenue from calls and lines to £1,601 million, together with a 4 per cent decline in revenue from transit, conveyance, interconnect circuits, WLR, global carrier and other wholesale products to £822 million.

Revenue from our Major corporate customer segment increased by 15 per cent to £2,055 million, reflecting the increased take up of our networked IT services, the favourable impact of foreign exchange movements and recent acquisitions.

Revenue from our Business customer segment (comprising smaller and medium sized
UK
businesses) increased by 3 per cent to £660 million, mainly due to acquisitions.

Revenue from our Consumer customer segment decreased by 4 per cent to £1,236 million, with the impact of lower calls and lines revenue being partially offset by growth in broadband revenue. The 12 month rolling average revenue per consumer household increased by £5 in the quarter to £283, reflecting the increasing number of customers buying multiple services from BT, particularly the take up of broadband in our existing customer base, together with the successful retention of higher value customers.

Wholesale (
UK
and global carrier) customer revenue decreased by 2 per cent to £1,341 million, an improvement in the level of decline seen in the first quarter. The year on year decline is a result of the decrease in low margin transit revenue and conveyance volumes, the impact of volume and price reductions on DSL broadband and a net decline in revenue from migrations to local loop unbundling (LLU) arrangements, which were partially offset by strong growth in managed network solutions revenue and growth in global carrier revenue.

Operating results

Group operating costs before specific items and leaver costs increased by 6 per cent to £4,666 million, largely due to foreign exchange rate movements of £122 million and acquisitions of £120 million. Our cost efficiency programmes delivered gross savings of £161 million in the quarter. As part of our ongoing efficiency programmes we expect to reduce our total labour resource by some 10,000 by the end of the current financial year, the majority of which will be in the area of indirect labour, including agency, contractors, subcontractors and offshore workers. Staff costs before leaver costs increased by 2 per cent to £1,322 million, largely due to acquisitions made in the past 12 months, with the impact of pay inflation being more than offset by efficiency savings. Leaver costs before specific items were £36 million in the quarter (£43 million last year). Payments to other telecommunication operators decreased by 1 per cent to £1,043 million, with the growth in global carrier volumes being more than offset by the decline in UK transit volumes and price reductions. Other operating costs before specific items of £1,771 million increased by 13 per cent, reflecting the adverse impact of foreign exchange, increased costs of sales due to growth in our BT Global Services networked IT services business, the impact of acquisitions and delays in the delivery of cost efficiency savings within BT Global Services. Through hedging strategies we have been able to reduce the impact of higher energy and fuel costs. Depreciation and amortisation decreased by 1 per cent year on year to £685 million.

Other operating income before specific items increased by £34 million to £107 million in the quarter, and included some up front benefits from the transformation of our operational cost base through global sourcing and process improvement, together with income from the sale of scrap materials and cable recoveries.

Group operating profit before specific items and leaver costs decreased by 1 per cent to £744 million, and margin decreased to 14.0 per cent compared with 14.8 per cent last year.

Earnings

Net finance expense before specific items was £159 million, an increase of £67 million year on year. The increase in net finance expense primarily reflects the higher average net debt, due mainly to the share buyback programme through to the end of July 2008 and acquisitions, together with a £27 million reduction in net finance income associated with our defined benefit pension scheme to £78 million.

The effective tax rate on the profit before specific items was 22.8 per cent (24.8 per cent last year) compared with the UK statutory rate of 28 per cent (30 per cent last year), reflecting the continued focus on tax efficiency within the group.

Profit before taxation, specific items and leaver costs of £590 million decreased by 11 per cent year on year. Earnings per share before specific items and leaver costs decreased by 3 per cent to 5.9 pence. This is based on average shares in issue of 7,697 million (8,108 million last year) with the reduction being due to the shares repurchased under the buyback programme.

Specific items

Specific items are defined in note 4 on page 27. Specific items were a net charge before tax of £38 million and a net charge after tax of £28 million (£125 million last year). Specific items in the quarter wholly relate to the final tranche of restructuring costs incurred on our transformation and reorganisation activities which mainly comprised manager leaver, transformation programme and property exit costs.

Earnings per share after specific items were 5.2 pence in the quarter (4.2 pence last year).

