

**Belgacom**  
**Presenter: Didier Bellens**  
**Friday 25<sup>th</sup> July 2008**  
**13h00 BST**

Didier Bellens: So thank you and welcome to our conference call on our 2008 first half results. I will just take a moment to address before talking about the half year results some topics about my own situation and especially the renewal of my mandate as CEO of the company. So what has been decided yesterday by the government is the following: the government has said that they want a negotiation between the board of directors of Belgacom and myself on the terms of a new contract. So of course I'm very pleased to hear that the government agrees that Belgacom has followed the right strategy in the past six years and based on that that they are now considering me for the next six years. That must mean that things have been right at least for part of them. Now about my contract I still have to negotiate the terms and I cannot talk much more about the outcome because I need first to have the meeting with the chairman and after that to see what are the next steps. The only thing I can say is that we'll have the final decision of the government by the end of August but it's just a question of how we're going to agree on the terms of a contract or not.

The second item I would like to address is of course our group guidance. Belgacom was not fully immune for the current economic situation and you can see the reflection of this especially in our ICT performance. Furthermore our revenue feels some pressure of lower than expected roaming out volumes, therefore we have adapted our full year revenue guidance in a decline around 2%. This is in comparison to the previous stated guidance of revenue decline of up to 1%. We are however still confident that we will reach our target EBITDA margin range of 33-34%. I think it's important that you all know that we remain very focused on our business. In the last month we have also welcomed two new strong profiles in our management team to reinforce our strength

even further: Michel De Coster, our new Executive Vice President Enterprise Business Unit; and Gregoire Dallemagne, Executive Vice President Strategy. In the interest of everyone's time I will not elaborate now about our results but I suggest that we go straight away to the Q&A.

Nancy Goossens: Operator, can we please open the line for questions?

Operator: Thank you. The question and answer session will be conducted electronically. If you would like to ask a question please press the \* or asterisk key followed by the digit 1 on your telephone keypad. 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. We will pause for just a moment to allow everyone to signal for questions.

We will take our first question today from Ulrich Rathe from Dresdner Kleinwort. Please go ahead sir.

Ulrich Rathe: Thank you, two questions please. The first one is with regards to the guidance and how it interrelates with your recent announcement of the acquisition in Luxembourg, does the guidance include that? I understand that you expect this acquisition to close some time in the third quarter. The second question is it's probably fair to say that Q2 has seen revenues on occasion and a slight weakness in the margin and you're guiding for the revenues down significantly and the margin to be ok which shows the flip side of what we're actually seeing in Q2. Can you just elaborate particularly on the margin side of things where your confidence derives from for the full year? Thank you.

Didier Bellens: Ok, I'll take the first one. Luxembourg is not included in the guidance we give you.

Regarding the two other questions maybe Ray, you can take that?

Ray Stewart: Yes, I think the revenue is fairly straightforward. When we talked about the ICT we saw in the first quarter about a 4% growth on our ICT revenues and then in the second quarter that had flattened out so a 1% change is not that dramatic for a company our size on the revenue line. Then also in the second quarter we saw very little growth if any on the roaming out minutes. In the first quarter we were seeing additional volumes and the elasticity fairly close to what we had assumed when we talked to you last year but in the second quarter that also had flattened out. So that's the reason for the revenue guidance change. In terms of the margin the issue there is if you look at just the second quarter we have several one-time items that happened in the second quarter that aren't going to continue throughout the year and those amount to depending on how you look at it somewhere between €14-20 million, so those combined is why we're still fairly confident that we will be able to hit the EBITDA margin guidance that we have given you at the beginning of the year and that we're sticking with now.

Ulrich Rathe: Can I ask for clarification? Have you as a result of the outlook re-accelerated or accelerated your cost cutting targets or are the cost cutting targets essentially unchanged?

Ray Stewart: No we haven't. Cost cutting, if you're talking about in terms of head count the answer is no, we've not made any change in the assumptions on that. In terms of cost cutting in general the only thing I can tell you, we will do our utmost to save any money that we can going forward in all areas of costs and we might look at head count again but as of right now, no, we've not changed any of the SDE targets.

Ulrich Rathe: Thank you.

Operator: Thank you. We'll take our next question today from Andrew Hogley from Execution.

Please go ahead sir.

Andrew Hogley: Good afternoon. Could you please talk a little bit about the competitive environment in broadband particularly in terms of your market share, it's very difficult to see from your disclosure what's happening as regards the level of local loop unbundling, wholesale, DSL and the migration to mega DSL. Thank you.

Didier Bellens: Michel, it's probably for you.

Michel Georgis: Yes, regarding competition it's a little bit difficult to come with factual information because Telenet will only publish their results early August on 4<sup>th</sup> if I'm right. What I can comment is for sure the slow down of the broadband CBU sales results in Q2. Traditionally we have a seasonality effect in Q2, that's one element. The second one is for sure linked to the dial-up phase out we had in the first quarter and in the past we had a natural inflow each quarter of migration of those dial-up customers towards ADSL lines, so this of course was concentrated in Q1. The third element that I would mention but with a minor impact is the launch in April of TV with the PSTN lines.

Andrew Hogley: Are you seeing any impact from mobile broadband in the Belgian market?

Michel Georgis: Not really. We continue to believe that our strategy is the right one and when you see our mobile data results you see that our conversion strategy is paying off and we position and will continue to position mobile internet as complimentary with the fixed internet.

Andrew Hogley: Thank you.

Operator: Thank you. Our next question today comes from James Sawtell from Goldman Sachs.  
Please go ahead sir.

James Sawtell: Hello, I hope you can hear me alright. A question about mobile service revenue growth, it looked like from the Mobistar results and indeed the base results from KPN that those two competitors saw sequential improvements in their year on year growth rates from Q1 to Q2 and Belgacom I think at least in the consumer division saw a sequential decline. Can you just give some colour to whether it looks like you might have lost some revenue market share and was there anything that was behind that and whether there's anything you can do to alter that for the second half of the year?

Michel Georgis: Again if we look at the CBU results and we exclude the regulation part because again I think that we have to take into account the major change in what was the draft decision of the regulator in terms of mobile termination rates and that is of course hurting CBU and EBU in this second quarter, certainly also with the one-off you saw in the base results. Again if I take the CBU mobile results excluding the regulation and I think that it's also valid for EBU we both show for mobile results an increase. Let me also highlight that in terms of operational performances, if again – but I think that it's very important to compare apples with apples. When we look at the net adds of the second quarter we don't have to mix just customers with active customers and if you compare active customers for the three operators you have roughly 50k for Proximus altogether, you have roughly 52k I think for BASE and you have 88k if I remember well for Mobistar. If you exclude again the MVNO part you see that Proximus has the highest growth in terms of active customer numbers and you see also that all the growth for Proximus is coming from postpaid customers.

James Sawtell: That's great. So just to be clear ex the impact of regulation you're not particular mindful of any new competitive dynamic in the market and you're reasonably happy with your market share?

Michel Georgis: It's clear that we are not happy with what we call a unique situation in terms of asymmetry of termination rates and let me remind you that the draft decision of the regulator

normally on 1<sup>st</sup> July we were supposed to be at parity versus Mobistar and roughly a 15% gap versus BASE. Today the reality is 59% versus BASE and 25% or 26% versus Mobistar both showing very profitable results so this is probably something typical for Belgium that I will not comment on, but of course the hope we see is that there is a positive feedback from the EC but it takes quite a lot of time, that is pushing all the European countries to go for symmetry and I hope we will have a positive decision on that in 2009-10, but at this stage we can only pray.

James Sawtell: Thank you.

Operator: Thank you. We will now move to our next question from Bertrand Kuentzler from ING.  
Please go ahead sir.

Bertrand Kuentzler: Yes, hello, Bertrand Kuentzler from ING in Brussels. Three questions please, first of all regarding the ICT division you seem to be a bit more pessimistic than before but I would like to ask you if we can still expect from the ICT business maybe to pick up a little bit more in the second half or should we be less optimistic than that? The second question on the SDE division, as you already mentioned some of their costs seem to be likely to be one-off so could we still hope for improvements regarding the margin in the next two quarters. Finally given you have apparently some ambitions in M&A and with a new share buyback coming in is it still realistic to expect for an interim dividend to be paid this year? Thanks.

Didier Bellens: The ICT will be for Michel De Coster, SDE for Scott and I'll take the M&A.

Michel De Coster: On ICT a few comments, first of all the growth in ICT is 2.2%. If we consider the market slowdown in ICT services and more specifically the ones that we're offering we can be pretty pleased with the 2.2%. It doesn't cover our ambition that we have initially put forward but smaller deals, smaller outsourcing deals, longer sales cycles, it's a general market condition not only in Belgium but also in our subsidiaries in the other countries so I don't expect significant

growth change in the ICT business but on the other hand we will in the coming weeks also start developing a cross-border portfolio in ICT giving the possibility to large and medium customers having a European footprint to beneficiate from our convergence offering and I think it's fairly early to say what kind of growth ambitions we have there but certainly for next year this is an area that we're going to develop. So next second half year I think business as usual and growth rates compared to what we have now, 2.2% and going forwards that's for later.

Scott Alcott: SDE has been controlling its costs while the €4.3 million reduction in head count costs year over year represents a management and some efficiency improvements and getting a lot more in the way of complexity and complex volume done with less resources. I think everyone knows we're now installing VDSL and HDTV with the same resources, so we had a €4.3 million reduction namely from FTEs. It was offset by other operating expenses that were by and large one time events that were positive last year that we're comparing to negatively this year and I speak about some credit notes from some vendors last year, otherwise we're running pretty much with the same costs in fact lower on the HR line. I should also say that the EBITDA that's reflected in SDE is because of roaming in pass-throughs as well as lower volumes from the other local operators and lower pricing on the wholesale regulated part of the business and most of that or a large part of it comes through and has reduced cost of sales as well, but overall the EBITDA as reflected in our unit is reported to be down about 38 million because of the reduction in those line items.

Didier Bellens: Yes Scott, thank you. Regarding M&A we've not at all changed our view on external M&A. So we are indeed reviewing let's say potential deals regarding M&A and you have seen that we've bought Tele2 Tango in Luxembourg because we think that there we are going to create value, the creation of value is important and the creation of value for us is also comparing let's say M&A deals with share buyback. We do believe that today announcing share buybacks mean that we are confident in the future of the company which is good for everybody, shareholders but also people working in the company. We believe that buying our own shares is

accretive and that's basically a very good deal. So that's the message. We have to do that if we think it's the best deal we can find in the market.

Ray Stewart: The question on the interim dividend for the second half because of the stuff we're talking about Didier and I will continue to do the same that we've always done in the past, we will wait until further into the year to see how the results are and then we'll have a discussion with the board on whether there might be or might not be an interim dividend.

Bertrand Kuentzler: Alright, thank you.

Operator: As a reminder ladies and gentlemen, to ask a question today please press \*1 on your telephone keypad. Please ensure that the mute function on your telephone is switched off to allow your signal to reach our equipment. We will take our next question today from Bart Jooris from Fortis. Please go ahead sir.

Bart Jooris: Yes, hello, some of my questions have already been answered, still some left regarding the service delivery engine. The revenues are down for a part because of the transfer of Proximus based traffic. Does that mean that we should see the current revenues as a run rate? Has everything normalised by then and then I see that you showed that the tax rate is about 23.5%, is that a good rate for the rest of the year?

Scott Alcott: That run rate I would say is basically running through at this point so I think you should see the continued trend. We lost that entire category but I remind everyone that this revenue was completely eliminated at the group level so I think you're zooming in to a department level issue but not a group issue.

Operator: Thank you. We'll take our next question today from Guillaume Tastet from Oddo. Please go ahead sir.

Ray Stewart: Excuse me, there was a second part of the question operator. To answer your question on the effective tax rate, to get that precise I would say for modelling purposes if you use around 24% right this time that's probably a reasonable number to look at.

Operator: Pardon gentlemen. We'll take our next question today from Guillaume Tastet from Oddo. Please go ahead sir.

Guillaume Tastet: Thank you, good afternoon, four questions. First I was wondering if you can give us an update on the Scarlet acquisition, maybe the possible conditions that the competition authorities could impose on you? