

## BT GROUP PLC

### Q3 2013 RESULTS CONFERENCE CALL TRANSCRIPT

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Company participants:	Ian Livingston	Chief Executive
	Tony Chanmugam	Group Finance Director
	Luis Alvarez	CEO BT Global Services
	Gavin Patterson	CEO BT Retail
	Liv Garfield	CEO Openreach
	Nigel Stagg	CEO BT Wholesale
	Damien Maltarp	Director, Investor Relations

#### Damien Maltarp

Slide 1: Thanks and welcome, everyone. My name is Damien Maltarp and I am the IR Director for BT. On the call today we have Ian Livingston, Chief Executive, and Tony Chanmugam, Group Finance Director. Tony will go through the headline results and financials, and then Ian will then go through the lines of business. We will then hand over to you for questions. In the room with us today we also have the CEOs of our lines of business.

Slide 2: Before we start, I'd like to draw your attention to the usual caution on forward-looking statements. Please see the slide that accompanies today's call and our latest Annual Report and Form 20-F for examples of the factors that could cause actual results to differ from any forward-looking statements we may make. Both the slide and the Annual Report can be found on our website.

I'll now hand over to Tony.

#### Tony Chanmugam

Slide 3: Thanks, Damien. Good morning, everyone, and thanks for joining the call for our third-quarter results. Overall, we've delivered a solid financial performance and made progress in a number of areas. We delivered good growth in cash flow, mainly due to working capital timing. We are making progress in transforming our cost base, but there is still much more to do. Overall, this quarter is in line with our expectations for the year, which remain unchanged.

Slide 4: Starting with the income statement on slide four, headline revenue was down 6% in the quarter, which includes the impact of a £66m decline in transit revenue and a £50m negative impact from FX. Our main measure, underlying revenue excluding transit, was down 3.1%. As expected, this was an improvement on the decline in H1, due to slightly better performances from Global Services and Wholesale.

We delivered another quarter of growth in EBITDA, which was up 2%, helped by a 7% decline in our underlying cost base. The group EBITDA performance was partly helped by Global Services, but this was mainly due to the timing of costs during the year. For the nine months, Global Services underlying EBITDA is down 1%, and there is much more we need to do.

Depreciation was down 4%, largely due to lower overall capex over the last few years. This contributed to operating profit growing by 7%. Interest was broadly flat, leading to profit before tax growing 7%, which drove an 8% increase in our adjusted EPS.

Specific items were a net charge of £38m. During the quarter, Ofcom published its final determinations on some disputes around historic Ethernet pricing. These went against us and

while we are likely to appeal, we recognised a specific charge of £151m against revenue and £36m against EBITDA.

We also incurred £28m of restructuring costs in the quarter, which I'll say more on shortly. These were partly offset by a £9m profit on the sale of our final stake in Tech Mahindra. In total, we have recognised profits of around £350m over the life of our investment in Tech Mahindra.

Slide 5: Turning to free cash flow on slide five. Normalised free cash flow was an inflow of £807m in the quarter, which was £173m up on last year. Quarterly cash flow will tend to bounce around, and most of the increase was due to working capital. You may remember that our cash flow in quarter two was impacted by the last day of the quarter falling at the weekend. This effect reversed in the third quarter, which boosted the working capital position. Our cash capex was also lower, with this partly reflecting higher spend on our Wholesale Broadband Connect network last year.

Below normalised free cash flow, we had a £157m cash tax benefit from pension deficit payments. We expect a smaller benefit next quarter, to bring the full-year benefit to around £560m, which we've indicated previously.

After specific items of £96m, mainly relating to the Ethernet pricing determination and restructuring costs, reported cash flow was £868m in the quarter.

Together with the Tech Mahindra disposal proceeds and the £75m we spent on our buyback, net debt declined by almost £900m during the quarter to £8.1bn. Net debt is still up year on year, but this reflects the £2bn pension payment in March last year. Were it not for that, our debt would be lower.

Slide 6: Turning to cost transformation on slide six. During the quarter we cut our costs by £274m. On an underlying basis, excluding FX and disposals, costs were down 7%. For the nine months to date, we've reduced our costs by over £1bn. As I mentioned last quarter, Luis and I are jointly focused on making GS a more efficient business. The cost here has reduced by 7% in the quarter, which compares with a 1% reduction last year.

We continue to focus on improving our inventory management, procurement and process re-engineering work, as well as increasing our focus of delivering benefits from group-wide end-to-end programmes. I'll give you a few examples of the sorts of things we are doing across the group.

We've reviewed the faults resolution process for both GS and Wholesale customers, and are in the process of redesigning it. We are also migrating the work into our strategic service centres, to improve operational efficiency and reduce costs through standardisation and better resource planning. This will enable our front-line agents to resolve faults earlier in the process and reduce unnecessary hand-offs between different teams within BT. Since this programme started in September, we've identified a cost reduction opportunity of £40m, while improving customer experience at the same time.

In Openreach, there has been a material increase in repair volumes, caused primarily by the poor weather, and in provision volumes caused by the success of our fibre programme. This has led to increased pressure on both our direct and indirect labour costs. The introduction of better resource management programmes which utilise spare resource and reduce indirect time will generate savings of circa £30m.

We continue to make good progress with our travel and subsistence programmes, and we are on target to deliver the circa 12% year-on-year savings that I mentioned last quarter.

Overall, we are making good progress, but there is still much more we can do.

Slide 7: Turning to slide seven. As I've mentioned before, we are increasingly looking at our processes on an end-to-end basis across the different lines of business. Building on this, we are putting in place the next phase of our group-wide restructuring programmes, which has three key activities.

Firstly, we have migrated our two support units, BT Innovate & Design and BT Operate, into a new division called BT Technology, Service & Operations and moved some of their functions into the lines of business. As part of this, we'll be integrating our engineering field force, reorganising Wholesale's contract delivery activities and rationalising our data centres. This will allow us to simplify and speed up our group-wide processes, work better with the market facing units and improve the quality of service we give our customers.

Secondly, we are rationalising Global Services' processes, resources, network and systems, which will drive the next stage of the Global Services cost transformation programme.

Finally, we are transforming some of the group-wide support functions such as HR and finance.

The cost of this programme will be recognised over Q4 and the next financial year, and will be treated as a specific item. We are confident that this programme will make us a better business by delivering cost savings and improved customer service delivery in the years to come, and we'll see the benefits in the 2015 financial year and beyond. We'll go into more detail on this at our full-year results in May.