Cash flow and net debt

Net cash inflow from our operating activities in the second quarter increased to £1,223 million compared with £1,030 million last year. This was reflected in free cash flow which was an inflow of £369 million, being £198 million higher than last year. The higher free cash inflow reflects the impact of the lower working capital outflow, lower capital expenditure and lower restructuring costs, which were partially offset by higher interest paid.

Net cash outflow for the purchase of property, plant and equipment and software was £712 million (£798 million last year). The net cash outflow on acquisition of subsidiaries in the quarter was £93 million (£69 million last year) and principally related to the acquisition of Ribbit Corporation and Ufindus Ltd. In the quarter we repurchased 24 million shares (116 million last year) for a total consideration of £50 million (£362 million last year), resulting in a cash outflow of £63 million (£353 million last year).

Net debt was £11,028 million at September 30, 2008 compared with £9,618 million at September 30, 2007 and £9,460 million at March 31, 2008. This increase mainly reflects £1.4 billion invested in the share buyback programme and acquisitions over the past 12 months. Free cash flow and net debt are defined and reconciled in notes 8 and 9 on pages 29 to 31.

GROUP RESULTS - HALF YEAR TO SEPTEMBER 30, 2008

Revenue and operating results

Revenue increased by 3 per cent in the half year to £10,480 million. Foreign exchange movements and the impact of acquisitions contributed £205 million and £266 million, respectively, to revenue growth. Managed solutions revenue increased by 22 per cent to £2,931 million, and broadband and convergence revenue increased by 3 per cent to £1,289 million. This was partially offset by a 7 per cent decline in revenue from calls and lines to £3,248 million, and a 6 per cent decline in revenue from transit, conveyance, interconnect circuits, WLR, global carrier and other wholesale products to £1,649 million.

Operating costs before specific items and leaver costs were £9,191 million, 4 per cent higher than last year largely due to foreign exchange movements of £223 million and acquisitions of £246 million. Our cost efficiency programmes delivered gross savings of £306 million in the half year. Leaver costs before specific items were £109 million in the half year (£51 million last year), primarily due to the earlier timing of leaver payments falling in the first quarter.

EBITDA before specific items and leaver costs was £2,862 million, flat compared with last year. Group operating profit before specific items and leaver costs was £1,486 million, 1 per cent higher than last year.

Earnings

Net finance expense before specific items was £289 million in the half year, an increase of £142 million year on year. The increase in net finance expense primarily reflects the higher average net debt, due mainly to the share buyback programme and acquisitions, together with a £54 million reduction in net finance income associated with our defined benefit pension scheme.

The group achieved a profit before taxation, specific items and leaver costs of £1,203 million, a 9 per cent decrease on last year.

The effective tax rate on the profit before specific items was 22.8 per cent (24.8 per cent last year).

Earnings per share before specific items and leaver costs were 12.0 pence in the half year (12.1 pence last year).

Specific items

Specific items are defined in note 4 on page 27. Specific items were a net charge before tax of £65 million (£232 million last year), wholly relating to the final tranche of restructuring costs. Restructuring costs mainly comprise manager leaver, transformation programme and property exit costs. The net charge was offset by a tax credit of £18 million (£226 million last year).

Cash flow and net debt

Net cash inflow from operating activities in the half year amounted to £1,610 million compared with £1,878 million last year. This was reflected in free cash flow which was a net outflow of £365 million in the half year compared with an inflow of £19 million last year. The lower free cash flow is primarily the result of the higher net working capital outflow in the first quarter and higher net interest paid, partly offset by lower tax payments, lower capital expenditure and lower restructuring costs. Free cash flow in the prior half year also included pension deficiency payments of £320 million and the final receipt of £504 million in relation to the settlement of open tax years up to 2004/05 agreed with HMRC.

The net cash outflow on acquisition of subsidiaries in the half year, principally Wire One Holdings Inc, Ribbit Corporation and Ufindus Ltd, amounted to £187 million, compared with £233 million last year. During the half year the group raised new long term borrowings of £794 million at an average annualised interest rate of 7.7 per cent. Dividend payments were broadly flat year on year at £787 million (£786 million last year), due to the reduced number of shares in issue as a result of the share buyback programme. Under the share buyback programme we purchased 143 million shares for a total consideration of £307 million (£727 million last year) during the half year, which is reflected in a cash outflow of £334 million (£735 million last year).

