BT'S FOURTH QUARTER AND FULL YEAR FINANCIAL RESULTS: 19 MAY 2005

Chairman – Sir Christopher Bland

Good morning and welcome to BT's results presentation for our fourth quarter and full year.

This morning, I will focus on the full year results and Hanif will take you through the fourth quarter performance in greater detail. Ben will then set out our strategic priorities and share with you some of the key trends affecting our business.

First, I must draw your attention to the cautionary statement. I remind you that during this presentation we will make various forward looking statements. Factors, which could cause our actual results to differ materially from the results we currently expect are identified in detail on the screen and in your presentation, pack.

The strong results announced today and achieved to date are due to our strategy. This strategy is working and will deliver additional growth in the future.

We have established a networked IT services business and grown the broadband subscriber base to over 5 million. This is an exciting achievement. Broadband coverage now extends to 96% of the UK and will reach 99.6% this summer. We have also positioned ourselves to deliver real mobility convergence for our customers.

Our plans to build our 21st century network have advanced with the announcement of preferred suppliers. And more of our customers now benefit from contracted relationships using BT Together and BT Business Plan.

It is our customers and our success in building long term relationships that provide us with increased confidence in our ability to grow the business.

Underlying Group turnover at 18.6 billion pounds is 2% higher than last year. Our business is growing again

Ongoing operational efficiencies and prudent financial management has increased earnings per share by 7% to 18.1 pence.

I am very pleased to announce that we are proposing a final dividend of 6.5 pence. This means a full year dividend of 10.4 pence per share, 22% higher than last year.

In addition, full year free cash flow of 2.3 billion pounds exceeded last year's level by 10%. This is the result of strong operational performance, good control of working capital and the sale of our remaining non-core businesses.

At year-end net debt stood at 7.8 billion pounds, an improvement of 8% on the prior year.

The 2% increase in underlying Group turnover was driven by a 32% increase in new wave business. At £4.5 billion this now accounts for almost one quarter of total Group turnover.

Traditional revenues have declined by 5%, driven in part by competition and regulation but also by our strategy of migrating our customers to new wave services.

During the ongoing transformation of the business we have consistently delivered progressive growth in both earnings per share and dividends.

Over the course of the last three years earnings per share have more than doubled to 18.1 pence. This has enabled us to adopt a progressive dividend policy and pay a full year dividend of 10.4 pence. That represents 57% of our earnings per share this year.

As we continued to grow earnings and reward shareholders we have simultaneously reduced net debt by more than £20 billion in the last four years, to below 8 billion pounds today. This is a level we are now comfortable with. We will no longer be targeting to reduce net debt to £7 billion.

This year we have generated £2.3 billion of free cash flow. So as well as reducing net debt by around £600 million the amount allocated to dividends has increased by 10%.

This, combined with the £195 million spent on our rolling share buyback programme, meant that shareholders received 42% of free cash flow this year.

At the same time we have also been able to execute a focused acquisition strategy, adding to the capabilities and resources of our global networked IT services business.

Our progressive dividend policy will continue. Next year we expect dividends to be at least 60% of earnings.

Subject to the group’s overall financial position, we are aiming for a pay out ratio of around two thirds of underlying earnings by 2007/8, representing a dividend cover of around one and a half times.

As I said earlier, we are no longer targeting a net debt level of £7 billion; we are comfortable with the current level.

Any free cash flow in excess of that required to pay dividends will be available to fund our continuing share buyback programme and undertake any M&A activity.

We have delivered 5 consecutive quarters of underlying turnover growth in addition to 12 consecutive quarters of growth in earnings per share.

Net debt has been reduced by more than 70% to a very manageable level. And we have grown dividends 5 fold in 3 years.

We continue to serve more than 20 million customers across the UK in a very competitive market and we have built a world class global capability.

We have delivered real value through transforming the business. We are now well positioned to realise the opportunities offered by increased convergence in the digital networked economy and we are looking forward to the future with great confidence.

I will now hand over to Hanif to take you through the fourth quarter results in detail.

Group Finance Director – Hanif Lalani

Thank you Sir Christopher, good morning.