Slide 8: Turning to slide eight, there are a couple of more items I'd like to point out. On the pension, the IAS 19 deficit came in at £4.3bn net of tax, compared with £3.1bn at Q2. The higher deficit principally reflects the higher inflation assumption, partly offset by an increase in the pension assets.

In terms of our debt position, we repaid £1.4bn of term debt in January, which we funded from our cash and investment balances. We were paying interest of 5.7% on this debt, so this will lower our interest costs going forward. Our next major maturities are not now until the summer of 2014, which means that we continue to have a strong liquidity position.

Let me now hand over to Ian, who will take you through the lines of business.

### **Ian Livingston**

Slide 9: Thank you, Tony, and thank you to all of you for coming on the call.

The word solid tends to be a bit of an overused phrase when it comes to results, but I think that pretty much does describe them in this quarter. I think we've delivered reasonable financials and at the same time have made progress in a number of areas in terms of operational metrics. What I'd like to do is run through the individual lines of business now, starting off with Global Services.

Slide 10: On slide 10, Global Services. Underlying revenue excluding transit was down 5% in the quarter. That's a slight improvement on Q1, Q2, where it was down 6%. We are seeing the same trends, continued tough conditions in Europe and financial services sector, although probably slightly less bad than they had been in previous quarters.

Against that, we are seeing continued double-digit growth in the high-growth regions of Latin America, Asia and Middle East. And we see that actually in our order intake, our overall order intake [of] £1.9bn. I think that's a good number, compared with £1.6bn in the same quarter the previous year and £1.3bn in the previous quarter, in quarter two.

Among the wins in the quarter, some very good names, National Bank of Abu Dhabi obviously reflecting what we are doing in the Middle East; HTC in the Far East showing that it is, if you'll pardon the expression, a very smart phone maker. And also in Europe we've done well with

companies such as Clarins, which is a new win for the group. The public employment agency in Spain, that's a third time renewal for us. And that's very similar to DWP (Department for Work and Pensions), in fact, in the UK. We do a very similar piece of work for them. And KPMG as well, very pleased to renew and extend the contract with them.

In terms of operating costs that are down 7%, Tony has really covered that, but that's an improving trend. But as Tony has said and no doubt I will say, much more to be done there.

Underlying EBITDA up 17%. It's a good number for the quarter, but I would stress it is only a quarter and it does reflect the timing of costs. And we've got to recognise and we do recognise that year to date EBITDA is still down 1%.

EBITDA less capex of £42m, that's actually one of the best numbers, EBITDA less capex, for some time and compares to the Q3 number of £5m. However, the cash flow remains affected overall, and particularly year to date, by changes in working capital that we said would happen in the current year.

Slide 11: Now, moving to Retail. Retail consumer revenue down 3%, lower calls and line revenue. Now, one thing to bear in mind is we did freeze all our key prices through 2012, and that does impact revenue. Against that, we've seen good growth in broadband. It was a good quarter in broadband. We'll talk about that in a second. But we continue to see growth in revenue and number of broadband.

On business, again, similar trends, lower calls and lines, growth in IT services. Whilst the number looks similar to the previous quarter, actually there is some underlying progress and we continue to see, I think, good progress in our SME business and we are growing in the right places there.

I think one of the most interesting areas and something I've mentioned in previous conferences is Ireland. In many ways, Ireland is sort of a mini BT, because it contains all aspects of the BT business in our Irish business. And the revenue excluding the impact of FX was up 5% in Ireland.

Now, some of the interesting facts about Ireland, it has now 90% rollout of fibre. And actually, now in Northern Ireland our Retail business has more fibre customers than it has copper customers, not by a lot but it's past that 50% number.

We've seen good growth in government and corporate contracts both sides of the border in Ireland. The wholesale business is doing well. We mentioned last quarter a new deal with Sky in the Republic. And as I said earlier, we are seeing an impact of fibre. And I think it's encouraging to see the performance in Ireland despite the economy, particularly south of the border.

Turning now to some of the operational things in Retail, 44% market share of broadband net adds; it's 122,000, a reasonable performance in what was a bigger market. I think particularly encouraging has been the performance in fibre. We'll step up there. Roughly 200,000 fibre net adds in Retail, and now Retail has gone through over 1m fibre customers. And I think the investment that Retail has been making in fibre, particularly in advertising and proposition, is starting to come through.

Wi-Fi minutes trebled to 3.9bn, and I think the impact of our Wi-Fi hotspots are really having an impact. They are helping with our proposition. And more and more customers, of course, have got smart devices, tablets, etc., that would look for Wi-Fi as a first point.

And actually, to use that Wi-Fi service we recently introduced something called SmartTalk. And if any of you have, particularly if you've got a BT account at home, if you've got an Android phone or an iPhone I'd really encourage you to download it. It allows customers basically to make calls as if it was part of their normal BT package. So if you've got our Anytime package, it would allow you to call 0800, 0845 calls for free, which you certainly cannot do on a mobile phone. But also,

when you are travelling, as of course many of you do, you can make calls to the UK for free as long as you are plugged into a Wi-Fi hot -- you connect to a Wi-Fi hotspot.

Very good reviews on the app sites, and I think that's just another thing that we are trying to take advantage of using Wi-Fi and provide more value for our customers and our overall proposition.

Slide 12: Another area that has caused some excitement recently is on TV. Vision, a reasonable quarter, 21,000 net adds. We started advertising YouView actually after the quarter end in January, and we've now got over 60,000 customers with YouView and we are seeing a good rate of take-up there.

We are also rolling out multicast to our existing Vision customers. The multicast offering basically is 18 standard definition plus four high definition channels. You can see the channels on the right-hand side, some channels that are very popular in terms of things like National Geographic, Comedy Central and channels like that, so some very good channels. And it's available for only an extra £2 per month.

And I think this is part of our strategy, which is to provide people who actually want more choice and want more opportunity but perhaps don't want to pay the very high prices that come with many Pay-TV. The UK is underserved in relative terms in Pay-TV, if you compare the US experience with the UK, and we want to give our customers more choice and a really good value proposition.

Of course, BT Sport; every quarter there are a few new announcements and this quarter is no different. We recently signed a deal with the Women's Tennis Association. That gives access to about 800 hours of live high-quality sport. And having two British tennis players in the top 50, it's good timing. And it also gives us, I think, good content over the summer period, which is helpful.

