

BT QUARTER 3 RESULTS: 9 FEBRUARY 2006

Ladies and gentlemen welcome to the BT Centre auditorium. Can you please make sure that you have all your mobile phones and pagers switched off. There are no fire alarms planned for today and in the event of an alarm sounding, would you please leave the auditorium by way of the two fire exits at the front of the room.

First Speaker: Ben Verwaayen: CEO

Good morning everybody and thank you all very much for coming. Let's get into the presentation and you know this slide. I will always encourage you to read it at your leisure so let's not do it now. Let me give you two sentences. If there is one message I would like you to take from this meeting, that is that yes there is a very dynamic market out there already. It's been there for a while by the way. All kinds of new things happening every single quarter you can find yourself a new dynamic aspect, but at the same time there is also a very consistent story each time and that is the BT performance. Fifteen consecutive quarters Earnings Per Share growth; eight consecutive quarters of top-line growth. What I will try to do today is to give you evidence why I think that is a situation that we can continue because we have a lot of things in place.

Let me say it differently. If you look to our strategy and our execution, we thrive on change. Change is a component that we need in order to get our strategy to work. Now we have a consistent strategy and I think that we have also gained a regulatory environment that is absolutely certain and certainty in a regulatory environment is crucial. We took convergence and put it right in the middle of our development of services and products. We took our relationship with customers and changed them fundamentally from a kind of ad hoc every single transaction being a kind of inspirational moment for our customers to a contractual relationship. We took our global capabilities and brought them to our customer base with the understanding that the global capabilities only come to life if you combine it with local presence to bring the service and increasingly we are capable of taking innovation and bring it faster to market, take the cost and take it out faster and bring it into a concept. That is good for our customers and good for BT.

So the consistent delivery is here today and we have the capability and the capacity to continue to do that. I remember the first time we talked the question from the analyst community was then make an assessment,

what's the culture, what's the capabilities, what are the people that you have in place to deliver the transformation of BT? I am telling you here today with four years in the job that we do have the capabilities and we do have the capacity and we have the track-record that we can take change and run with it in a very positive way.

So if you look at this quarter, eight is a good number I think (8% revenue growth), 20% growth for corporate, 16% for carriers. Even more importantly than the 8% or the underlying 3.2% is that we have a trend in the EBITDA that we absolutely forecasted and we deliver on it. We have done that quarter by quarter by quarter and I think it is very good to look to this chart and to see the consistency also in the delivery from different parts of the business. Retail has another very very strong quarter and an ebitda growth of 9% in a market that is arguably pretty pretty dynamic. Earnings Per Share up 4% and I think that is good.

Now it is not just the operational aspects in this quarter that I am quoting to you let's talk about two important strategic elements. The first one is TSR. We have made our deal with the market and the regulator but now you have to deliver. Openreach has delivered early. The organisation is in place, the performance is there and the systems, the all important systems the thing we have talked about so many times the systems are delivering. That gives the market the opportunity that was described in the TSR and it also gives BT the opportunity to describe it in the TSR.

Now, many people worry about LLU or they are thrilled by LLU whichever way you look at it. I would like to put it into perspective. I am fully aware of the marginal impact of LLU of course. LLU has a marginal impact but so has every other part of regulatory intervention. You will remember maybe if you have been here many times that we talked about PPCs, we talked about price caps, we talked about IP Stream and Data Stream. LLU in that context is nothing different. It is focussed but it is regulatory intervention and there are two things different here. The first thing that is absolutely different once we deliver, we know for sure... for certainty... that we get something back. We get our commercial freedom back. There was nothing back from PPC and there was nothing back from other regulatory adventures. This time there is. Secondly, whilst there is a performance driven regulatory agenda on one side and we publish all our performances there to the market there is also another side of that agenda and that is deregulation. We have not paid too much attention to it but the deregulatory agenda is also working. You will have seen no doubt that if you look to the retail price cap for RPI – RPI it is now an RPI – 0. So we are delivering on both elements and, if

you want to put LLU in perspective, you have to take into consideration that regulatory intervention has been with us for the last twenty years and we have been able to cope with that pretty well.

