

**Belgacom SA**  
**Presenter: Didier Bellens**  
**Friday 6<sup>th</sup> March 2009**  
**13h00 GMT**

Operator: Please stand by, this is Premiere Global Services, we are about to begin. Good afternoon ladies and gentlemen and welcome to today's Belgacom Full Year 2008 Results Conference Call. For your information this conference is being recorded. At this time I would like to turn the call over to your host today, Mr. Didier Bellens. Please go ahead sir.

Didier Bellens: Thank you very much. Welcome to our conference call on our 2008 Full Year Results and as usual some of my colleagues, I would say all of my colleagues of the management committee have joined me for this call and will be very happy to answer all of your questions once the Q&A line is open, so we have Ray Stewart of course; also Gregoire Dallemagne responsible for Strategy; Scot Alcott, SDE; then Michel De Coster, Michel Georgis and Daniel Kurgan responsible for the International Business.

Before we do that and we go to the Q&A I would like to make just a short comment on our 2008 achievements. As you could read in our published report we've met our 2008 full year guidance on all metrics. The group revenue of 5.5 billion 978 million is a 1.4% decline compared to last year. This includes the positive impact from Scarlet and Tango for 52 million and the revenue pressure from regulation for a total amount of 138 million. On top of that the revenue was impacted by the Telindus divestment programme. The reported EBITDA of about €2 billion before non-recurring items brings us to an EBITDA margin of 33.3% which falls within our estimated range and a CapEx in percentage of revenue excluding the broadcasting rights for football is exactly 11%. We also managed to end the year with a good set of operational results. First of all 2008 proved to be a very successful year for Belgacom TV. We added more than

200,000 new customers which means we significantly exceeded the growth of the year before.

By the end of 2008 our TV customer base accounted for more than 500,000 customers. We also had a strong fourth quarter for our mobile business with a growth of 96,000 customers and for the full year we added no less than about 300,000 mobile customers mainly under our own brand Proximus.

Our broadband business too continued to grow. We added in 2008 more than 100,000 new customers and as a last point on our operational results I would like to mention that we succeeded to sell the converged bundles for our residential customers. We sold about 150,000 new packs in 2008 which brings us to a total of over 300,000 packs by the end of 2008.

I think it's also worth mentioning that our smaller business unit International Carrier Services performed very well in 2008. The continued efforts to increase volumes clearly paid off. The very solid volume growth is also reflected in the ICS revenue growth of close to 9%. With this I think I can conclude that despite a tough regulatory environment and strong competition we can be pleased with what we achieved.

For the year 2009 we expect a continued sharp competition and an impact from regulation. Also the level of impact on our results is expected to be notably less than in 2008. It's also clear that we operate in an unfavourable economic climate, therefore we have put in place several pre-emptive measures which focus on cost efficiency and CapEx control. At this point our best estimate for the year 2009 is a revenue decline of about 1%, an EBITDA margin between 32% and 33%. Regarding investment levels we will manage the CapEx between 10% and 11% of group revenue.

A last topic I would like to address is the shareholder return. I am pleased to say that our board of directors yesterday decided to propose to the Annual Shareholder Meeting of April 8<sup>th</sup> an ordinary dividend of €1.68 per share which is the same as last year.

So with this I think we can start with the Q&A session. Thank you.

Operator: Thank you. The question and answer session is conducted electronically. If you wish to ask a question please press \*1 on your telephone keypad at this time. Please ensure that the mute function on your telephone is switched off to allow your signal to reach our equipment. We will take questions in the order received and we will take as many as time permits. If you find that your question has been answered you may remove yourself from the queue by pressing \*2. Again please press \*1 to ask a question. Also when each questioner is not asking any question and is not speaking please mute yourself to avoid any background noise. We will pause for a moment to allow everyone to signal for questions.

Our first question comes from Luis Prota from Morgan Stanley. Please go ahead.