We also announced signing up the a contract for a new production home at Olympic Park. And that's a purpose built area for media, but really gives us a canvas on which to, I think, present some very innovative and high-quality production. And to help with the production, we've chosen Sunset+Vine as our lead partner. They did the Paralympics for Channel 4, which was a big success, and also horse racing for BBC.

And yesterday we announced joining the BT team would be Clare Balding, so we'd like to welcome Clare. And she will be presenting a sports programme particularly focusing on women's sports, which I think is underserved in the UK.

Slide 13: Now, turning to Wholesale. Wholesale of course still impacted by ladder pricing, but excluding ladder pricing underlying revenue excluding transit was down 1%, EBITDA the same. And that's the best results for some time. I think that is indicative of the process being made in Wholesale. Net operating costs ex-transit down 2% and that reflects the focus on SG&A and labour costs and it's having an impact.

But probably the most encouraging thing, as one looks to the future for Wholesale, is order intake, £400m in the quarter. And if you look at the chart on the right-hand side of the graph there on page 13, you see really, I think, a kick-up in order value. And that reflects, I think, particularly the work we are doing with the mobile companies, as well as a number of the other fixed line providers.

Another area, and something I've mentioned before but I do think it's important for our future growth, is IP Exchange, minutes up over 80%. And the reason I think it's important is if you look this year, between BT Wholesale and Global Services that's going to be a £100m business. And it was a business that didn't exist three years ago, so it is a fast growth business. We are continuing to invest in it. We've opened a new node in Singapore, and shortly we will open a node in Miami and that gives us good worldwide coverage. And we think there is potential for this to be a multi-hundred million pound a year business.

Slide 14: Now, turning to Openreach, Openreach revenue was down 2% and regulation is the key thing there. Regulation accounts for roughly 4% of that 2%, i.e. revenue would have been up without it by a couple of percent and broadly I think was around 8% impact at EBITDA level. Against that, we are seeing good growth in fibre and in Ethernet.

Net operating costs were down 2%, and that's despite all their additional engineering resource we've had to bring in because of the worst weather we've had really on record, particularly wet, and that's had a real impact on the number of field visits we've had to do for faults. And we've seen, in fact, overall 1.7m field visits for faults and provisions over the course of the last quarter, and that's a record. But we've managed to absorb that, but it is an ongoing issue.

EBITDA down 2% reflects that combination of regulation and rain. The physicals are good, some really good physical numbers, 48,000 increase in physical lines, so that's returned to growth and you see that [on the] chart on the right-hand side. And also broadband net adds up 281,000. That's better than the same quarter last year and significantly better ~~than the quarter~~ than in Q2, 60% up. So some good overall numbers I think in Openreach, despite the difficulties in terms of the weather.

Another good number is fibre rollout, if you turn to slide 15. We've passed over 13m premises. We added roughly 100,000 premises per week, which is a great rate of rollout. To our knowledge, that is the fastest anywhere in the world.

And it's not just a case of rolling out the physical infrastructure. We've also seen a good rate of increase in the people taking up the service, 1.25m homes and businesses now connected; 250,000 came on in Q3 alone. And we are seeing some very high take-up rates in particular areas. There are some exchanges where already over 50% of people have taken it up. These are the exception, but I think it shows in certain areas [it's] particularly popular.

Slide 15: On BDUK now, following the agreement from the EU to the state aid for the BDUK rural contracts, I think we've seen a really good increase in the pace and the government has been very keen on pushing that and I think with some success. So we've signed contracts with Cumbria, Hereford & Gloucestershire, Norfolk and Suffolk in Q3.

I would mention it's not just a case of signing the contracts; it's delivery. So, for instance, in Q2 we signed a contract with Yorkshire and the first customers in North Yorkshire are already connected. And that's an important differentiation, I think, from some of the other schemes you hear. You see press releases for it and you hear it mentioned, and actually it takes a very long time to connect anyone.

We do say on the slide that we were awarded preferred bidder status in Q3. That's not strictly true now, because we've actually signed both of these deals in the last couple of days so they've moved in Q4 from preferred bidder status to signed.

So, really good progress, and the UK is well on the way to its aim of being the best broadband in Europe and in many ways looking at it, looking at the increase in speeds we've seen. I saw a survey recently that now the UK is second in the G8 behind Japan in terms of speed. So we really are seeing, I think, good progress, good take-up, good availability and good competition, of course.

Slide 16: So, in summary, on slide 16, the word solid again, but it is. We are moving in the right line. It is only a quarter. And I'll say that for the operational progress as well. We recognise, as we continue to do, there is a lot more to do and a lot more we can do, and I think that applies in all areas.

Fibre rollout continues to be a success and continues at pace, and every quarter we are more pleased with how things are going there. BT Sport plans are progressing well, and we apologise for the quote that referred to pre-season training as going well, but we are pleased with progress there.

Overall, as a group, we are very much on track for the full year and actually on track for our overall plans. What we'll do in Q4 I think is give you quite a bit more detail on where we are and how we are looking at going forward. So we'll talk in a lot more detail in Q4.

Slide 17: But in the meantime, we'd be delighted to take any questions you may have. Thank you very much.

## **QUESTION AND ANSWER**

### **Nick Delfas - Morgan Stanley**

I've got two questions. First of all, on YouView versus BT Vision boxes, when will sport be available on YouView, because I think at the moment you still can't get that on the YouView box?

And secondly, on the pension fund, obviously the deficit went up quite a lot since March. When do you expect the government to report on how to protect companies from the impact of the low yields that are in the market at the moment and the relatively high inflation? Thanks.

### **Ian Livingston**

Okay. Nick, on the YouView [vs] BT Vision, we expect that to happen before we launch our sports proposition, but maybe I'll ask Gavin to say a few more words on it.

### **Gavin Patterson**

Yes. Nick, we continue to negotiate with Sky for access to Sky Sports 1 and Sky Sports 2 on YouView. Of course, BT Sport will be available on YouView when it launches, but in terms of the Sky channels it's something we are discussing with them.

### **Nick Delfas - Morgan Stanley**

Is it a technical issue, though, that prevents you from offering Sky Sports on YouView, or is it a negotiation issue with Sky?

### **Gavin Patterson**

At the moment, it's a case of being able to add them to our multicast capability. So, as Ian mentioned in his presentation, we are rolling that out at the moment. But we have to conclude negotiations with Sky and we haven't concluded those yet.