The second thing to look at, what I would say is a strategic part of the discussion, is our BT retail market share of 31%. That is much better than last quarter and we have talked about it many times. It is campaign driven and you have to ask yourself the question; is BT capable of driving campaigns? I think we have shown now a number of instances where we have been pretty good in driving those campaigns. We are not hyping it, we are delivering it and I will come back to some of that.

Let's look to our Business and, let's first look at Consumer. Now, we are very very dedicated to all of our customers but sometimes, if I walk around in London and I talk to the financial community, it feels like and looks like that some people think that our Consumer business is 95% of what we do. It isn't. It is an important 27% down from 31% and it is a very interesting part of our Business and we are very glad with the performance of that business. So let's look to that.

Now there are two things to talk about. The first thing is, what part of your business do you have certainty around under contract and it is good to see that the BT Together Plan 2 and 3, where people like to really compare notes with the other parties in the market, we have nearly two million customers there under contract. In total we have 66% under contract and when we started this journey it was around 50%. So a massive improvement there.

Secondly let's talk about campaigns. Well BT Privacy. Over three million people have signed up for BT Privacy and the good news for us is most of them did that without talking to any of our operators because they went online and clicked themselves into this great service or they went on the IVR and did it from there. It is a great example where we can innovate and not just of the service itself but also the way for customers to get that service onboard.

Let me give you another example of campaigning. Campaigning is very successful I think. We asked Tom Baker, who is much better known as Dr Who, to be the voice for the text that you get on your fixed line. Within twenty four hours of issuing a press release, the numbers went up by 70% and over the last ten days we have had three million messages. Marketing campaigning works and I think we do understand how it works better and better. Now, if you then see the whole interesting debate

around voice let me say two things. Thanks to many years of competition, the difference between VoIP pricing and the existing technology pricing is by no means comparable to what happens in other countries. The price differentiation is relatively small in this country and that means that it is not just good enough to go with price. You have to understand that this market is not just simply driven by price in the UK because of the price difference that are substantially different for what happens in other countries. Here you have to be smarter, you have to take VoIP and look not just at price but as a benefit for Broadband. To make sure that you get people into a richer customer experience.

Now, on VoIP, we are doing very very well and we talked about it earlier. We went out of the blocks early and I think that I could draw you with a seven digit number of people downloading VOIP and trying to make a big number. I am not going to do that. I am going to talk about the number of people who use it day in and day out and pay for it. That is the number you should compare. Where are people taking VOIP and putting it right in the middle of what they buy? Well they do and they do with us. If you look to the business community two hundred thousand people do their voice communications by using IP technology, VoIP 200,000 in the business community. We have a hundred thousand people as consumers who register and sign up and pay. That is something different from downloading and using it peer to peer so we have a VoIP situation here in the UK where it is a differentiation ... not just on price! There is a big differentiation on the capability of the broadband and the broadband platforms.

Now, on price. We stand happy to be compared with whoever is in the industry and we look at this and just look at the pricing and we may decide that you want to sign up immediately for the BT VoIP service because your IDD traffic will be brilliant. Now it is good for us given our market share and the network and the topology of our network it is good business for us and you can see that we can easily compete price wise. We can... and we are... and we do that but that is not the essence of VoIP. So VoIP is not the destruction of the traditional technology as some people have said it is much more. It is the capabilities that you bring to the new world of an integrated broadband experience where VOIP and voice is the natural way to go and I think we are well-positioned there.

Now, this is a chart if you look to our Consumer business that tells a story into one. You see two things here... no, let's say you see three things here. The first thing you see is stabilisation of ARPU - which is a good

thing. The second thing is that the vulnerability of our ARPU here is going down dramatically. You can see that originally when we started. Now look, it is 44% of the ARPU... was variable impulse driven and now, that has gone back to 34% and you can see that the new wave has really become an important and visible part of what we do in ARPU.

