

# Analyst

BT's quarterly newsletter for industry analysts  
Issue 01 August 2005



## Broadest, Biggest, Richest

On 29 June 2005, BT gave analysts an update on its BT Global Services business. The event saw Andy Green, CEO BT Global Services, joined by Ben Verwaayen, CEO BT Group, and a number of senior GS personnel, outline BT Global Services' winning track record and how the re-invented organisation is now poised to deliver increasingly profitable revenue growth for the BT Group.

"This business is unrecognisable from that of a few years ago," Andy Green reminded the audience. "Our journey has taken us from being a scattered, unprofitable business with no clear message to the marketplace to becoming the fastest growing part of BT.

"Today, we are significantly outperforming the market with our ten per cent growth rate."

Continued Andy, "BT Global Services has won more than £18 billion of contracts in the last three years. Around the world, we have been signing up two or more new customers every working day in the last

reported quarter. Indeed, we have just come out of the best year we've ever had – we turned in our first ever full year operating profit.

"Given that we were facing a £550 million loss three years ago, I think many people would have been surprised that we made a profit," added Andy.

### First ever profit

In giving a reminder of the past, Andy Green emphasised that the event was really all about the 'customer story' and how BT Global Services has achieved organic growth with its customers.

"A whole range of players have trusted us to modernise their global IP infrastructure and run it going forward. They have understood the importance, agility and flexibility that they get from that transformation," he said.

Participating at the event were two major BT Global Services customers:

Visa, represented by Brian Hockett CIO and CFO of CEMEA Region, Visa International, and Liverpool City Council, represented by CEO, Sir David Henshaw.

Brian Hockett told delegates how BT had been a small-scale supplier to Visa in the early 1990s but had now become a major partner. "BT provides us with a fantastically reliable network that connects all our member banks," he said.

"We are very happy with the contract and the price that we are paying for the services being provided. I assume the fact that BT is not asking for more money means that it is also making a good profit from it, which is what is necessary for a good partnership. We would expect this partnership to extend in years to come."



Andy Green, CEO BT Global Services

Sir David Henshaw outlined how by partnering with a commercial player like BT Global Services, Liverpool City Council had been able to transform itself to become an "intelligence-led local-government providing world class levels of service to our customers."

Andy Green then gave updates on the progress of BT's three major acquisitions – Infonet, Radianz and Albacom – and the incorporation of BT's UK Major Business operation. The addition of these businesses means that BT Global Services now employs 30,000 people based in 50 countries, providing solutions for customers in more than 170 countries.

### A new type of partner

"BT Global Services has a unique position in the marketplace including having the broadest, biggest, and richest network," said Andy. "Our customers – and our prospective customers – recognise us as a new type of partner and a new breed of international services company. We believe we are a world leader in this new digital networked economy."

- For more details about this presentation please see: <http://www.btplc.com/Siteservices/Servicesforindustryanalysts/index.htm>
- A wide range of BT customer case studies is available at: <http://www.btglobalservices.com/en/aboutus/customers.html>

## First Edition

Welcome to the first edition of the newsletter from BT's analyst relations team. We are publishing this in response to requests from analysts for a quick summary of what BT has done over the past quarter.

In this issue you will find information about the transformation of BT Global Services, along with a snapshot of some of our recent wins.

Also covered is BT Fusion, the world's first fixed/mobile converged phone, as well as the progress being made in developing our 21st Century Network (21CN). And throughout the newsletter you will find plenty of links to more detailed information.

We hope you find this useful, and as always would be very pleased to hear your feedback on either the content or the format of this publication.



# A New Era of Regulation



**Ofcom published the findings of its Strategic Review of Telecommunications at the back end of June, and the contents of its report were welcomed almost unanimously across the industry. BT's proposed Access Services unit is to deliver equal access.**

Most of BT's competitors seemed to be, at the very least, 'encouraged' while Ben Verwaayen, BT's CEO described the announcement from Ofcom as "very good news all around for the industry and therefore, also for BT."

"I would characterise the announcement as a very defining moment," said Verwaayen. "We have had twenty years of micro-regulation all over the place. There is now an opportunity for everybody in the industry to have clarity, certainty and an

enforceable set of arrangements – I think we've got all of these."

In June, BT proposed measures to help support Ofcom's outline settlement. The measures have been designed to specifically enable equality of access to BT's local network – creating an environment that will encourage investment and innovation across the industry.

Central to the BT proposals is the creation of a new business unit within BT

to provide transparent and equal access to the nationwide local network. This unit – currently known as Access Services – will be highly regulated and its performance monitored and reported on by an Equality of Access Board (EAB).

This Board will have a majority of independent external members appointed in consultation with Ofcom. Carl Symon, one of BT's independent non-executive directors, is the chairman designate of the Board.