### **Ian Livingston**

So we'll see what happens on that. On the pension fund, the government has just started the consultation, so I think it will be a little while before that's concluded and [it's] not in our hands. But certainly I think it's good and appropriate consultation from the government, and a lot of corporates have said the same thing.

And it was interesting to hear the Chairman of TPR (The Pensions Regulator) commenting about maybe some of the funding principles regarding the very heavy investment in gilts was maybe not the best way forward. But we'll have to see what happens on that. I am sure there will be voices from that profession who will say different things, so we'll see what happens. Thanks, Nick.

**Nick Delfas - Morgan Stanley**

Just ask briefly, with bond prices at a very high level, is that something that you are discussing with the Trustee, about how to move out of those investments, maybe into equities or something like that?

**Ian Livingston**

Well, the Trustee runs the investment policy. They do discuss it with the company, but they do run the investment policy. And they will obviously look to see what the appropriate mix of investments and the combination of risk and return. So they look at opportunities in infrastructure and places like that. But that's very much they run it and just talk to us about that. It's probably not a good idea for a corporate to try and run an investment policy, so it's expert investment managers who do that. Thanks.

**Maurice Patrick - Barclays**

A couple of quick questions. On YouView, love it if you could share some early data points on viewing stats, how people are consuming it, how that's going.

And then secondly, on sports costs with content, can you help us understand a bit about the magnitude at which that will start impacting Q4 then Q1 next year? Thank you.

**Ian Livingston**

In terms of YouView, I think it's too early for stats, other than to say customers seem to really like it, are very positive on the YouView box and we are seeing good take-up. So, as I said, we started advertising this in January, so I think any extrapolation would be a bad idea at this point. But, Gavin, do you want to add anything?

**Gavin Patterson**

The only thing I'd add, Maurice, was the early signs are that it's a decent product, it's a good product, customers like it and usage, particularly of the on-demand and catch-up, compares very well with our existing platforms.

**Ian Livingston**

And on the cost of sport in Q4, yes, there is cost, obviously, if we've got people already doing the production. But that's something that we will have to try and absorb. And in the overall, it's one of these things, and obviously we don't recognise the rights costs until we start. It will hit the Retail business and the impact of it, but the big costs really start to occur when we start to amortise the rights costs.

**Simon Weeden - Citigroup**

Yes, pretty much on the same sort of topic. I just wondered if you could maybe fill in a couple of gaps. First is, would it be fair to say that since the beginning of January you've been seeing a pickup in YouView box shipments, that you've also seen a pickup in net additions on Vision, or are you seeing these YouView boxes going into BT Vision customers' homes?

On the subject of set-top boxes, will you be introducing a new unified set-top box in due course to eliminate the duplication here?

And on a similar topic, could you tell us when you'll complete the rollout of multicast and what technical requirements that needs and any barriers you're having to overcome as you go through that?

**Ian Livingston**

Okay. On that, be very careful of management who say the last two weeks have been really good. The answer is yes, we have seen an increase in the take-up, but one would rather hope after we've advertised it that we would. And so it's been encouraging over the last few weeks, but it is only the last few weeks, so good stuff there.

In terms of unified set-top box, yes, absolutely, that's the intent. And I think that's the indication that I gave to the previous question in terms of bringing it together in a single box that does everything.

Multicasting, we are rolling out just now to existing boxes, and as we get towards a unified box then we'll have the multicasting on that as well. So we are first of all giving it to the installed base of customers.

**Carl Murdock-Smith - JPMorgan**

Two questions, please. Firstly, on Global Services, I was just wondering if you could provide a little bit more colour around the strong order intake, particularly is the strength one or two big contracts or is it lots of smaller contracts?

And then secondly, on Openreach, I was just wanting a bit more commentary around the lead times. How are you seeing lead times develop now versus last quarter and historically with the more resource? Are they starting to get back to normal? And a sense of how much of the 48,000 growth in physical lines this quarter was as a result of you getting in control and the more resource coming in there. Thank you.

**Ian Livingston**

Okay. So are you moving house shortly, Carl? Was that the question?

**Carl Murdock-Smith - JPMorgan**

I am very worried. I am very worried. That's why, Ian.

**Ian Livingston**

Right. First of all, on Global Services, no, there isn't a megadeal in there. This is a lot of deals. Some of them are a reasonable size, but we haven't been getting the multi-hundreds of millions of pounds deals in there. I think there is more renewals but not megadeals. There is more renewals in there, but they're made up of a lot of orders, I think, rather than a big order. But, Luis, do you want to add anything?

**Luis Alvarez**

Yes. I think that there are quite a good couple of examples that we mentioned, but I could put a little bit more colour on that, as you said. For example, Novartis was the renewal of what we have with them, but we have added also. As you know, they have acquired Alcon. That is a leading player in the eye [health] services industry. And that is adding part of 65 sites around the globe.

And we have combined that, which is a renewal and extension, with the new brands [such] as National Bank of Abu Dhabi, who wants to be the best Arab bank in the world, and we are helping them to centralise all their IT and telecommunications and so on. And the same thing with Clarins, where we have been competing with (inaudible). So I think it's a good combination of renewals and extensions and new brands added with services.

**Ian Livingston**

Thanks, Luis. And we have seen, I'll pass over to Liv in a second, but we have seen an improvement in the outstanding base of orders that we are working through. We are hoping for some dry weather one day but, Liv?

**Liv Garfield**

Yes. The good news, Carl, if you are moving house is that we are within probably literally about 10 days of being perfectly back on the agreed industry lead time. So the agreed industry lead time for a new customer provide is 13 working days, so just over a couple of weeks. And we've been at 14 days for the last few days and gradually improving for the last few months. So, yes, we think or we know that all the resource that's come in has made that difference, and that the backlog of orders that was caught up in the just sheer scale of repair is almost worked through. So I think you're seeing that.

Your other part of the question was whether we are still seeing ongoing, I guess, copper growth across the market. So we'll continue to see demand for copper continuing, so it's not just a clear out. We are still seeing the copper continuing to be a desire, probably linked to fibre orders as well.

**Nick Lyall - UBS**

There's a couple, please. On savings, can I have a shot at savings at least? The move to Technology Services & Operations seems pretty substantial. So, in very general terms, does that mean the savings for the business before Global Services, the core business, could even accelerate or stay similar, and then you could add Global Services savings on top?

And then secondly, back on Vision again, could you just explain why the December quarter was slow, with just 20,000 or 21,000 take-up of Vision? Are people waiting for YouView? What's the dynamic there, please?