Today, I will take you through a really strong set of results, which provides further evidence that our strategy is working. And as we execute it further, we will continue to be able to deliver for shareholders, customers and employees.

In quarter 4 turnover was 2% higher at £4.9 billion. This is the fifth quarter in a row where strong growth in new wave has more than offset the decline in traditional business.

The acquisition of Albacom and Infonet contributed £111 million of turnover. This was offset by the £135 million impact of regulatory reductions to mobile termination rates, which has no impact on our profitability.

Profit before tax rose 21% to £557 million, helped by lower leaver costs. Earnings per share before goodwill amortisation and exceptional items increased by 26% on the prior year to 4.9 pence.

This quarter's £1.1 billion free cash flow is 40% higher than last year's reflecting a sizeable reduction in working capital, in part, due to a reversal of the seasonal fluctuation I highlighted last quarter.

Group turnover excluding the impact of mobile termination rate cuts and acquisitions rose 2.2%. New wave turnover of £1.4 billion was 27% higher than last year. Traditional turnover, in line with the trends we have reported for most of the year, is down 5% at £3.4 billion. As the turnover mix evolves, the decline in traditional turnover is increasingly being offset by ongoing growth in new wave activities.

As we build our networked IT services business, we will continue to see turnover from those services growing very fast. ICT turnover grew £117 million some 15%, despite the fact that we reported £77 million of turnover last year in respect of the NHS SPINE contract.

Broadband turnover accelerated 77% growing by £127 million as take-up at a Wholesale and Retail level continued apace. This quarter for the first time broadband was the biggest driver of overall growth in new wave.

And although mobility only increased by £18 million, it will become even more significant in the future.

Finally, the 37% growth in other new wave turnover was primarily driven by classified directories and BT Wholesale network value add services.

So in total, new wave turnover rose 27% to £1.4 billion to account for 29% of the Group's total turnover in the quarter.

Turnover from the group's traditional businesses declined by 5% excluding the impact of reductions to mobile termination rates. This continued decline reflects regulatory intervention, competition, price reductions and also technological changes that we are using to migrate customers from traditional services to new wave services, such as broadband and IP Virtual Private Networks. As in previous quarters the main item of note is the decline in calls.
Almost 47% of the decrease in call revenues was driven by rebalancing or by migration to other services, so the revenue remains within BT. For example, Dial IP revenue is down by one third on prior year, due to the rapid take-up of broadband.
The fixed voice calls market reduced by 5% compared to quarter 4 last year. However there were three less working days this quarter which is equivalent to around 2 percentage points of volume. This represents about £20 million of the £46 million impact due to the market decline.

The remaining £62 million of the decrease was due to market share decline, primarily driven by Carrier Pre Selection. One third of that represents calls to mobile, which are lower margin than fixed to fixed voice calls.

Now lets look at the individual lines of business.

Firstly BT Retail. Turnover of £3.2 billion is down 5% mainly due to lower call volumes which I just spoke about on the previous slide, which was in part offset by new wave turnover. It is worth noting that CPS customer losses were at their lowest level for 2 years and our share of broadband net additions is over 30% this quarter.

Gross margin for Q4 was in line with the year overall at 26%. The annual number was about 1 percentage point lower than prior year, due to the changing mix from traditional to new wave turnover.

However, within traditional business, gross margin remained stable as retail price and volume reductions were offset by lower wholesale charges and lower mobile POLO's. In new wave broadband gross margins grew strongly to more than mitigate the increase in subscriber acquisition costs.

Cost transformation programmes in the traditional business contributed to SG&A savings of £21 million. Against this, £23 million more was invested in new wave activities such as the development of mobility and video services. Leaver costs of £15 million were significantly below the £82 million incurred in the fourth quarter last year.

After leaver costs, operating profit at £300 million is 12% higher than last year. Pre leavers, operating profit was down 10% roughly in line with the full year.

In Wholesale, turnover for the quarter of £2.2 billion was 1% higher. External turnover at nearly £1 billion increased 21%, excluding the impact of mobile termination rates, driven by broadband growth of 80%. Internal turnover declined 6% to £1.3 billion reflecting the impact of lower volumes of calls, lines and private circuits, and lower regulatory prices

Gross variable profit of £1.7 billion is 2% higher reflecting volume increases and a favourable change in sales mix.

Despite significantly higher network volumes pushing underlying network and SG&A costs £26m higher, lower leaver costs, reduced headline SG&A costs by £13 million.

Operating profit this quarter grew 12% on prior year, or 3% excluding the benefit of lower leaver costs.

Onto Global Services. This was an even better quarter of growth and all round improvement within Global Services. Our networked IT services business is really taking shape. In fact Global Services have achieved their first ever full-year operating profit, a significant milestone. Over the last 3 years operating profits have improved by over half a billion pounds.

Returning to the quarter, turnover for the quarter rose 10% excluding acquisitions as the 20% growth in Solutions underpinned the development of our networked IT services business.

The decrease in Consulting and Systems Integration of 8% was expected, as this quarter marks the first anniversary of accounting for one of the new NHS contracts. Excluding this contract revenue, C&SI growth was 12%.

Strong turnover growth coupled with lower network and SG&A costs and lower depreciation, generated a £40 million improvement in profit over the prior year.

I just want to take a moment to remind you of the acquisition activity we have undertaken in recent months. In February we completed the acquisition of Albacom and Infonet and they contributed £111m of turnover this quarter. These two businesses strengthen our growing networked IT services business globally. We also acquired Radianz from Reuters and bought smaller businesses in Spain and here in the UK to add to our existing networked IT capabilities.

Our transformation has delivered a 6.5% increase in profits attributable to shareholders.

As I explained earlier, the decline in gross margin is driven by the changing product mix, but the impact of this has been more than mitigated by improvements in other parts of the P&L.

Cost saving programmes helped reduce total SG&A costs by £80 million with some of the savings in traditional areas reinvested in new wave activities. Depreciation fell £102 million, partly due to more assets being fully depreciated.

Leaver costs were £36 million lower and the interest bill was cut by £85 million following the £639 million reduction in net debt.

And a lower tax rate of 25.9%, a rate we consider sustainable in the medium term, delivered a £29 million improvement in profit on prior year.

So, profit attributable to shareholders rose by £94 million year on year and earnings per share before goodwill and exceptionals increased 7% on last year.

Total capital expenditure in the year rose 13% to just over £3 billion. This included £12 million invested by Albacom and Infonet.

Spend in new areas increased by 11%. Bringing broadband coverage to over 96% of the country and an acceleration in related volumes required an investment of almost £490 million this year. And spend on new technology will continue to grow as an increasing proportion of capital expenditure is allocated to 21CN.

Solutions, C&SI, Retail, and non-UK spend is up 42%, driven by innovation and contract wins, such as the NHS.

Free cashflow for the year at £2.3 billion was 10% higher than last year though there were a number of one of items affecting each year.

Last years cash inflows were bolstered by around £400 million on the interest line as a result of hedging and currency swap unwinds. This was more than offset by tax efficient special pension contributions.

This year we sold non-core businesses including Eutelsat and Starhub and spent over £300 million more on capital expenditure.

As the Chairman said earlier, we used the free cash flow to fund higher dividends, to buyback 101 million shares, to reduce net debt by £639 million and to acquire Albacom and Infonet.

Our successes to date have delivered 12 consecutive quarters of growth in earnings per share.

Our strategy has positioned us to really make the most of the opportunities that continue to arise in the global digital networked economy.

These opportunities are driven by our customer's needs and BT services will increasingly provide convergent solutions to meet those needs. This provides us with many opportunities in the future, more on that from Ben

<u>CEO – Ben Verwaayen</u>

What I would like to do is to talk you through on where we are today and based on the confidence expressed by the Chairman on our ability to continue the trends into the future. What it is that gives us that confidence, and how I think this company has changed profoundly over the last three years, and will keep changing going forward.

So let's start by reminding you what we have done over the last three years. First of all we have built a new wave business that today has a £4.5 billion per annum revenue stream, and if you take Q4 and you analyse that, you have a feel of where it is going.

Three years ago we had a problem, the problem then was Broadband, today we have delivered Broadband Britain.

Three years ago we had aspirations to go with what we now know as Networked IT services. Over the last three years we have received confidence from our customers called AURIS of more than £18 billion, that is more than $32 billion.

We have reduced our customer dissatisfaction by 54%, which was a major issue three years ago. We have established ourselves in the mobile world and we have taken over a billion pounds of costs out of our business. We have reduced our net debt too less than £8 billion. We have returned more than £2 billion to our shareholders and delivered an Earnings Per Share figure of over 25%, and an EPS growth of over 70%. I don't think it is too bold to say that the transformation has delivered. The question is will it continue to deliver?

Now we have talked a lot about strategy. I remember the first time I got on stage; it took me 45 minutes to talk about strategy. People said could you tell me a little bit more, and instead of using more words we now have the capability of using less words because it is much clearer what BT stands for.

This is a story about convergence. Convergence is happening in the world as we speak. Massive convergence of communications and classical IT. There is convergence between fixed and mobile and there is something new on the traditional horizon for telcos, the convergence between network and services. Up until today if you wanted to provide a service in telecommunications you had to build a purpose specific network, a specific network for voice services, a specific network for data services, and a specific network for video services. What is happening now is that new technology allows you to make the choice to bring it altogether on one network.

So convergence is changing the landscape for our customers, and that is why the strategy that we have developed under what we call New Wave is right in the middle of that convergence story. It is about network IT services, it is about Bluephone and WI-FI, and Mobility, and it is about Broadband and the 21CN. Basically next time we talk about strategy we can be very assured the strategy for BT is convergence.

Now let's look to what we have done so far. We have reduced our numbers, but this is a New Wave business, basically things we didn't do a couple of years ago, and it is growing at 32% on an annual basis. Just to get a feel of it this is bigger than for example BSkyB new wave business and it is growing 30% plus.
If you look to the composition of the growth, you see that our ICT business has grown over the last two years by 39%, and that has doubled the market easily. If you look to our Broadband, it is growing at 292% - 300%; it is fabulous, it is changing the

landscape from the perspective of the experience, of our customers. If you look to Mobility 143% can't be bad, and that is a good start.

So let's now look to each of those specific areas and explore two things. Is BT capable of innovating its top-line, but more importantly are we able to take innovation, industrialise innovation and turn it into profit on the bottom-line because that is the story? How can you change the composition of your revenue stream, or maintaining, or improving your bottom-line performance, and that is what we are going to talk about.

Now if you go into a new market, a converged market around IT services, or network IT services, the first question to ask is why BT? Why do we have brand recognition around the globe that has given us £18 billion in orders? What is it that we do that is so different that we run twice the market?

Now the first thing to know is that the wide variety of orders that we get, orders from Local Governments, from international institutions like NATO and the European Central Bank, or commercial organisations like Bristol-Myers Squib, or Unilever that operate on a global basis, all have a very specific and different value proposition. This is not the old world in which you gave connectivity kind of blank one size fits all, this is very industry specific type of services. BT has in its ranks thousands and thousands of experienced people that understand, and who live and breathe, that specific industry and therefore we have targeted propositions that will be under the one umbrella of network IT services and if you dig into it are wildly different from the one solution to the other solution. Of our orders received 90% now is solutions business, that means non-specific is 10% and very specific has gone to 90%. You need to have that capability to understand the practices of the industry, and we have changed our organisation, and this change in the organisation structure to represent that, and we are now days a much different organisation than we were three years ago. We have global reach. The Reuters contract adds 18,000 points of presence on our MPLS network. By the way a network that grew over 30% in the last quarter. We are reaching now all the corners of the world and the density of our MPLS network is second to none, but its not just about the technology, it is also about account management and we have learned global account management that supports very different views in the world about what globalisation means for very different organisations, and we do it particularly well.

The last thing I want to say about the brand that we have, and the reliability that it has, is the fact that we have world-class partners. We want to go to market and use their brands to strengthen our brand, and vice versa, and it pays off, just look to Q4. Orders received of £3.8 billion. Now we had that fabulous Reuters deal £1.5 billion out of £3.8 billion and that is fantastic. I am even more happy to say that it is not just that Reuters deal, its also the Bristol-Myers Squib in the US, which has clearly given us credibility in the US market, but remember what I said in Q3, I was delighted at that point in time that we had 48 contracts between £1 and £5 million because that is the cornerstone of what you can do to measure success. I was delighted with 48 last quarter. Look at this number now 120. It really shows that in every corner of the world where we operate, in Asia, in the US, and in Europe, we do it phenomenally well and the orders we have received over the last 12 months outside the UK has increased by 90%.

Now we started already Q1 very nicely with the Ministry of Defence order of £1.5 billion so I think we are building a very interesting pipeline here. And you see, if you look to 12 months rolling its now £7.2 billion which gives an enormous amount of certainty going forward. Now bear with me a few seconds because this moment is truly important to understand. When we have multi-year contracts and we start at a zero, as you see over there, we do recognise costs immediately of course, we do recognise revenues immediately when they come around, but we do not recognise contribution to many of our contracts until we are absolutely sure that over the lifetime of the contract we can make a profit. So therefore we suppress the contribution of major contracts in the early years and later on when they mature they contribute to our profitability. In relative terms as a percentage of revenue, for example, EBITDA margins may therefore differ, you get huge chunks of orders in the first couple of years that will dampen the percentage of EBITDA margins, but if you look to the absolute contribution you will see that it is going up and up, and of course if you see Global Service numbers and they go from minus 500 to plus 7 this is a part of that story, and it is an increasing part of that story. What I am telling you today is as contracts mature over time, the contribution will keep going up.

Now we have in the pipeline that we have shown that guesses the confidence that the ICT contribution on our bottom-line and that will be a truly important factor to keep growing our business. It changed the nature of our company; its changes the nature of our business, but this is a very predictable stream, as you know the long-term contracts that we have.

So lets now look to Broadband, and how are we going on profitability there. I will not dwell on the 5 million, you get sick and tired of that, but it was one year early and it was pretty good, and it is great to see that we have 17% of all lines now being Broadband. It is great to see that we had a record quarter of 825 additions, and I can't stop saying that coverage of 99.6% that we will have this summer is better than running water. So we have a story to tell on Broadband.

I think we have an equally good story to tell on Broadband for Retail. Now this is a very competitive market, and it is campaign driven. If you do a great campaign in a quarter the numbers go up, and if you have not such a good campaign probably your numbers won't go up as well as you see here. Only a bit profitability is made by absolute numbers, 261000 additions in the quarter is a record. So this is a pretty solid performance on Retail Broadband.

Right there are two things to bear in mind. As an industry, not just DSL but cable and LLU, we have added 3.5 million customers in the UK in the last twelve months. We expect that number will go up for the coming twelve months and in total we think that in 2007/08 from all the lines there will be a 50% penetration and that is phenomenal. So that means that this volume business will increase.

Now the question is do you know how to make money out of it and I can say I honestly think we do. This is one of those cases that we have taken innovation and have industrialised it. It may take a bit longer but we are pretty good at it. I think Wholesale last year had a positive EBITDA on Broadband. BT Retail last year had a positive EBITDA for its business customers and will have a positive EBITDA this year on totality and next year on consumers. A road map to profitability on all the single aspects and in the meantime the reduction in Dial IP which you see back in our traditional business will slow down, simply because the rest of our people who are still on Dial IP is less.

Now this is not the total story. Remember three years ago we had in this room a discussion about what broadband was all about, people were arguing about 256K broadband or 512K broadband and we even came in with a mid-band product and everyone has forgotten about that but that was a 125K product. Today we talk about 1MB and 2MB and 4MB and 8MB. In the beginning the issue was can I get broadband? Then it became can I please get high-speed broadband? Where we are now people are starting to say, wait a minute it has to fit in with everything else I am doing, and so it is no longer just give me broadband and by the way on the high-speed, it is now about convenience, how does it fit in the total environment in which I operate? It starts to become a story about content, its starts to become a story about applications and it is a story that is evolving all of the time. Now therefore as broadband will expand the additional capacity to make money, it will expand because it is not simply a matter of access products, it will be a services product. While it may sound very small in BT terms today if you talk about all these different services that we are doing, it is truly important that we are going to develop a portfolio of new services. Now look to some of these BT Rich Media sporting events on broadband, from football to Wimbledon, and they are all very nice, but it gives the experience and it teaches us to work with services in a very specific area.

If you look to value-added packages broadband it is truly important for e-businesses. Actually more and more of there value goes over broadband and therefore they are truly interested in security aspects and they should be. We sell a truckload of security packages for that specific industry. One of those applications that will drive the market from simply an access product to an additional product. We talk a lot about the Government, haven't we spoke about the fact that the Government should be a transactional government with its citizens over broadband and commercial boom to be transactional and if you want to be transactional you need to have a safe payment possibly. How else can you be transactional? BT Click and Buy and BT Buynet are truly important enablers to get to the next phase of the broadband experience and we talk a lot about education and broadband. Whilst that is not just put everything you have today on the internet into the classroom it is a very specific niche in which you have to create added value and that is what we are doing here.

Now these are just examples to show to you and this is not a silver bullet, it's my view. It's the rich portfolio of opportunities that will add on the broadband and the capabilities that people want in their lives and the circumstances that they are willing to pay for.

That means that if we enter the home today with broadband you'll enter immediately into the wireless and that combination is the next phase of convergence between broadband capability and the wireless capability. So let's see what we have to offer and I won't be going on to develop a lot of those points because we only have a 45 minute presentation but be assured that we take innovations in all of these steps.

Now wireless mobility is truly important and it's good on our MVNO. When we started the mobility journey we said we want to test whether the BT brand has the capability of attracting people when it comes to mobility, and the answer to this question is a resounding yes. For the rest it is a very campaign driven type of market and if you put in more investments you get more customers. You can have a handle on that but our main objective here was to create two things: to create an MVNO platform, the converged services, and the second to see whether our brand has the capability of attracting customers. That is what we are doing. But if you look to this chart there are some small things that we have never talked about before that are truly interesting. For example if you talk about the machine to machine communications that is not broadband, it is lowband. It is very important to run ATMs and vending machines and lots of other stuff; we have seventy-seven thousand of those bits of equipment under contract. We have monitoring services and telemetry services, all kinds of very interesting things that help the portfolio of mobility. I will not dwell on WI-FI, we will do that at another time, but WI-FI is important, as is WI-MAX. If you look to the standard that the IEEE is now developing on 802.16 on WI-MAX, BT plays a major role because we are in the forefront of those developers. So if you look to mobility the story is it's a portfolio, and it is certainly not the GSM model that we are looking for, it's a variety of services we are going to bring. I am pretty sure everyone will be very happy. Bluephone will be launched within weeks and don't worry spring will be here on time.

So how about our traditional business? Yes our traditional business is in decline and we have factored that in. Sometimes I wonder whether people think that we are surprised to see this but we are not surprised at all. Now what we have seen this quarter is if you look to CPS, the growth in CPS is less this quarter than in any of the other quarters in the last two years. If you look to this number, and I am not going to quote, although 4.9 would be actually 0.7 less because of the working days. I am looking to the trends and the trends are around 5 a bit slowing.

So what are the crucial lessons going forward? Well the first lesson is value your customers that is the most important. There is a 4.9 million customer base that have already left us and that has a very high percentage churn because the next offer on a lower price will make them change their supplier of choice at that moment in time. We are not playing in that market. We are very much playing in this market where people are under contract because they choose to do so and are very happy to stay with BT for the combination of an attractive price with a very good service offering and the reliability of what we have. We have 63% under contract and let me say one percentage higher every single quarter and that is what we have done. Now if you look to the SME market we started later and traction is there, if you have 76% more customers signing up for a business under contract you are doing things right.

Now talking about the focus in our traditional business it is about customer proposition and equally it is about cost leadership. We have talked about costs many times, but I want to make sure that everybody understands this is the same passion that we have for innovation, the same passion that we have for customer satisfaction, the same passion that we have for cost leadership, this is a will do type of activity and we are good at it. Last year we reduced our costs by £400 million and I think that we have a very good vision where the cost should go. I think that we can say to you that in the coming three years we will do at least £300 -400 million in cost savings and we know where to get it. If you look for example in the 21st Century Network there are related costs in customer contact that are today very difficult to tackle because they are related to specific products. If you introduce to the whole telecommunications world a new product it wasn't just a box for the service, all the relevant activities around those services needed to be connected to that specific service and so you have to introduce time and time again duplications in your network but also in your services, in your IT infrastructure, in your billing production. So if we talk about business process lets look to billing. We can be much better in billing, much more accommodating for individual choices if we have reusable components in our networks. Guess what, that is what 21CN will do. Not every new service will require a new billing engine, not every new service will require a totally new infrastructure, we can use components and build them to the liking of individual customers and that will give a massive opportunity for cost reductions. We have synergies on corporate support and of course if you look to what we can do on overheads think about our accommodation costs. So it is not difficult to find in BT the opportunity to do a £300/400 million cost saving.

What type of message do I give to you? I guess what I am trying to say to you, the BT you have known is no longer there. This is a different company now, with a different profile and a different capability of translating new trends much quicker and much faster and much more solidly into results. It is not just on the top-line, also on the bottom-line and also translated into free cash-flow. This profile change is best described if you go first of all to the top-line and look at this and why are we confident that the trends will continue. First of all if you look at ICT and you look to our order books, I don't think I need to say more, and as they will mature that will become more and more important.

The second, if you look to broadband it is important to know that the volume is going to continue and new services will follow that growth in the access network, and so you can see for a long period broadband changing from an access product to a platform product on which you can find all kinds of new services.

Now if you look to mobility, this is an exciting new area and we will invest in that absolutely but we have some small parts of our business that we don't talk about too often. BT Openzone for example, do you know that they have growth in paying subscribers over the last twelve months of 900%? They have more than a million minutes now per week and are growing very fast.

Now if you look to the traditional business you will see certain trends in the market, just by the nature of the development slowing down the decline, and yes that will have effects on transit because there is less to transit because the market will slow. But I think if you look to the top-line and you look to the components, let me give you one other piece of evidence of a small part that we never talk about our Classified Service. The Classified Directory is now doing more than £2,000,000 a week in revenues and that is a neat £100 million business that we never talk about. So there is enough that we have for a sustainable model for growth on the top-line. The question is how do you translate that to profit and I think that if you look to those various elements by the maturing of the contracts, we know how to make ICT work for us and we have demonstrated now for three years in a row. If you look at broadband I have given you a road map for profitability, and one more factor to take into the back of your minds is today, yesterday and the day before acquisition costs were a major part of the broadband story, because acquisition costs were against a very low customer base. Now the customer base has grown to millions the relevant impact of acquisitions costs becomes less, so that gives the profitability a nice boost.

If you look to mobility yes we are going to invest in that but our mobility story is a converged story and means it is not the GSM story, it has not the same characteristics not from a CAPEX point of view not from an OPEX point of view. It will reuse a lot of the elements in 21CN and it will have a different profile and we have all those other elements in our portfolio there.

Now it is important to talk about cost. We will continue to drive for cost leadership and we have talked about it. We will achieve the synergies from the acquisitions that we have made and we have done very well. I have to be honest with you I am very surprised how well it is going and how quickly it is going and I can already see transaction with our customer base and 21CN will deliver.

So for the coming three years what will we do? We will continue to grow our revenues, we will continue to reduce our costs, we will continue to innovate, we will continue to improve the margins on our New Wave like we have done over the last year. We have improved our margins for new wave almost 20% and we continue to unlock the opportunities that are in front of us. Basically what I am trying to say to you today is that the BT you knew is no longer there, this is a company now that is truly based on the growth on EPS and dividends.