## Equality of Access

Access Services (AS) will ring-fence most of the longer term regulated parts of BT within one business unit, allowing regulation to be rolled back in markets where everyone has an equal opportunity to compete.

The unit will manage and supply access and backhaul services, including unbundled loop services, to all BT's wholesale customers in the UK.

Its management team and its people will be tasked to deliver efficient management of their business, customer satisfaction, and equality of access to its services. It will employ around 30,000 people, have its own HQ, distinct brand and be responsible for a multi-billion pound annual turnover.

- For a summary of BT's proposals please see the analyst presentation at: <http://www.btplc.com/News/Presentations/Industryanalystspresentations/index.htm>
- BT's proposed undertakings in full are at: <http://www.ofcom.org.uk/consult/condocs/sec155/>

## Cardiff is first for 21CN roll-out

The people of Cardiff and its surrounding areas will become the first in the UK to enjoy communications services provided over BT's 21st Century Network (21CN).

Around 350,000 customer lines in the area, including many served by other telephone and internet service providers as well as mobile operators, will be migrated to BT's next-generation network. Migration is expected to commence in the latter half of 2006.

This major milestone in BT's 21CN programme will require the replacement of equipment in more than 50 local exchanges and the implementation of new IT systems to underpin the delivery of services including phone calls, broadband, and Ethernet services to customers.

BT will also develop three new metro nodes – or super telephone exchanges – in Cardiff, Swansea and Newport, with a further 10 transmission sites developed across the region.

Rhodri Morgan, the First Minister of the Welsh Assembly Government, said: "It's incredibly exciting for us that Wales has been selected to provide the test bed for BT's new 21st Century Network. The Welsh economy is thriving and growing. This investment by BT clearly signifies that Cardiff and central South Wales is one of Europe's most dynamic and progressive regions. The end result



will transform our personal and business lives, and help attract high tech industry and services to Wales."

- For more information about BT Wholesale initiatives please see: <http://www.btwholesale.com>



## World First is also 'Best of Both Worlds'

**"All the convenience and all of the features of a mobile phone but with fixed lines prices and quality."**

BT Fusion, the world's first ever true fixed mobile convergence (FMC) product was launched in London on 15 June. Fusion works just like a mobile phone when the user is out and about, but switches automatically and seamlessly onto a BT Broadband line when the user gets home.

Apart from the convenience of just having one handset for all calls, users will be able to take advantage of cheaper fixed-line tariffs compared with existing mobile networks. More than 3,500 people registered for the service on its first day of launch

Nearly every major carrier worldwide is looking at FMC but BT is the first to launch a service to the market.

UK national newspaper The Times, said: "The launch of a combined fixed-line and mobile telephone service is a significant technological landmark. BT's fixed-line peers around the world will be watching the progress of Fusion."

BT Retail CEO, Ian Livingston, said: "We promised to launch the world's first seamless combined fixed and mobile service and now we're doing it. The service will transform the communications landscape and bring excellent value to customers. It will bring customers the best of both worlds."

- For more details about BT Fusion please see: <http://www.btplc.com/News/Presentations/Generalpresentations/Bluephone.htm>

## Q1 financial highlights to June 30

- Revenue of £4,783 million, up 5 per cent
- New wave revenue of £1,385 million, up 48 per cent
- Group operating profit before specific items<sup>1</sup> of £648 million, up 10 per cent
- Profit before taxation and specific items<sup>1</sup> of £511 million, up 20 per cent
- Earnings per share before specific items<sup>1</sup> of 4.5 pence, up 25 per cent
- Net debt of £8,121 million, 4 per cent lower than previous year, including additional finance lease liabilities recognised under IFRS
- Broadband end users of 5.6 million at June 30, 2005

<sup>1</sup> – before specific items which are material one off or unusual items

For more details see: <http://www.btplc.com/Sharesandperformance/>

## Wins, Launches & Recognition – April – June 05/06

### Wins

Here are brief details of just a handful of the many contracts BT has won over the past few months...

**InBev outsources its communications infrastructure to BT (30 June, 2005)** – Contract of around 175 million euro over seven years with leading global brewer InBev for the outsourcing of its communications infrastructure across the world into a single virtual contact centre.

**BT signs contract with Call Center Poland (30 June, 2005)** – A 2.3 million euro, three year contract with Call Center Poland (CCP) – the leading Polish telemarketing company – to provide advanced IT services for CCP's call centres as well as for in-house call centres managed by CCP.

**BT serves US Open to expanding Asian market (16 June, 2005)** – New contract enables dedicated satellite distribution service for Total Sports Asia.