**Ian Livingston**

I think the second one, I made reference to that. I think we didn't advertise Vision until early New Year, and it's just we were holding fire a bit until we felt we had enough stock so we were able to accelerate, and we have seen an acceleration since then. So we are not unhappy. It's very similar to the quarter before. But I think our focus is very much going to be in this calendar year, and that focus will increase as we get into the summer quarters. And that's where we'll put our focus. So, Vision we are absolutely happy with.

In terms of the savings, I don't think we'd quite recognise your description of core and Global as two different things. What we'll do in Q4 now, I'll see if Tony wants to add anything to this, but in Q4 I think we'll talk better about overall savings plans and the scale of this next phase of savings potential across the business.

It's not just Global Services and the new TSO organisation, although that's important. There is a number of other things across the business, particularly driving end-to-end processes. And Tony has mentioned this in previous quarters, that this would be a particular focus that will improve customer service, take those out of the business and reduce our costs. But, Tony, anything more to add?

**Tony Chanmugam**

Yes. If you look at what we are doing here, it's the old Operate business. A chunk of it, the majority of it will move into and merge in with the [Innovate &] Design business. But there are other pieces in there that's happening in terms of the overseas activities, where we're merging

what happened within Operate, what happened within the design businesses into Global Services, so that you have one organisation operating overseas, one integrated process from order entry to service delivery, going through one coordinated overall process.

Within the Wholesale business, the support activities, the engineering force that's supporting that, the order entry, is being all merged together. This was work that was previously done within Operate. We're moving some [Innovate &] Design staff into Global Services within the UK. So this is about integration and single, unified processes across the business, across all the lines of business, and it's not something that's specific to any area.

### **Paul Sidney - Credit Suisse**

Just two quick questions, please. Firstly, BT saw a slight pickup in wholesale fibre adds in the quarter. I was just wondering, is there any way in which BT can further incentivise other operators to resell Openreach's fibre product?

The second question is, in terms of the BDUK contracts won so far, what level of premises connected would that take you to, if we take those contracts?

### **Ian Livingston**

In terms of BDUK, most of the contracts are 90% plus of these areas. So, a comment I've made before, if we take all of the BDUK together, I don't know if we'll win all of them but if we did, we think the possibility for the UK is to get well into the mid 90s% of the UK covered with fibre. Whether that's 93%, 94%, 95%, it's a bit early to tell, but that would be our expectation, and the contracts are mainly 90%-ish of these rural areas.

In terms of the hiccup, I think -- don't think we'd recognise a hiccup in terms of wholesale fibre.

### **Paul Sidney - Credit Suisse**

Sorry, it was a pickup.

### **Ian Livingston**

Pickup. I thought you said hiccup. In which case I'm right, then. Good I didn't give you an explanation for it then! The pickup, yes, we have seen a pickup. We've seen a pickup in both Retail and wholesale fibre, and the answer is it just is more communication providers into it.

To be honest, our Retail business has pushed fibre, advertised, invested in it and made it a priority. A number of other players, I think, were very interested in just keeping back with their previous generation technology, because it suited them for their investment in LLU and the like. But the customer, ultimately, I think the customers are showing that they really value fibre and want it, and I think they'll come in.

We already incentivise wholesale fibre by having a really low price and also a volume discount for this, and I think it's one of the most attractive wholesale fibre prices anywhere in Europe. The reason why it's so attractive is we want to fill the network. And so we're pleased with the progress. I think the smaller ISPs are actually doing very well. I think we've seen really good engagement from them. I think we'll see more from some of the larger over time.

In the meantime, and I've said this before, the Retail part of the business thinks that fibreing up the UK and making sure the UK are connected is important for the UK. We believe that as BT as a whole. Other people maybe don't have the belief in connecting up the UK as being as high on their list of priorities, but that will be their decision over time.

### **Jerry Dellis - Jefferies**

I've got two questions, please. One, related to the new restructuring programme, I just wondered whether we should consider this as being a necessity, if you like, to deliver the existing guidance. I'm thinking particularly of the £2.5bn free cash flow number for FY2015. Or does this new programme provide you with potential upside to that existing guidance once the plans are finalised?

And then, second question is about the improving trend in revenues, ex transit. I thought the third-quarter number was probably aided to a degree from a phasing of the Global Services contract milestones last year, and I think there was also a benefit in BT Business in Retail from stopping selling IT hardware. I suppose, going forward, the question is you're guiding to further stabilisation in revenues ex transit, what would be the major drivers of that, please? Thanks.

### **Ian Livingston**

First of all, the existing guidance from the restructuring, on Q4, we will talk about guidance going forward. I think it is fair to say there's some puts and takes, but also that if we spend money restructuring I think the return will be very attractive. So what we'll do is we'll give you an update I think on guidance, and we remain positive and confident in the future and the ability of the business to generate increased cash flow. Beyond that, I think we'll give an update to reflect also the transformation exercise we referred to in this quarter and the impact that will have.

In terms of revenue trends, what we said is H2 would be better than H1 in terms of revenue trends, and that's exactly what you've seen this quarter and you'll see in next quarter. And I think if you look at some of the physical numbers, they're also better, some of the growth in fibre, in broadband, in lines, in order books, so some encouraging things. And we continue to expect to make progress.

But, Tony, anything you want to add about either of these items?

### **Tony Chanmugam**

Yes. Look, there was no phasing benefit from Global Services. It's a straight improvement in the quarter, and we expect that improvement to continue.

### **Sam McHugh - Sanford Bernstein**

Firstly, on the fibre rollout, can you just help me understand the profile of it in terms of homes passed by Openreach, and then how many homes are marketable in the Retail segment and if that changed relative to previous quarters, and also just the capex dynamic between the actual build costs and then the connection or activation costs?

### **Ian Livingston**

I'll actually talk about the capex dynamic between the build costs and -- the connection costs are pretty straightforward, really. There's a charge for the service provider, but I'll ask Liv to just comment on that. There's a gap of about 10 days between something being built and handed over to all the CPs. So, roughly, if you say we do 100,000 a week, it's roughly about a 150,000 gap. That's very broadly the parameter. So we're over 13m in Openreach, so it would be 150,000 behind.

The important thing to think about, if you actually look, I think we've tripled the Retail fibre base over the course of the last year, and many of the areas we've got in Retail, for instance, we've only had for a fairly small amount of time, because we've just been building so fast. But we are seeing good take-up in these areas. And if an area, for instance, has been available for a couple of years, we're seeing good double-digit penetration coming through there. And Northern Ireland's

probably the best example where, as I said, we've now got more fibre connections in BT Northern Ireland's retail business than we've got copper.