Now all this goes to a reality that BT is no longer lines and a calls business. What we try to sell to our customers is the capability that broadband will bring. All kinds of services that they easily can bring to our broadband platform. Now, those of you who attended the Consumer day have heard Ian and his team talk about this. I am not going to repeat that - I am going to highlight three elements here. Progress!

The first element is BT Fusion and, I am pretty sure that many of you have seen this wonderful razor Fusion phone, we now sell over two thousand a week. That is better than our internal clients and the thing that we have learnt, to be honest with you, is we have to understand how to communicate the benefits of Fusion. It is not easy to advertise because it is not just price... it is not just convenience ...and it is not the mobile phone in the house. We have to learn a bit about how to go and we want to be absolutely sure as I have told you many many times that the thing would work and that the customer service will be impeccable and I think that we are now on a trajectory that is really encouraging and we have now launched Fusion for the business market.

The second thing I would like to stress here is the progress we are making on IPTV, next generation television. We have signed another two content contracts and I think we are well underway for launch in the Autumn of our IPTV platform. The enable of that is the drive that we have from a network perspective and to be near-national many many more places than just the dense sales areas as they call it for an 8MB network. So we bring into place the capabilities and capacities not just in order to have speed but we will have new services and new capabilities that we are describing in the consumer market. Similarly, if you look to the business market we are making huge progress and the thing here to focus on is, first and most of all, that we are no longer a fixed line operation selling lines and calls to the business community. We sell to them service capabilities as they are busy people. They want to use those services when they are in the office, when they are on the road and when they are with somebody else. Therefore, you will see WiFi in all of these places. Every single angle with one exception... you have seen all the arrows and the word WiFi in it and I can announce today that in addition to what we have done in Cardiff, WiFi enable the city. In addition, what we have

done with the City of Westminster is enable the city. We are going to ten other cities this year before the year end and WIFI enable that gives a tremendous additional coverage and opportunity for the WIFI business. The networks is demonstrated, I think very powerfully, in the minutes that you see on the hotspot business and the minutes that you sell when people use it for business purposes and it becomes part of a habit.

Now another great illustration in order that you sell services is the IT Manager for £10 a month. We take care of you remotely as your IT Manager and why shouldn't an SME have the same level of capabilities available to them as a larger organisation? Small businesses need the same support as a larger organisation in an integrated digital economy. Your PC is truly important to you if you run a small business. Now we have absolutely a winner here. Last time we talked about it, I think we had 1500 work places under contract and I can tell you now, 3 months later, that we have 20,000 work places under contract. So we are doing tremendously well there.

If you look to our BT Fusion offering in the market for business you will see us communicating with the market about the benefits and the capabilities that this has and integrate into what we can offer from a business perspective.

Now BT Business, as you can see here, has done very well on two fronts. The first one is due to broadband. A market share of approximately 50% is remarkable and it is a testimony not only for the fact that BT brings true value the market will recognise it. The second thing which is important to know, is that BT Business Plan is the same vehicle as we have in the consumer market with BT Together and we have now over 50% of our voice under contract. So the stability of that and the consistency of that is going up.

We are doing very well on corporates and I am glad that I have become boring when we talk about corporates, because I can say quarter after quarter after quarter, and it is not just in the classical corporate market, we are going also into other markets and we are doing very well. This quarter we added 250 brands on our customer base. And if you look to our capabilities our NPLS capability, it is now in 19 countries and it grew outside the UK by 50% and in total 35% which is very good growth – hence our all important order in-take is very very strong again over £8.1BN. And if you look to the wins I would focus on two here just as examples. I can't find a better example how we have now been truly a global leader than to look to a win in Germany with an American run

company who is going to BT to take care of its business. Now Citigroup in Germany is a great example of what the strengths of BT has now becomes.

The second example that I would like to bring is Microsoft. Microsoft has call centres all around the globe and they want to integrate them in a way that is good for their customers. I think most of us will agree that Microsoft knows a thing or two about communications and the integration of IT and it goes to BT to take care of that integration job. I think that is a very very strong testimony for our capabilities here.

The carrier business had a very good quarter and strategically I would like to point to two things. First of all, if you look to our fixed operations you see that WLR has grown but the growth is coming mainly from CPS going the logical way to WLR. If you look to CPS as such, it has been the lowest number for a long period 2.5-3 years in losses.