**BT ensures NBC continues to service Wimbledon coverage to the US (16 June, 2005)** – BT Media and Broadcast has been contracted by NBC for the 2005 and 2006 seasons to bring weekend coverage of Wimbledon to tennis fans across the US.

**The tennis channel entrusts BT Media and Broadcast with its future transmission requirements (13 June, 2005)** – The Tennis Channel, the cable television network devoted to tennis and other racquet sports, has expanded and extended its transmission agreement with BT Media and Broadcast.

**BT and Panasonic sign field force automation contract with AA (08 June, 2005)** – A three-year, multi-million pound outsourcing contract with the AA, the UK's largest motoring organisation.

**Premiere migrates all its call centres to a managed Voice over IP platform supplied by BT and Wicom (01 June, 2005)** – BT, Wicom and Frings Datacom implement one of Europe's largest IP-based contact centres for Premiere and integrate twelve sites.

**RadiSys Corporation selects BT Infonet for managed global IP MPLS service (25 May, 2005)** – BT Infonet-managed IP VPN secure network connecting eight sites supports manufacturing of RadiSys' embedded devices.

**BT's next-generation data centre wins Microsoft EMEA hosting contract (23 May, 2005)** – Microsoft, the world's largest IT and software company, has chosen BT to host its Office Live Meeting 2005 services for Europe, Middle East and Africa (EMEA).

**BT to manage H&M's global data communications (12 May, 2005)** – The signature of a three year contract with H&M, the Swedish-owned, international fashion retailer, covering the management and development of its global data communication network.

More Wins, Launches & Recognition on page 4...

# Profile: Nicola Rossi

**Nicola Rossi is head of analyst relations for the BT Group.**

"I thought I'd stay at BT for two years. That was in 1989. I'm still here because I simply haven't been able to tear myself away. BT touches the life of everyone in the UK, and countless others worldwide. And now the pace of change in our business is accelerating it's great being part of the team that's stepping up to the challenge."

Nicola has pursued a career in communications management since graduating from UCL with a degree in English literature. Before joining BT, Nicola worked at the Design Council and

was head of European PR for a global analyst firm. She has managed high profile, business-critical communications projects for BT, and worked with a wide range of audiences.

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Nicola Rossi, head of analyst relations, BT Group

## Wins, Launches & Recognition – April – June 05/06

### Wins

Continued from page 3...

**BT signs new contract with Santander-Abbey and a Global Partnership Agreement with Grupo Santander (09 May, 2005)** – A new, five-year contract to provide the complete range of telecommunications facilities for Abbey, Grupo Santander's retail banking subsidiary in the UK.

**Jacobs Engineering Group selects BT for multi-year networking contract (04 May, 2005)** – A multi-year managed services agreement with Jacobs Engineering Group, Inc.

**BT provides a clearer picture for NHK (12 April, 2005)** – A three year contract with NHK, a major Japanese public broadcaster, to supply a full-time High-Definition (HD) circuit from Paris to New York.

**Caixa Galicia chooses Cisco Systems and BT as technology partners to improve internal efficiency and customer service (12 April, 2005)** – The financial institution, leader in customer service and innovation, positions Galicia at the forefront of technology adoption in Spain's financial services sector.

**BT signs eight million euro contract with AIB (07 April, 2005)** – A three year contract to provide a state-of-the-art network for AIB's New Banking Platform.

**Autoroutes Paris-Rhin-Rhone monitor motorists safety and wellbeing with BT (06 April, 2005)** – France's second largest motorway group, Autoroutes Paris-Rhin-Rhône, has chosen BT to design and implement an IT system to manage its on-call duty service and traffic rescue agents.

### Launches

**BT Infonet extends SWIFT Secure IP Network access to financial institutions in remote locations (07 June, 2005)** – BT Infonet, a leading provider of global communications services for multinationals, today announced the availability of a new cost-effective, Internet-based SWIFT connectivity option for financial institutions in remote locations.

**BT launches new service to boost customer network performance (27 April, 2005)** – The launch of a new service to enable business customers worldwide to prioritise their voice, multimedia and data traffic as they run simultaneously over converged networks.

**BT Infonet launches next generation IP VPN Service – Application Centric VPN (19 April, 2005)** – New network service helps companies align IT with their business objectives by incorporating application management.

### Recognition

**BT Germany certified to BS 15000 (23 June, 2005)** – BT's German operation has become one of the first German companies to be certified to BS 15000 (BS = British Standard).

**BT achieves Global Managed Service Provider Partner of the Year Award from Cisco Systems, Inc. (23 May, 2005)** – BT received a Global Award during the Cisco Partner Summit 2005, held in Vancouver, British Columbia.

**BT Web Solutions wins best Web Development Company at ICT Excellence Awards (22 April, 2005)** – Top Award coincides with Labyrinth's rebrand to BT Web Solutions.