So good progress, but it's about a 10-day gap between it being available for the service provider and having been built and commissioned by Openreach.

Liv, on connections?

### **Liv Garfield**

Yes. On connections, most of our connections are FTTC connections, the fibre-to-the-cabinet connections. The CP pays either a managed installation or a base connection fee, depending on the communications provider. So that could be £80 or that could be £105, depends what service you've decided to go for. So that's kind of how connections work.

And obviously, from a capex perspective, we would have capex for the build costs, as you say, and then we'd have capex for the connection costs. So it just works very, very simply, maths-wise, so I guess I'm not sure whether we're missing something to the question, but it's --

### **Sam McHugh - Sanford Bernstein**

Yes. What's the kind of split between the actual connection costs, then, and the build costs, if you see what I mean, when the customer actually connects?

### **Ian Livingston**

The build cost is the big cost for FTTC. Connecting it is about sending an engineer around, because it's copper at the end so it's a pretty simple connection. And that's not a capital item; it's expense. So the capital is in the build cost.

### **Liv Garfield**

It's in all the build.

### **Sam McHugh - Sanford Bernstein**

Okay. Have you got any update on having a self-install option as well, just on that, too?

### **Liv Garfield**

Yes. So, in order to have a self-install option, we obviously have to do the standards activity, which we're working closely with industry, and that requires all of industry to agree some elements around standards. That's underway. We also need to do a decent trial, and that requires industry to get a couple of thousand trialists signed up. Industry, we've got big players, all the big players are committed to getting trialists. They're in the process of working out, from their systems angle, when they can get those trialists on board, how their systems can work and also equipment and stuff, so actively pushing it to be ready.

We said that we'd look to be ready late summer with the self-install product. It will come down to whether the CPs have trialled the scale by then. So from our side, we'll have our share of the work done, and we'll probably be able to give you an update as to how we're getting on with signing up trialists at the next set of results. But I think it will come down to that. So it's imminent, I guess, in terms of working hard to get the trial up and running.

**Steve Malcolm - Arete Research**

I'll go for a couple, please. I want to come back to YouView, I'm sorry. I'm just really trying to understand when you make a more concerted push, because from my perspective, and few would disagree, the consumer proposition is all a bit confused. I know there's some mitigating factors. Maybe you could walk us through those. As far as I understand, there's still some PVR functionality issues around IP multicast. Obviously, you want to launch the sports channel around it as well, I guess merge it with fibre and do a deal with Sky. So when you put all that together, are we thinking April, May, for a more concerted single-platform push around YouView? That would be really helpful.

And secondly, a question on regulation. I guess we're getting a little anaesthetised, I'm sure you're not, to the kind of indignant press releases on Ethernet pricing, ladder pricing. Is there anything you can do to stop this one-way traffic against you? Do you think you're getting the right advice? Is the relationship with Ofcom okay? I'm sure you're pretty fed up with forking out £150m a year to other CPs on stuff you don't think you've done wrong. Thanks.

**Ian Livingston**

Yes, I share your frustration, and I think what happened on Ethernet was a completely unexpected consequence of a legal technicality. We don't think the answer is the right answer legally, and certainly - and I think there's a fairly widespread view - not economically or morally. And are we pretty fed up about it? Yes, we share that.

And I think certainly there is an industry now among the CPs, [where] sometimes they're employing more lawyers than they are engineers, and I think that's not good. It's not good for the industry. It's not good for the customer, because I don't think any of these people were rushing to pass the money back to customers. I think it's clearly gone into their P&L and their bonuses, etc. So it's not a great situation.

Now, are we upping our regulatory effort? Yes, we are. And I think we'll be pushing hard to make sure that there's not [any] unintended consequences. And I think Ofcom have recognised this in some of their work. Some of their recent proposals haven't had a mixture of obligations, basically a mixture of a price control and a cost orientation obligation, [which] was the real problem with Ethernet. And I think Ofcom have recognised that that created an unfair position.

So we're going to be pushing back and pushing back aggressively on that from a regulatory point of view. As I said, I don't think it was Ofcom's intent, but there is an industry. We've seen many things where people appeal 32 different points of a price review, and if they're wrong on 31 of them it doesn't matter because it's a one-way bet. And I think Ofcom would probably share some of that frustration. In the past, we've tried to respect the regulatory process and get a sensible answer. We also have to be clear and make sure we protect all of our legal rights going forward. And, yes, we're putting more resource into doing just that.

In terms of YouView, very simply, the boxes will converge. We expect it in time for the launch of BT Sport. So that will be a single box that does multicast, the conditional access, be able to take Sport, and that will be then. At the moment, for most customers it's pretty straightforward. There's not actually too much confusion. If they want sport, they get one box. If they don't want sport, they get another box. So we'd like to get to one box as soon as possible, but the intention is it will be in time for the start of the sports season.

**David Wright - Deutsche Bank**

A couple of questions. And I'm kind of sorry, we've already chased you a lot on the cost side, especially associated with Vision and TV, etc., but is there any materiality or any guidance you can give us on costs spent to date on production, etc., just so we can get an idea of what the real underlying cost movements are in the business? And I appreciate that it might be a touch difficult.

And then, second of all, you've obviously acquired the content, the football content, from various other sources. Are you now in the process of discussing potential wholesale access to those with your competitors and can you give us any more information on that? I know it's quite difficult at this early stage. Thanks.

### **Ian Livingston**

I think you know the answer to the second one. No, I can't give you any more information. We've said we'll always be open. We expect to be multichannel, not multiplatform. It depends exactly whether that's a wholesale or a retail relationship. We have no fundamental opposition to wholesale. We are happy wholesalers across the whole of our business, have always been, so we'll expect to continue to be so. It's a matter of the price. If the deal is right, we'll wholesale. If the deal is not right, then we won't. It's very simple.

In terms of the costs, we talked about £250m of savings last quarter and over £1bn of savings year to date. In terms of the production costs of BT Sport, as much as I know it's a really exciting area, it's really not that material at this point. As we start to actually produce the thing, then you'll get more of it, but most importantly is going to be the amortisation of the rights acquisition costs, which starts when the season starts.