The second thing I would like to talk about here is, what is the market doing around broadband... you know all the ISPs. Now look to this chart. This is what the market has done. This was the third best quarter ever for the broadband market in total... even without LLU. Secondly, it was the second best quarter ever for BT Retail. So whether you include DSL and LLU or just look to DSL, BT Retail did this quarter 3-4% better and the market as such shows that there is a lot of room still in the market to go. And I think this is a very encouraging chart.

Now we have talked about products, services go to market and a lot of the technology we also use for better customer experience, and if you remember that we grow our business and take costs out. This is important and I will not dwell on all the examples here but, what you see here is that consumers and business customers alike are now using bt.com more than ever before. You talk about millions of transactions going online. You see us in the corporate world organising ourselves in three operation centres around the globe and, at the same time, have national delivery mechanisms and we do not duplicate our costs any more and we gain tremendous benefit from that going forward to having those 3 global centres combined with 30,000 professionals that are able to deliver those services on the ground. If you look to our Wholesale business, we now have 92% of transactions gone online by our system there. Now if you see we have three million transactions and you can follow how the business is going you can see that our innovation and investment in customer service and when we talk about costs ... I am pretty sure Hanif will talk a little bit more.

So let's bring this together. this has been a very strong quarter and it has been a strong quarter in a consistent line of development and you have seen this before. If you then look to the waterfall charts and you see where the decline in traditional is. Well yes, there are some in lines because it is very simple, there is substitution there. DSL, ISDN of course are going down. If broadband goes up so that is the normal way to look at it and you see the green box where we take it up from WLR. But the big thing is in calls that is a decline basically if you look to the traditionally.

Now we have talked about it ... some of it is the market, the market probably went down over the past twelve months. Some of it is to do with volume and price and some of it is just well no longer dial IP - you go on broadband. So let's put this in perspective. I think you will find this chart interesting. Just look at it. If you look to this chart and it tells you that of June 2003 calls were 18% of our revenue, we have excluded POLO because that is a kind of pull through. 18% of our revenue today is 9%. During that journey where we went from 18%-9% we grew our top-line and we have had 15 consecutive quarters of EPS growth so this is the best illustration that I have seen of the massive transformation in BT. We are a different company and so our roles and abilities are different... our opportunities are different. We are a different company whose capabilities to absorb this change where we are growing our top-line and growing our bottom-line and I think that is why we are very confident that we have the capabilities to continue to drive this new wave revenues whilst we have the capabilities to make this into a very very profitable business.

Now, on new wave revenues. The important thing is how are the margins doing. Well the margins are going up so we understand the dynamics here and we are very pleased with the progress that we are making.

If you look to this chart... and I will finish here... this is the reason why I think that the consistency that we have demonstrated over the last fifteen quarters are a good indication of our intentions to go forward. Because there are two elements here which are truly important. The first one is speed to market. We are better and better in bringing products and services faster to market and understand what the market needs to absorb those products and services. You will see cost efficiencies and we have a track record on costs and if there is one message I give you today and will

do more going forward and we have a true understanding of the dynamics to keep growing our profits.

Second speaker: Hannif Lalani: CFO

Thank you Ben, good morning.

Our third quarter results reflect our continued progress in executing our strategy. This quarter Group revenue rose by 8% to £4.9BN our strongest rate of growth for some time. Excluding Albacom and Infonet, underlying revenue was up 3.2%. EBITDA, pre-leavers was down 0.6%, year on year, continuing the improving trend we have reported in recent quarters.

Profit before tax, specific items and leaver costs was up 2% to £0.6bn. Helped by lower finance and tax charges as well as our rolling share buyback programme, EPS, pre-leavers rose by 4%. We have now delivered 15 quarters of year on year growth in EPS.

Free cash-flow of £138m was £201m better than the underlying cash-flow in the previous year.

BT Retail. Revenue of £2.1BN was down 3% as a result of an 8% decline in traditional revenue partly offset by a 34% rise in new wave revenue. New wave revenue accounted for 16% of Retail's total revenues this quarter compared with 12% in the same period last year.

The reduction in traditional revenue continues to be driven by high levels of migration from traditional products to new wave services. The growth in broadband stems in a fall of over 45% in dial-up internet minutes year on year and a reduction of 8% in ISDN lines. Despite this, improving margin management cost efficiencies have led to a gross margin increase of 0.6 percentage points.

Cost transformation programmes contributed to an absolute SG&A savings of £27m, a 7% reduction. Both these improvements drove EBITDA 13% higher than last year, building on the 8% growth we saw in the second quarter.

Third quarter operating profit, pre-leavers was £171m, also 13% higher than last year.

Let's focus on BT Wholesale with a revenue of £2.3BN increased by 1% driven by external revenue growth of 12%. New wave revenues grew 47% and accounts for 25% of external revenue compared to 19% last year.

Internal revenue declined by 6% to £1.2BN due to the impact of lower volumes of calls, lines and lower regulatory prices.

Gross variable profit of £1.8BN is 2% higher than last year. This reflects overall volume increases, with broadband growth more than offsetting the decline in traditional products and the price reduction in WLR. However, higher network and SG&A costs, reflecting prior improvements in working capital management and increased broadband levels resulted in a 0.7 percentage point decline in EBITDA.

Lower depreciation led to operating profit being maintained at £511m pre-leavers.

Turning now to BT Global Services. Revenue of £2.2BN rose by 20%. Excluding acquisitions, the third quarter underlying revenue was 8% higher. EBITDA, pre-leavers of £246m increased by £1m year on year, due to the change in revenue mix. This quarter growth in new wave and MPLS increased profits by £26m which was largely offset by ongoing decline in UK traditional products.

Higher depreciation costs in Infonet and Albacom led to an operating profit of £86m.

Returning to Group results. Group operating profit, pre-leavers was £694m, 3% lower than the prior year. That decline was mainly due to higher depreciation. Despite higher leaver costs profit before tax was almost flat, due to lower net finance costs and an elimination of losses in associates.

Our effective tax rate has been reduced by one percent to 24.6%. We believe this is a sustainable effective tax rate in the medium term.

EPS, pre-specific items, was 4.9 pence, up 2%.

Last quarter we shared with you the trend in EBITDA progression. Our third quarter results have continued the improvement in this trend with the EBITDA down 0.6 percentage points versus an underlying 1.3% last quarter. We are focused on driving this improving trend. One key

factor in improving EBITDA momentum is our continued focus on the cost base. There is no single programme that can change our cost base dramatically. It is a combination of programmes across the Group like the ones listed on this slide.

We have shared with you previously details of some of these programmes like the next generation contact centres. This has contributed to a rationalisation of our property portfolio here in the UK and improved efficiencies in customer efficiencies delivering £50m of operational savings last year.

The Hands Off Access Network project that has helped prepare us for the 21CN roll-out and the reorganisation of the finance functions across the Group has already delivered over £40m000 of savings.

Programmes initiated this year include the transformation of our OneIT function. It has started global sourcing and moved to 90 day delivery cycles and implemented hot housing principles where you bring customers and suppliers together in an intense design session right at the beginning of a project. That reduces risks and drives up benefits. This approach should deliver us £60m of savings over the next 2 years.

Projects relating to billing transformation will reduce over 90 systems to 3 platforms and at the same time improve the end to end process and experience for our customers. Again we expect to save over £100m over the next few years, with the first year being on target with an expected £30m of savings.

We have also integrated Major Business into Global Services ensuring a much more effective account management organisation in serving our global customers.

There are of course many other programmes underway today and there are others yet to start. These include structural changes in Network Management and Planning. This will streamline our network operations creating 21CN processes for our 21CN network. We have already highlighted reductions of £1BN in operational and capital expenditure in future years which will be delivered by implementing our 21CN network. The benefits of addressing the cost base will improve profitability and cash-flow.

Moving on to free cash-flow. Excluding the £450m proceeds for disposals last year, free cash-flow was £201m higher. The improvement

was driven by ongoing reductions in outflows on interest, in tax and in capital expenditure and improvements this quarter in working capital management and lead to cash processes really begin to deliver.

Our third quarter results represent another positive step in our overall transformation and, as Ben pointed out, this is reflected in 15 consecutive quarters of year on year growth in EPS.

The challenges and opportunities as Ben said by the dynamic environment we operate in, are captured in our results. We are confident in our strategy, and in our ability to execute it and we shall continue to deliver further benefits for our customers, our people and value to our shareholders.

Questions And Answers.

Question: One question... right... okay. I will ask about the private circuits. The reasonable pick up in private circuit revenues this time around in your product lines and I wondered if that was 3G related and whether or not you might see further increases in BT related coverage?

Paul: yes we have major contracts with all of the mobile operators. Historical and a lot of renewals as well in the last few months so, yes, there is a significant delivery of private circuits to all of the mobile major operators. There are still historical contracts that are still delivering though so the volumes for new contracts will kick in as we move forward. We see the business sustaining, put it like that, yes.

Question: I noticed a slight hesitation when you were talking about introducing TV-video on demand services in the Autumn, could you elaborate on that just a little?

Ben: I am not aware of any hesitation that you may have detected. It's probably my poor command of the English language that has got the better of me here. Ian do we have hesitation?

Ian: no, we don't have any hesitation at all. John if you want to put your order in... I assume you are on BT broadband aren't you? I can put you forward for an early installation. Yes, I have got Fusion in.

Ben: good, so you see the orders are coming in as we speak.

Question: Could I just ask on the global EBITDA growth - it looks as if maybe the traditional EBITDA impact on global is quite large compared to the retail performance which was stronger. Can you just explain if that is right? Firstly if the traditional EBITDA has been hit harder in global and does that mean it is going to be a bit more difficult to bounce back over the next few quarters.

Hanif: I think what you are saying is, as we brought in corporate customers in the UK into global services a large proportion of those customers are today on IP VPN but others are still using traditional lines and calls and, as we migrate them from the traditional product set into the new wave services, you will see that migration from traditional to new wave reflected in the EBITDA. If you take the new wave growth in global services and compare that as a proxy for the networked IT services and the old global services that you used to see as a proxy you can see that the performance was £26m better this quarter. It was £24m better in quarter 2. If you kind of annualise that you see the £100m EBITDA and it fits perfectly with the position we shared with networked IT services at the year end. It is unfortunate that we have got these two trends coming through Global Services but, to be honest, it is a great place to have our customer contact all in one place. It is a better experience for corporates but it is those two trends that we have to explain to everybody.

Andy: I think you have seen the results from all the other players in the industry. Not to understand that the traditional business in the UK is not the ideal place to concentrate your business. So it is tough but we are doing very well in migrating the customers onto the new wave stuff as you can see now with 61% of the revenues being in the new wave space. That is the strategy and it has been the strategy all along. I think it is paying off.

Question: I noticed your comments about WiFi expansion. What is your view on WiMax as a technology? It seems to be quite hyped at the moment!

Ben: well, I think I have said many times that we are not in the hype business so it is a very important possible technology going forward and we are very much in the forefront of the development and we sit on the Council. We look and understand the issues, we are from the chip to the product we are involved, that does not mean that we are not fully aware of where the market is going. The spectrum is an important part of it. There is talk of a 2.5gig spectrum option. If that will be technology

neutral, it will be interesting for us to look at and we will look at that very seriously and it is important to see whether WiMax over time will allow the WiFi environment to go into a more richer and broader environment. So that is how you should see it.

Question: so it is really a technology for the end of this decade you mean?

Ben: well, it is always difficult to put an exact timetable to it but what I would say is, it is certainly not something that we will see in the coming quarters.

Question: Just going back to the Global Services. Perhaps you could give us an idea of what margins are currently being earned on ICT or the old solutions business and how they have trended over the last year.