Luis Prota: Yes, hello, I have a couple of questions. The first is on the guidance you have provided. I wonder if you could clarify whether the 1% revenue decline is including the full year contribution from Tango and Scarlet and the deconsolidation of Telindus subsidiaries which on my numbers means that the organic decline is around 3%. Then if you could elaborate a bit on which are the weaker areas within the company for this 3% organic decline in revenues. The second question is on the CapEx flexibility that you have, some other companies in the sector are highlighting that they can cut CapEx 50%, 70% if things are going worse to protect cash flow. Could you elaborate a bit on your chances here to protect cash flow? That would be nice, thank you.

Didier Bellens: The first question about the guidance, the 1% decline you're right, it includes everything and Ray, can you talk about organic decline?

Ray Stewart: Yes, I guess we don't agree with the 3% because we had a strong contribution I think it's even mentioned in the press release in 2008 from Tango and a little bit from Scarlet so we've

already got revenues in there and then we have the divestments from Telindus so I guess when I do the math I don't get anywhere near 3%. So I guess we'll just stick with our 1% but we don't see a 3% organic decline.

Luis Protta: Ok, and the question on CapEx please?

Didier Bellens: CapEx, I'll start maybe and Ray will take over. I'm happy to hear that some of our peers can decrease CapEx by 50% without impacting the business. We've put in place a plan where let's say not only do we control the evolution of the CapEx but we postpone ordering investments looking at the evolution of the business and we'll see if and when we have to take the decision to cut and if we can cut further. Having said that we also believe that there are some opportunities in this market. As you know we still have our very strong balance sheet and we always consider CapEx as an investment with a real return on investment so if the return on investment is good and especially helps us developing our customer base and quality of our service it's unclear today if we are going to decide just to slash the level of CapEx for the sake of saying that we slashed the level of CapEx. We may decrease it further, 50%, let's say the answer is no. On top of that the level of our revenues today and what we see in the residential market, we see a resilient market. We may be hit indirectly in the EBU market and the international business is doing extremely well even now, so that's what we see in the market today. So I don't know Ray if you want to add something on CapEx. Flexibility, yes, we have flexibility if we want but the point is number one is that it's necessary today. We have the process in place and we think also about the development of the business.

Ray Stewart: The other thing to keep in mind is that the guidance we've given is as a percent of revenue so if indeed we start seeing a shortfall in revenue we'll manage the CapEx to that but we're not just going to automatically say we're cutting it 50%.

Luis Protta: Very clear, thank you.

Operator: Our next question comes from Akhil Dattani from JP Morgan. Please go ahead.

Akhil Dattani: Hi, good afternoon, a few questions please. Firstly if I look at the carrier business, as you mentioned it's a very strong Q4 number that you reported but I guess that's an area in which we have probably a little less visibility than the other divisions. I just wondered if maybe you could talk a little bit about the key drivers here and I guess within that really help us understand whether we should view the Q4 pick-up as sustainable or maybe driven by one-off issues, so I guess some kind of sense here in terms of the '09 progression we should be assuming. Then on the fixed line side you introduced a number of price increases in October. If I look at the voice ARPU there does seem to have been some improvement there, however in the total fixed revenues it doesn't seem to be so apparent. I just wondered if maybe you could talk about the trends here also and I guess within that provide a little bit of colour in terms of what might be offsetting the improvement in the traditional fixed line business from the price increases. Then my third question is just on mobile where it seems that your Q4 MoU declined by about 6% following positive momentum over the prior quarters. Could you just explain what the shift here is maybe within the context of what you're seeing in the market as a whole at the moment? That's it, thank you.

Didier Bellens: For the first question on the carrier business Daniel may answer that question.

Daniel Kurgan: Good afternoon. The reason why we have posted that growth in Q4 is essentially due to the customer mix that we have versus our carrier competitors with a much bigger exposure on the mobile market and geographic focus because we generate a big part of our business from Africa, Middle East, Asia Pacific which are still growing regions. So the combination of the two has enabled us to outgrow the market which is still a growing market in volumes. The product mix we have especially towards the mobile community with our voice and data products, that has

enabled us to win market share so the combination of the two explains the growth. At this stage we don't see any change.

Didier Bellens: Ok Daniel, thank you. So the second question is related to fixed line. Maybe Michel De Coster together with Michel Georgis because as you know we are today organised differently and you have fixed line.