Pensions

The IAS 19 net pension position at September 30, 2008 was a surplus of £0.6 billion net of tax (£0.9 billion gross of tax), compared with a surplus of £2.0 billion at March 31, 2008 (£2.8 billion gross of tax), being a decrease of £1.4 billion net of tax (£1.9 billion gross of tax). The market value of the BT Pension Scheme assets was £34.4 billion at September 30, 2008 (£37.3 billion at March 31, 2008). The value of the BT Pension Scheme liabilities was £33.4 billion (£34.4 billion at March 31, 2008).

The IAS 19 position is based on an AA bond rate of 7.25 per cent (6.85 per cent at March 31, 2008) and an inflation rate of 3.55 per cent (3.50 per cent at March 31, 2008). The net effect of these assumptions on the liabilities has partly offset the reduction in the value of the scheme assets.

We have been undertaking a review of our UK pension arrangements and have had extensive discussions with our recognised trade unions and pension scheme trustees. The recognised trade unions are supportive of the proposed changes and will recommend these to their members in a consultative ballot. We are in a period of comprehensive consultation with our UK employees. The aim of this review is to provide long term sustainability, flexibility and fairness.

Several proposed changes to the BT Pension Scheme, our defined benefit scheme, have been put forward including: an increase in the normal retirement age to 65; changing the final salary link to a career average revalued earnings basis; an increase in the rate of member contributions; changes in accrual rates; and ceasing to contract out of the State Second Pension. We propose implementing these changes with effect from April 2009 and they will only affect future benefit accruals. Accrued benefits built up before April 2009 are unaffected. We are also introducing an additional flexibility option for members at retirement.

Final decisions regarding the review will be taken once the consultation period with employees has been completed early in 2009. The changes, if implemented, will reduce the ongoing cost of our defined pension schemes by about £100 million per annum and will reduce the BT Pension Scheme's exposure to key risks such as mortality and inflation thereby improving the sustainability of the scheme.

The next triennial actuarial funding valuation of the BT Pension Scheme will be carried out as at December 31, 2008 and will reflect the impact of any final changes to the terms of the scheme. We have also agreed actions with the trustees that have reduced the scheme's exposure to equities, which stood at 35 per cent as at September 30, 2008 compared with 60 per cent as at the December 31, 2005 valuation.

Global Platforms

The rollout of our 21st Century Network (21CN) continued during the quarter. The footprint for Wholesale Broadband Connect, BT's 21CN broadband service offering speeds of up to 24 Mbit/s, passed 8 per cent of the addressable UK market, up from 5 per cent in the first quarter and remains on track to achieve 40 per cent by April 2009 and 60 per cent of the UK market by March 2010. Eight Communications Providers (CPs) are currently marketing the new service and we expect take up to rise as the available footprint increases.

Next generation Ethernet rollout also made further progress during the quarter with 110 nodes now built out. BT Global Services launched its new Ethernet service on 21CN in October 2008. BT's Ethernet footprint will rise to 600 nodes in the UK by April 2009, providing coverage to 30 per cent of businesses.

In July 2008, BT announced the acquisition of Ribbit Corporation to underpin and accelerate our software-driven 21CN innovation strategy. The acquisition will help BT, our customers and third parties to bring new ideas, applications, experiences and business models to life on 21CN.

Phase 1 of our fibre to the home pilot has been delivered at Ebbsfleet, the first residents having moved into their new fibre enabled homes during September 2008 and enjoying speeds of up to 100 Mbit/s. We have also announced the two sites for operational pilots of fibre to the cabinet (FTTC) which will begin in Summer 2009. Two exchanges, one in Muswell Hill, London and one in Whitchurch, South Glamorgan, each of which will have up to 15,000 premises available, will be accessible to CPs planning to conduct FTTC pilots.

Principal risks

We have processes for identifying, evaluating and managing our risks. This risk assessment process is updated at least annually and we have a detailed risk management process which identifies the principal risks we face. Details of our principal risk factors can be found on pages 33 to 35 in the 2008 Annual Report & Form 20-F and are summarised in note 15 on page 35.

There have been no significant changes to the principal risks in the half year to September 30, 2008, some or all of which have the potential to impact our results or financial position during the remaining six months of the financial year.