Hanif: I think when we looked at Global Services last year we showed a margin at the year end of 10.4% and we were clear that the networked IT services business, the margin EBITDA level, would go to 15% and 69% at an EBIT level and, if you are looking at Global Services today, you can see that our margin with the two new businesses together ie. Global Services and the old organisation and Major Business together you can see that the margins are trending towards the 15% as well. So I think that we are on track ...15% is a good place to be going and that is how we are trending.

Question: they are down this year.

Hanif: I think that what you will always have Paul is as we have shared with you as with new contracts getting signed on networked IT services. You have the effect of the S curve or the J curve and so there will be a diluted impact as you bring in new orders and new contracts. £8.e want to do is to continue to grow the business and it makes sense therefore to continue to take orders in. I mean if we wanted to stop and say, actually that is it, yes we can get there a lot faster, but you know longer-term business ... you want to continue growth.

Question: I wonder whether you could just in the light of the recently publicised problems at Isoft, update us on progress with the NHS contract and more specifically on progress with the IDX software.

Andy: Isoft is used by two of the other areas. LSBs in London we use IDX which is now GEOs as IDX has been purchased by GE. We deployed in Queen Mary Sidcup the first, if you like, strategic solutions

anywhere in the NHS at the back end of the last quarter and that went in place very well and we are progressing with a lot of picture archiving and a roll-out across London of the IDX software.

Question: One question on the BT Openzone. What is your view on access prices going forward for these WiFi enabled cities? Are we looking at a model where things would go close to zero in an exchange for broadband access that you would get anyway and allow the consumer to have relatively access to the WiFi

Andy: in terms of the pricing of WiFi, I think there will be a range of pricing. For instance, we will have pricing where the WiFi price is actually in the broadband price and so you will have broadband at home and WiFi on the move and it will be part of the package and one of the advantages. We can do no pence per minute packages and there will be whole day packages, there will be a real range.

Question: just on IPTV I think you said you are in for an Autumn launch. Has that timetable slipped because I think you previously said Summer? Or maybe I was wrong there? Also on IPTV does your view on owning content still stand. I am thinking about the big step with ITV and also the other things coming up in six months.

Andy: we said in our Consumer presentation in December and I just double-checked and I have it with me and we absolutely said Autumn and it is still Autumn so it is exactly the same as it was eight weeks ago and so that hasn't changed. In terms of bidding for football rights, I think I said at the results before, I think given that what we are coming up with is that DSL is not a broadcast technology in that format so it is highly unlikely that we will bid for broadcast rights given that we are not really being a broadcaster. What we are doing is enhancing TV by having interactive TV and video on demand and things like that. So enhance existing broadcast streams rather than replacing them and so nothing has changed on that. We think we bring content to the customer rather than seek to owning it.

Question: You mentioned 10 WiFi cities. Can you tell us which cities and when?

Ben: The fun would be probably gone if I tell you which it is and I wouldn't spoil your day for that. So no, I can't but it will be 10!

Question: Can you just elaborate on what you mean by deregulation and presumably you refer to when you hit your 1½ LLU lines you will deregulate, get your commercial freedom back. Is that sort of like British Gas? You will start cold calling previously lost customers and offering them huge discounts to return.

Ben: well I am a little puzzled by the question. Deregulation means lack of regulation where you previously had regulation and you are no longer regulated. That is deregulation. There is a clear agenda where we will be deregulated when we hit certain milestones. This is truly important for two reasons. Pricing is one thing but much, more importantly, bundling. We can make better offers and better focussed offers so it is not just the pricing element, it is also the bundling element. Now, on the go to market strategy cold calling, I don't think Ian that you are very strong on cold calling ... maybe you can make some comments.

Ian: unfortunately a lot of cold calling goes on within this market and that is why BT Privacy was of course particularly popular and even worse is door to door selling which is something which we have asked the industry to stop. We think the way we communicate with our customers is pretty good today. Quite a lot of customers call us and a lot of our customers go online and that is the important thing. In terms of deregulation, you know we already are seeing some doubters of deregulation and we would expect over time to see more of that as everyone is on exactly the same footing and everyone has the same options and we are very happy to compete in a competitive and open market.