Michel Georgis: Maybe I will start with the consumer part. Indeed when you look at our net line loss in Q4 we achieved -36, what is in fact the best result since a couple of years in terms of limiting the erosion and the main factor for that was the growing trend of our VOIP lines. So you spoke about indexations partially also, the result of our ARPU Q4 that is increasing to €22.2 due to the indexation in July and August compared to a total year ARPU that is slightly decreasing by 1.7. So regarding your question about the mix fixed voice we have there a subscription fee of €18.4, for the VOIP offers we have different tariffs but I would say that it's slightly... we have for example the No Limit that is at €17.5 and we have an I-Talk Happy Time at €15 so it's slightly under the price of the PSTN but it's a good way to contain I would say and to limit the erosion of fixed line that still represents 71% of the total penetration in voice markets in Belgium and we have 29% of mobile only. So that's for the consumer part.

Michel De Coster: The enterprise part is quite similar. I think even the voice net line loss is slowing down because we have growth in Voice over IP so that's quite similar to what Michel Georgis has been saying. With regards to the ARPU, it's indeed mainly due to the October and July, the two main waves of indexation so there's quite some similarity between the two divisions there.

Didier Bellens: The third question is for mobile, Michel?

Michel Georgis: Can you repeat the question? MOU, so it's clearly linked to the increase of the free SMS but despite that if we normalise the figures you still have an increase of 10% but it's clear that you

see the arrival of a certain number of new tariff plans where we offer quite a lot of free SMSs but again I repeat year on year we grow from 55 SMSs per user per month to 60.

Michel De Coster: With regards to the EBU, Enterprise Business Unit overall MoU is a small decline of 1.9% and we've seen throughout the year some different hikes because in Q4 the MoUs were up again, so normalised over the year it's quite flattish. So that's for enterprise.

Akhil Dattani: Ok, thank you.

Didier Bellens: Thank you. Next question?

Operator: Our next question comes from Bart Jooris from Fortis Bank. Please go ahead.

Bart Jooris: Yes, hello, good afternoon, Bart Jooris, Fortis Bank Brussels here. I have a few questions, first of all in your outlook you don't seem to include a further MTR cut in 2009 while Mobistar on the other hand does include an MTR cut. Could you elaborate on that? The other one is regarding the acquisitions, could you elaborate a little bit what the progress is on the selling of the network of Scarlet? Could you provide us with KPI figures for Scarlet and Tele2 Tango at the end of 2008? Looking forward will you include all figures in your reporting or will you report these acquisitions separately?

Didier Bellens: Let's start maybe with the third question, that's for Ray. Are we going to report Tango and Scarlet?

Ray Stewart: Tango and Scarlet will just simply be part of the CBU business, so their revenues, operating expenses etc like they were in 2008 will just be part of CBU.

Didier Bellens: Ok. Michel, MTR?

Michel Georgis: Let me maybe do some history regarding the MTRs in Belgium. If you remember we had on December 2007, the BIPT took the decision to reduce the asymmetry between the mobile operators by half as of 1<sup>st</sup> Feb 2008. Afterwards the decision has been suspended on 4<sup>th</sup> April by the Brussels Court of Appeal so we went back to the situation of August 2006. At the end of 2008 the BIPT has started a process to review the MTRs and designated analysis to develop the MTR bottom-up models. That should be finalised by April 2009 and the BIPT intends to notify new MTR price levels by the end of 2009 for the period 2010 to 2012. That's what is now in the pipeline and the calendar of the BIPT. Of course I would say that EC is clearly pushing to go for symmetry and we too because we believe that there is still some room to have this decision this year but today it's not on the calendar of the BIPT.

Bart Jooris: Ok, and regarding the KPIs of Scarlet and Tele2 Tango?

Michel Georgis: We have of course some internal KPIs but again when I see what competition is disclosing regarding for example Tango in Luxembourg I don't want there to give some information but I can confirm that in the customer and the commercial drivers that we reported this morning neither Tango nor Scarlet customer numbers are included.