So, whilst we have spent already multimillions on this, there's many other developments we spend multimillions on that people don't talk about. So, really, we're not asking for any sort of saying, well, we spent millions on this. Certainly the impact of it has been a lot less than has been the effect of the rain on Openreach last quarter, as an example. So I think it's really when next year starts, a new football season. That's when you really look to the kick-up on costs. Obviously, there'll start to be more next quarter, as we do the preparation, but it's really the start of football season that you see it.

### **John Karidis - Oriel Securities**

Two questions, please. Firstly, depreciation versus capex, should we expect depreciation to start falling towards the capex level, and if so over how many years?

And then secondly, the wet weather exceptional costs, is it possible to give us an idea of what we're talking about here? Are we talking about single millions per quarter or tens of millions per quarter?

### **Ian Livingston**

Well, the overall scale of the specific item, over a period, it will be I think hundreds of millions going into next year, including next year as well. So I think we are talking about quite significant changes in the nature and shape of the business and the scale of the opportunities there.

In terms of depreciation, it is trending down. I think we'll give in Q4 a bit more guidance but over time, yes, it will trend down towards our capex level. And I think you've already started to see some of that trending down happening, and you'll continue to see this. We've been spending at the £2.5bn, £2.6bn level now for a number of years, and eventually depreciation starts to come down. I think fair to say we've been pretty conservative in the way we've been depreciating assets, and that's the right way to be. But, yes, you will continue to see it trending down.

I think we'll try to give some guidance on that and a number of other things in Q4, when we look forward to future years.

### **John Karidis - Oriel Securities**

Sorry, Ian. Were you talking about hundreds of millions of exceptionals due to the wet weather?

**Ian Livingston**

Sorry, I misunderstood you. I thought you were talking about the restructuring. No, it's a few tens of millions, £10m, £20m, that sort of amount in the quarter, so double digit but not well into double digit. Sorry, I thought you were talking about the specific item we'd referred to going into the course of next year.

**James Ratzer - New Street Research**

I have two questions, please. The first one was just on your capex bill [which] was encouragingly low in the quarter. As we go forward into the few years, as fibre build is increasingly completed and fibre is supposedly more efficient than copper, is your capex guidance of £2.6bn looking too high? Why shouldn't that start to come down quite a bit from this level?

And then the second question was on the revenue trends in BT Retail. Since fibre has launched you've now got 15% of your base already taking the product, but during that period BT Retail revenues are actually down I think about 6% or 7%. So what can we see happening to cause that trend to inflect, start to stabilise, or unfortunately do you think Retail revenues still remain under pressure going forward? Thank you.

**Ian Livingston**

Well, I think on Retail revenue, as I mentioned, we held our prices throughout 2012, unlike some other players. We didn't increase any of our key prices. And if you look at the line revenue, for instance, you see a big drop-off. Actually, the other numbers are very encouraging, certainly in terms of broadband and fibre growth. You see that coming through the numbers, so the convergence revenue is up. I think you will see improvements in BT Business. We've mentioned that already. So I think the physicals are good, and you'll see the absolute numbers follow on from that. So, I'm very happy with that.

In terms of capex, the fibre programme hasn't finished. We've got a lot more to do. When the fibre programme does finish, will that improve capex? All other things being equal, absolutely. But in the meantime, we are busy rolling out - we've got still some more in our commercial rollout programme to do, although we're making very, very good progress. But we've also got BDUK, and we'll be moving as quickly as we can on the BDUK stuff, so we're recruiting people. So we were spending capex on that. But overall, we continue to get more efficient in our capex, but we are most definitely not finished in terms of the fibre programme, but we're making really good progress.

And the great news is, of course, once you've built the thing, and as you sign up customers, you're signing up customers that will be good margin, because it's a return on the capital you've already spent. So, no, we'll carrying on progressing. Capex is being done efficiently and effectively, and we're going as fast as we can on fibre and other programmes.

**Guy Peddy - Macquarie Capital**

Just a quickie, please. On the multicasting technology, are there any capacity limitations to how many HD channels and standard definition channels you can actually have?

And secondly, on cost cutting, can you talk about how much of the £1bn of effective cost cutting you've delivered in the nine months so far, how much of that is directly revenue related and how much of that is actually what I would call core fixed costs being taken out of the business and therefore is sustainable into the longer term? Thank you.

## Ian Livingston

On multicasting, yes, there is a limit, but actually that limit increases as we increase the bandwidth. And that's absolutely something that we're investing in to increase the bandwidth we can deliver over multicasting, which in turn will significantly increase the number of channels that we can do it on. So it's a question of how much bandwidth you throw at it, and we will be tripling the bandwidth, I think, over the course of this calendar year. So, that will give us lots more opportunities to deliver more channels. Of course, you've got channels delivered with the single box and YouView over free-to-air as well, so you have a range of different options about how you deliver things.

Tony, do you want to talk about the cost side of things?

## Tony Chanmugam

Yes. Slightly over half the costs are costs that are non-revenue related. On the slide pack you'll see that we put down I think it was about £132m was transit-type revenues, so revenue costs associated with the transit revenues.

The bulk of the costs that we take out are long term, are sustainable. I think it's worth probably emphasising to everyone that the opportunity for further cost cutting remains within the business. We've put together the requirement for a restructuring provision. We'll give the details on that, but that will make substantial cuts in expenditure across the business during the course of the next couple of years.

## Lawrence Sugarman - Liberum Capital

Just a couple of questions from me. Firstly, Ian, in your commentary you talked about in Global Services things not incrementally worked at, some signs of improvement. Could you perhaps give a little colour in terms of whether we're seeing any improvement specifically in the UK and also, just with respect to medium-size businesses as well, how the macro environment is developing?

And then just secondly, there was a reference to the debt profile. I know in the previous set of results you talked about how the opportunity for potential savings around interest is a more medium-term issue. Has anything changed around that? Are any opportunities developing in the debt market to potentially improve the rate of interest that's being paid?

## Ian Livingston

I'll let Tony talk about debt profile. On Global Services, it's difficult in one quarter to give too much of a view. I think I would say overall the UK is probably a bit less worse, which seems to be the phrase of the moment, and I think that's true both in the large corporates and SME sector. Government expenditure I think remains subdued. But a lot of our UK customers are big global customers, and they are impacted by the UK economy or otherwise. But UK's still difficult, not as difficult as Southern Europe, but certainly doesn't look like the high-growth economies.

SMEs, I think as with many things there remains a headwind with SMEs, but we think there remains a real opportunity with the SME market, and a lot of this is about how you grow your market share. If you look at the total ICT market for SMEs, we've got a 10% market share. So whilst in the communications we've been gaining market share, certainly according to all the Ofcom numbers, for a number of quarters, it's been against a declining market.

And that's been problematical because we've got a 40%-odd market share in that, and that's difficult to overcome the declining market but in the IT market, where we've got a low market share, and the ability to grow our market share is the most important thing, and I think we remain positive on our opportunity in the SME market.

On debt, Tony?

### **Tony Chanmugam**

Yes. If you look at slide eight, it shows the profile of the debt coming forward. But very simplistically, in terms of the interest payments, the £1.4bn that we've paid down, we're going to have savings on 5.7%, which is the average coupon rate, over that.

In terms of the ability to buy back old debt, I can't get that to be NPV positive, and we're not going to do anything unless we can make it NPV positive, so that will just have to flow through. If opportunities come up that allow us to do that, then we'll take it.

### **Adam Rumley - HSBC**

I've just got a couple of questions on the fibre deployment. Firstly, do you think the government is satisfied with the progress? I'm sure they are, but are they happy with the fact that you're winning all the BDUK contracts?

And then secondly, are you concerned about state aid and the risk that the government funds could be directed towards parallel fibre builds within cities? I'm thinking here particularly of Birmingham.

And then finally, I just wondered if you could give us an update on the Retail side of the customers taking the upper tier fibre product. Is it still the majority? Thank you.

### **Ian Livingston**

I'll ask Gavin to talk about Retail customers. In terms of pace, I think it's been difficult for people. I think people certainly should be satisfied with the fastest [connection] in the world. I'm not aware of an interplanetary contest on this, but we're doing well as far as Earth is concerned; we're the fastest in the world. And we're working with government very closely to see how we can go faster, because many of the things are things like planning issues, electricity supply and trying to remove these obstacles.

We've recruited 1,000 people this year to help in the build, many of them from the armed forces. And I've said many times, we don't think we will win every area. There will probably be somebody who will win. The reason we're winning is actually because we've got an industrialised process and we're prepared to commit to the investment. That's not our fault. But one thing is, when we win, we've got open platforms that allow anyone to sell the service.

So, actually, the UK is in a much better position if BT wins with its open platform. A whole range of service providers already have the systems to provide this. And it's why you've got 60 or 70 people offering fibre to customers from BT, whereas if you look at some of those specialised projects like in South Yorks, I think they've done 100 or a few hundred connections from a few service providers. So I don't think that's good for the UK, and more importantly, I don't think that's good for customers.

Now, in terms of cities, I think we and Virgin would share the same view that the Birmingham programme has not been well thought out. I think in the UK we should really be focusing at where there isn't an infrastructure, rather than where there already is, and particularly focusing on areas such as business parks, which maybe have been a bit more difficult to reach. And both Virgin and ourselves have been saying to government that's not a terribly sensible way.

And I hope Birmingham will come up with a new set of proposals, because the current one I think would be a real example of your money as a taxpayer being wasted. It will stifle some of the investment that otherwise would be in Birmingham. So hopefully Birmingham will come up with a different answer, and certainly we've been working with a number of cities, as I'm sure other

providers have, to really identify how we can turbocharge businesses. Because that's what the UK needs, is businesses being turbocharged by having fibre where they've not got it available, rather than giving them an alternative fibre to one that already is.

### **Gavin Patterson**

I think you had a question on Retail. The metric I've talked about before is where we've rolled out fibre and customers are out of contract, what percentage of them take fibre who could, and that continues to run over  $\frac{3}{4}$ . So when faced with a choice, a majority are taking fibre, a good majority, in fact. And indeed, 50% of them are taking the top tier.

### **James Britton - Nomura International**

I'll try and squeeze two quick ones in. Have you been able to assess the consumer reaction to the January price increases yet? I think you bill line rental three months in advance. So would you expect any churn pickup in the coming quarters?

And then finally, can you just update us on your expectations for FTTH rollout out to 2015?

### **Ian Livingston**

On the second one, not really. It depends what happens, I think, on a couple of things. First of all, what happens on BDUK in terms of the particular mix that the local authority is looking for, but also on changing some of the rules regarding access to multi-dwelling units is really important. That's one of the points we're making to government, that we would do more fibre-to-the-premise if we could actually get into the premise. And some owners of apartment blocks, freeholders, are not being terribly helpful on that in some cases.

But actually, the important thing is a point we've made before, is we intend to make fibre-to-the-premise available to –any area where fibre-to-the-cabinet's available. So the answer is going to be over 90% of the UK should have fibre-to-the-premise available to them if they want to use it by a fibre-to-the-premise on-demand product. And I think it's really important to say what we're trying to do is deliver speeds that are currently 80Mbps and will be over 100Mbps, and maybe even more, to all customers.

And for those customers, of which I don't think there'll be an enormous number, who say actually I want to be at multihundred of Mbps, because let's say I'm a small business who's very IT intensive or whatever, (and I think there won't be a huge number of these), I want to do something more than that. That will be available to them. But we're getting the best of both worlds by having the speed and price associated with FTTC and speed of rollout, and also the availability for those people who want it under FTTP.

And I think that's a really good answer and I think it's something a number of countries have been looking at. It was interesting to hear, for instance, Malcolm Turnbull of Australia commenting that the Australian fibre programme should really look to copy BT in the UK. And I think that's probably a first- having someone from Australia say we should copy the UK.

So that's in terms of the speed. Was there another question?

Oh, the prices. I'll ask Gavin to comment but one of the things people tend to comment on are price increases and not price reductions. We've been in a marketplace where actually we've seen aggressive offers on broadband on one side and probably inflation, inflation-plus increases in line rental, albeit we froze our prices through the course of last year.

**Gavin Patterson**

I think you've captured the point I was going to make there, Ian. I'd see a marginal effect of any price change in January, or I would expect to see one. And you've got to balance the promotions and the new propositions that we've got coming through on broadband and fibre and TV against anything on the price increase side of things. So I think it will be a marginal effect.

**Ian Livingston**

As I said, newspapers cover price increases rather than price reductions, but the UK remains one of the cheapest places to buy telecommunications. For instance, 30% to 40% cheaper than the US, which is quite remarkable, and I think that's quite an interesting statistic. And if you look against continental Europe, very much the same story. The UK is one of the cheapest markets, anyway.

So, with that, thank you very much for coming on the call. Have a good day, and I hope you all have a very good weekend.