In advance of the difficult credit market conditions, we raised long term funds of £4.3 billion in the period since June 2007. Our total term debt and committed facilities of £13.3 billion provide us with a strong liquidity and funding position and, based on current expectations, the group has no significant re-financing requirements until December 2010. Cash collection from our customers remains strong, in spite of the current economic uncertainty.

Related party transactions

Transactions with related parties during the half year to September 30, 2008 are disclosed in note 14 on page 34. These transactions have not had a material impact on the financial position or the results of the group.

Dividends

The Board has declared an interim dividend of 5.4 pence per share, in line with last year, to be paid on February 9, 2009 to shareholders on the register on December 30, 2008. The ex dividend date is December 24, 2008. The election date for participation in BT's Dividend Investment Plan in respect of this dividend is December 30, 2008.

Outlook

We continue to expect to grow revenue in the current financial year. BT Retail, BT Wholesale and Openreach are currently delivering financial results in line with or slightly ahead of expectations, but we now expect BT Global Services to deliver a full year EBITDA[1] margin in the range of 7 to 8 per cent. As a result, group EBITDA[1] is likely to show a small decline in the current financial year, with the consequent impact on earnings per share[1] and free cash flow.

The actions we are taking in BT Global Services will drive improved margin performance as the cost base is restructured. In BT Retail, we continue to expect to see EBITDA[1] growth this year. In BT Wholesale, the trends in the third quarter will be similar to the second quarter, but are expected to improve in the last quarter of the year. We continue to expect a stable performance in Openreach this year compared with last year.

[1] before specific items and leaver costs.

The third quarter results are expected to be announced on February 12, 2009.

LINE OF BUSINESS RESULTS - SECOND QUARTER TO SEPTEMBER 30, 2008

BT Global Services

	Second quarter to September 30				Half year to September 30	
			Better			
	2008	*2007**	(worse)		2008	*2007**
	£m	*£m*	£m	%	£m	*£m*
Revenue	2,157	*1,883*	274	15	4,209	*3,698*
Gross profit	611	*663*	(52)	(8)	1,354	*1,324*
SG&A before leaver costs	492	*477*	(15)	(3)	1,040	*960*
EBITDA before leaver costs	119	*186*	(67)	(36)	314	*364*
Depreciation and amortisation	172	*179*	7	4	353	*350*
Operating (loss) profit before leaver costs	(53)	*7*	(60)	n/m	(39)	*14*

*Restated to reflect changes to the group's organisational structure and internal trading arrangements

Revenue from our BT Global Services business increased by 15 per cent year on year, due in broadly equal proportions to organic growth, the impact of foreign exchange rate movements and acquisitions. We saw a continued strong performance outside the UK, with revenue growth of 30 per cent, including the impact of foreign exchange and recent acquisitions. MPLS revenue growth of 44 per cent has been driven by new customer connections which increased to over 5,200 per month during the quarter (averaging 3,100 per month last year).

The EBITDA performance is disappointing. EBITDA before leaver costs decreased to £119 million, resulting in an EBITDA margin of 5.5 per cent. The fall in EBITDA is due primarily to the slower than anticipated delivery of efficiency savings and the continued decline in higher margin UK business. EBITDA has also been adversely impacted by £11 million due to foreign exchange rate movements.

Depreciation and amortisation decreased by 4 per cent to £172 million, resulting in an operating loss of £53 million.

We already have in place a number of cost efficiency and margin improvement initiatives and we are now focussed on accelerating the execution of these initiatives which will deliver future margin improvement.

Total order intake in the quarter amounted to £1.8 billion, up 11 per cent year on year, bringing the value of orders achieved over the last 12 months to £8.4 billion. Networked IT services contract orders of £1.1 billion were won in the quarter, up 31 per cent year on year. These included a £184 million 10 year strategic partnership with South Tyneside Council for the delivery of a number of key council services, including the development of a shared services centre. In addition, the partnership will deliver improved services to the residents of South Tyneside and significant savings to the council over the 10 year contract. We were also awarded a contract to manage a large part of BMW Group's communication infrastructure, including VoIP, contact centres, e-mail services and video conferencing.

In total, 134 new customers, excluding acquisitions, outside the UK signed orders with us in the quarter.

BT Retail