Bart Jooris: What's the progress on selling Scarlet's network?

Michel Georgis : Maybe Scott can answer that one.

Scott Alcott: As you know we've made an obligation, we are on schedule. We are not disclosing details of negotiations related to individual parties but I can tell you that there's the technical aspect in order to release that network and continue to support the clients and there's a project plan in place and everything is green.

Bart Jooris: Ok, thank you. No further questions at this time.

Operator: Our next question comes from Paul Sidney from Credit Suisse. Please go ahead.

Paul Sidney: Thank you, just one question please. You mentioned in your outlook statement that the Enterprise Business Units have noticed some early commercial indications of an impact from the slowing economy. I was wondering if you could give us some more detail please as to the actual specific indications that you're seeing within the enterprise segment? Thank you.

Didier Bellens: Ok. To be clear I think I said that the downturn in the economy will have, let's say it's what we expect, an impact on the Enterprise Business Unit indirectly because of the impact on all the industrial companies and also the financial sectors. That means that customers generally speaking are suffering indirectly. One day there may be an impact, that's basically my statement and I said on the contrary the residential market is much more resilience. In the meantime maybe Michel, can you give some flavour of how it's going?

Michel De Coster: Yes, in fact it's a combination of a few things. First of all and we have signalled that already in Q4 there are a lot of renegotiations of contracts today asked by customers to of course reduce their fixed or mobile spend or their ICT spend. That has been seen after the summer of last year. Of course there were a number of increasing bankruptcies, people starting firing people, people starting to make travel bans. Elasticity on roaming has not given what we expected to give because very simply the cost saving was banked because the CFOs were pushing the companies for cost savings so there are less people travelling, so yes we see an indirect effect of the crisis on usage and I think especially in mobile. In the ICT space it's more about delays in projects that we're experiencing, not annulations but more delays and of course in some specific areas the price war is starting in some areas to have some value destruction in the market because competition becomes more bitter and more harder because every customer

whether it's an SME customer or a corporate customer is experiencing difficulties with his customer so is trying to reduce costs and that's the effect we've seen starting to come up in Q4.

Paul Sidney: Thank you very much.

Operator: Our next question comes from James Britton from Nomura. Please go ahead.

James Britton: Thanks very much, I've got three questions please. First of all can you tell me Ray what indexation assumptions you have made for 2009? Secondly also for Ray have you acquired any tax assets through the Scarlet acquisition which will help you reduce your tax rate for 2009? Thirdly can you perhaps talk about the impact your price increase might have on the transition of customers over to voiceover IP? Are you expecting a voiceover IP ramp-up in '09 or will the transition be a fairly steady pace at the current run rate? Thanks.

Ray Stewart: Ok, first on the indexation right now we're assuming that in 2009 there won't be any because if you look at the forecast inflation rate what we have in the plan is pretty much no indexation on the wages. I assume that's what you're asking when you talked about indexation.

James Britton: That's right, but I guess there will be some wage pressure built up from the indexation increases from the end of last year...

Ray Stewart: It's not an increase, it's a carry over.

James Britton: The average wage increase over the year?

Ray Stewart: We could give you the dates for Proximus and the fixed business when they had the wage indexations in 2008, is that your question so you can calculate the year over year?

James Britton: I have made my own calculation. I just wanted to check it against your assumption for average wage inflation through 2009.

Ray Stewart: Jim, I'm missing it because we don't let's say publicly talk about what we see the average wage being let's say per head or whatever going up. We'll talk about the indexations but we've given you the indexations for 2008 and we're saying we're not planning on any in 2009.

James Britton: Ok. I'll follow-up after the call.

Ray Stewart: As far as the tax assets, yes, Scarlet had some tax losses but right now they're not recognised on our books and I'm assuming I get no help in 2008 because in Belgium we can't do a consolidated group tax return. Each legal entity has to file their own separate tax return so right now I would assume no help in 2009 from that tax loss.

James Britton: Thanks. On voiceover IP?

Michel Georgis: To answer your question on voiceover IP, Michel here, steady growth. No over-increases, just a normal pace as you mentioned.

Didier Bellens: Next question?

Operator: Our next question comes from Emmanuel de Feydeau from Natixis. Please go ahead.

Emmanuel de Feydeau: Good afternoon, three questions if I may. First on MTR just to be very clear, what you assume for 2009 is the same rate for the mobile operators at the end of 2008 for the full year 2009? The second just to come back on ICS, there's an increase of revenues but there is a huge increase on the cost of sale as well in Q4. Does it mean that these additional revenues as an overall margin than the previous one and overall there is no impact in terms of the EBITDA

and should be the same in 2009? The last thing on the restructuring, you put almost €90 million in Q4 in accruals. Could you give some colour on what the positive upcoming impact is thanks to this restructuring? Thank you.

Didier Bellens: Ok, so let's start again with MTR.

Michel Georgis: As I mentioned earlier it's clear that we don't expect a further decrease on the calendar I hope that the BIPT will change but it's not foreseen in our numbers. Today you will have only the impact of what happened last year. I would say that's for the MTR. Of course when we speak about regulation we will of course be impacted by the regulation on voice, SMS and data roaming mainly for 2009 and this as from the summer.

Didier Bellens: Ok Michel, thank you. ICS cost of goods sold Daniel?

Daniel Kurgan: The increase of cost of goods sold is of course related to the nature of our business. When we are trading voice minutes of course whenever we sell more our cost of goods sold goes up as well but it hasn't gone up more than before the revenue increase, it's a positive EBITDA impact. This being said this is a market where the unit margin goes down all the time year over year. We have offset the unit margin decline with the volume increase and again we don't see a change.

Didier Bellens: The third question Ray, the restructuring?

Ray Stewart: Yes, the restructuring is updating the early retirement plans that we've had in the past and then also for the continued external mobility projects that we have going on. So that makes up the restructuring charge on the HR side.

Emmanuel de Feydeau: Could you give some figures or whatever on the positive impact you are assuming for either 2009 or later?

Ray Stewart: The positive impact would be just like last year I think we had on external mobility a little over 200 employees leave the company and so you'll have that cost savings continuing, ongoing every year for those 200 and this year we're assuming we'll probably get maybe somewhere between 200-250 leaving under external mobility.

Emmanuel de Feydeau: Ok, thank you.

Operator: Our next question comes from Bertrand Kuentzler from ING. Please go ahead.

Bertrand Kuentzler: Good afternoon. I just have two questions please, the first one on Scarlet. Could you just give some colour on the type of profitability you're targeting for Scarlet in the long run and I assume that most of the synergies should be achieved by the end of 2009. The second question regarding mobile, it seems that in the fourth quarter your post paid offers have been quite successful and clearly the customer base is picking up in the fourth quarter, at least it's doing better than in the two previous quarters. I was just wondering whether there was some sort of aggressive promotion plans that were explaining this performance or is this sustainable for the coming quarters?

Didier Bellens: Thank you, both questions for Michel.

Michel Georgis : Let me answer the second question first. Indeed we had some strong post paid numbers in Q4 to be precise for the consumer part, 38k versus 24k in Q2 and 5k in Q3. The main reason is a very successful end of the year promotion but also a certain number of measures that help us to I would say stabilise the post paid churn rate. These are I would say the

main reasons of our good post paid numbers and the ratio now in our consumer business unit post paid-pre paid is increasing from 37% in 2007 to 39% now at the end of 2008.

So regarding Scarlet profitability, I prefer not to disclose there any numbers in terms of profitability and margin. The only comment I would like to make is that it's clearly under the profitability we achieved in our traditional consumer business unit but again we believe that it's a strategic asset for us in our objective to segment and go for a regional approach where we can attract more low end customers.

Bertrand Kuentzler: Ok, thanks.

Ray Stewart: Just one add-on to Scarlet. The other reason it'll be difficult, we won't be reporting it separately going forward is a lot of the profitability of Scarlet will not show up in necessarily CBU because we're putting the back office and the network piece, we're taking all of that and putting it in SDE so that's another strong reason why we made the investment in the first place.

Bertrand Kuentzler: I understand, thanks.

Operator: Our next question comes from Barry Zeitoune from Citigroup. Please go ahead.

Barry Zeitoune: Hi, Barry Zeitoune from Citigroup here. I was just wondering what kind of level of economic impact are you considering in your guidance numbers? That was my first question. The second question is in CBU do you see higher competition in 2009 and more price pressure? Also is there potential for a buyback in 2009? Thank you.

Michel Georgis: Like mentioned by Didier at the start of the conference call it's clear that we are confronted in Belgium with sharp competition. I would say that it's valid for the fixed business where of course you see that Telenet remains a tough competitor in Flanders, certainly now also

that in the deal we see also that VOO in the south is becoming more and more structured and positioned themselves also as an alternative on the market. Regarding mobile, Mobistar is rather aggressive as already mentioned also by Michel De Coster in the Enterprise Business, they continue to focus on post paid customers while Base is entering the post paid market and also attacking a little bit the SME market, so sharper competition but I would say in line with what we had seen in 2008 so I don't expect a price war.

Didier Bellens: Ok, the economic impact, first question for Ray.

Ray Stewart: We don't have a precise formula that says "ok, if the Belgian government is forecasting a GDP decline of x it means this much in revenues on either of our business units. What we try to anticipate is where will we see it first and what the impacts might be and we've kind of tried to give that in the guidance and by that I mean if you look at some of the research at least that I've seen, if you look at household research probably a telco cut in spending is probably in the bottom third of the items they would look at but over on the enterprise side which Michel has talked about, there clearly we believe we've going to see it before we would see it in CBU because as other companies start to have economic impacts on their products they're looking to cut cost and Michel talked about the fact that he's getting pressure to reopen contracts, there's restrictions on travel and so we're going to see it in EBU first. To be able to give you a precise formula I wish we were that good.

Didier Bellens: I didn't understand the third question.

Barry Zeitoune: The third question was just whether there's potential for a buyback in 2009 or do you think shareholder returns will be more conservative as a result of the economy?

Didier Bellens: You know it's too early to talk about that because as usual it means that since the IPO we always discussed now at this period of the year about the normal dividend, what we've done this

time also and let's say potential share buyback, our interim dividend or whatever is usually discussed during the second half of the year. We've always reported what we are reporting now so there is no other information I can give you.

Barry Zeitoune: Ok, thank you very much.

Operator: Our next question comes from Siddy Jobbe from Degroof. Please go ahead.

Siddy Jobbe: Good afternoon Siddy Jobbe, Bank Degroof Brussels. I basically have two questions, first is in fact on mobile data. You have given us the growth for the CBU and the EBU division and if we look at the 32% growth in EBU it's in contrast with the stable sales for the CBU division. Can you give us indications on what dynamics are playing out in each division? On Belgacom TV do you have some figures, some guidance there for us?

Didier Bellens: To talk about mobile data, the two divisions, it's probably the two Michel.

Michel De Coster: Let me start first. In EBU mobile data has grown for EBU and for the mobile and it's lucky we have it because as I said before on the mobile usage we have been experiencing of course difficulties because of the crisis so the drivers there are of course corporate enterprises and SME and growing mobility needs off of the professional population so I think that's the main driver and we see that also with competition. It's good to have it because I think contrarily with CBU their price pressure will be on usage heavier I think in EBU than in CBU for the simple reason that it's an easy win back of 1,000 SIM cards with one customer is one commercial action and sometimes that is interesting to note the price so it's good to have the mobile data composite so the use should decline and that's going forward the strong payroll.

Siddy Jobbe: On CBU I was mainly referring to advanced data.

Michel Georgis: Thank you Michel, I will cover for consumer. It's clear that the proportion of SMSs, so the data part is more important in CBU than in EBU. Data SMS represents still 76% of the total. I spoke about the increasing trend of free SMSs and the success of some tariff plans like MTV Generation but the other part is that when we zoom in the advanced data part we are quite happy with the trend in mobile solutions, growing quite rapidly but mobile solutions still represents, it's mainly wireless LAN mobile solutions and the mobile internet but it's still a small part, so what is impacting and reducing the growth of total data is network services where this service was I would say a little bit regulated in 2008 due to the fact that to protect the customer we had to inform the customers about the cost of the service and there we see a decreasing trend of network services. That's the main explanation. Regarding your question for Belgacom TV we don't want to give any guidance for 2009 but we are quite happy like mentioned by Didier about our 2008 numbers.

Siddy Jobbe: If I can could I have just one more add-on question on mobile data? At the end of September the W-CDMA customers stood at 330k subscribers. Could you give us an update for the full year?

Michel Georgis: Yes, but I'm surprised by your number because we never disclose this type of information.

Siddy Jobbe: Ok.

Operator: Our next question comes from Stefaan Genoe from Petercam. Please go ahead.

Stefaan Genoe: Yes, hi. I have a question on the different market dynamics between the north and the south of the country. You mentioned also that VOO is becoming more and more of an alternative in the south but can you indicate how aggressive the competition in the south is versus the north?

Didier Bellens: Yes, so maybe I'll start and my colleagues can go on with that. There you're talking probably cable against Belgacom?

Stefaan Genoe: Yes, for example you had the 108,000 broadband customer growth, for example which part is coming from the south or which part is coming from the north?

Didier Bellens: We don't disclose let's say the figures north and south. Having said that competition is obviously much more important in the north of the country and because of competition the market is much more dynamic which means that penetration is also higher in the north which is good for the market generally speaking, it's good for everybody in the north. In terms of pricing we've made the comparison of all the products delivered by Telenet and ourselves and it's extremely comparable and so we do compare let's say both offers for CBU. Michel will talk later about EBU. Regarding the south, Michel is right and we've disclosed that already, we have cable in the south, everybody knows that so it's not a surprise that they are trying to organise themselves. VOO does exist but they still have to invest a lot and to reorganise the company so there is still let's say a way to go. So we don't underestimate the competition but honestly if they want to cover with high quality networks the south in the same way we do cover the south, the investments to be made will be huge because the density of the population in the south is not as important as it is in the north which means that we still believe that we have a great opportunity to confirm our market share which is still huge and to be let's say the strongest player in the south and to remain very aggressive in the north.

In terms of competition we've always said that we've experienced...how do you say that Ray, it's not fair competition, it's not reasonable but...

Ray Stewart: A rational competition.

Didier Bellens: That's right, a rational competition which means that these guys, they know that they have a balance sheet and their balance sheet is probably not as strong as our balance sheet therefore so shareholders are eager to get some returns. So let's say that's the good news and we've also said in the past that because of these two different networks we are enjoying in Belgium – it's the same in the Netherlands by the way – fair competition between two networks which means that life is probably difficult for OLO's and you'll see now that indeed most of the OLO's have disappeared in Belgium. There are still a few ones remaining but most of them let's say have disappeared. We have consolidated Scarlet and the balance is really very limited. That's where we are. So in the future I don't underestimate but I don't see in the short term something dramatic happening.

Regarding EBU as an introduction I would say that we have a very strong position in the enterprise business especially at the level of corporate and the quality of service that has to be delivered at the level of corporate is such that we'll enjoy this position for a very long time in the north and in the south, so there again due to our investment in Telindus we've reinforced our position to the EBU market, I'm speaking corporate and now SME. We are also developing the same efforts in terms of system integration so we are well positioned but at the low end of SME, yes, we see competition. But we are in a unique position offer different types of services to these guys. I don't know Michel if you want to add something.

Michel De Coster: Yes, with regards to geographical differentiation in EBU, that's absolutely not an issue. We have a sales force that covers the complete country. We have a network that covers the complete country so we see some differences sometimes in specific areas but that's always temporary, so it's not the same as in the consumer area.

Stefaan Genoe: Ok, thank you. One final question, you mentioned to about 200-250 people to leave in 2009. Could you guide us on the non-recurring costs we can expect in 2009?

Ray Stewart: No, we've already recognised the non-recurring. If we assume we're going to have people leaving in 2010 whatever that number is then we'd have to make a non-recurring for it.

Stefaan Genoe: Ok, so far no non-recurring items are expected?

Ray Stewart: We're just trying to deliver 2009. We'll get to 2010 towards the end of this year.

Stefaan Genoe: Ok, thank you.

Operator: Our next question comes from James Britton from Nomura. Please go ahead.

James Britton: Thanks very much, I hope you don't mind if I have a follow-up. Just on cash returns again, your cash flow statement shows that you have paid out just over €1 billion for a combination of dividends and buybacks and that's fairly significantly above your free cash flow generated through 2008 once you strip out the acquisitions so you have added leverage to the balance sheet through cash returns. What's your sort of thinking about adding further leverage through cash returns in future should no material acquisitions cross your path? Then secondly is there anything to stop the whole mobile market increasing prices given the fairly low elasticity of usage to recover some of the ARPU that you've been losing over the last couple of years because of regulation? Thanks.

Didier Bellens: I'll start on the cash return. The idea to pay an extra dividend or to leverage further our balance sheet. By doing that I think my answer is very consistent with what we said in the past. We don't think it's a good idea and we've seen that the companies having a high leverage are probably not the strongest today so what we do think is that we have to deliver let's say the right cash return or return generally speaking to the shareholder, that's what we aim to do but we don't think today it's the time to think about a huge leverage at the level of the balance sheet just for the purpose of paying a high dividend to the shareholder.

James Britton: Thank you.

Michel Georgis: Regarding your question for mobile I would say that I don't have to tell you that it's a very competitive market. On the other hand we don't exclude one day to increase our prices but at this stage it's not foreseen but we don't exclude it.

James Britton: Thanks.

Operator: We now have time for one last question from Guillaume Tastet from Oddo. Please go ahead.

Guillaume Tastet: Thank you, a couple of questions. The first one, I wonder if you could give us some colour on the people going to the shops because some operators highlighted the fact that because of the crisis there's far less people in their shops. The second one is a clarification regarding the indexation because your two competitors talked to us about the fact that they will have increase wages by 4-5% from January 1<sup>st</sup> '09. Did I understand correctly when you said that you will not have to increase wages and if yes can you explain why please? Thanks.

Didier Bellens: You talk again about a wages increase and maybe it's good to understand the system we have here in Belgium which is different than what you may have in other countries. You know we have the indexation which is sometimes an issue and sometimes an advantage. Last year in 2008 we had the impact of the indexation on wages for Belgacom SA, so the fixed line business where we have most of our people working and the indexation was relatively high last year and as Ray said our expectations for inflation in 2009 are low which means that inflation will be low which means that indexation will be low or even no indexation at Belgacom SA where we have most of our people working on the payroll. That's number one. Number two, Proximus which is

the second largest entity within the group, when I say second, how many people today Michel on Proximus' payroll?

Michel Georgis: 1,700.

Didier Bellens: In Belgacom it's still more than 12,000 just to give you a sense. So Proximus, last year that had ...

Michel Georgis: The indexation for Proximus was roughly 1.7% in Jan 2008 and in Jan 2009 there was an indexation of 4.51%.

Didier Bellens: Yes, so my message was the system at Proximus is different because they have an indexation at the beginning of the year related to the inflation of the previous year, so here we have two different systems which means that for most of our people indexation is done and because of this indexation the pressure from the unions, I'm not saying there is no pressure because I meet these guys very often but the pressure for increasing their salaries generally speaking is probably lower also than in some other countries, so the system is more regulated which is maybe an advantage compared with what I see in other countries. I hope this is clear.

Guillaume Tastet: It is, thanks. Regarding the number of people going to your shops please?

Didier Bellens: The shops, the number of people going to the shops Michel?

Michel Georgis: I suppose that you see the current situation today based on I would say the Jan-Feb trends. I don't see there a decrease in the traffic.

Guillaume Tastet: Ok, thank you very much.

Didier Bellens: Thank you. Thank you very much for this session and we'll see some of you during our road show starting on Monday.

Operator: Thank you. That will conclude today's conference call. Thank you for your participation ladies and gentlemen, you may now disconnect.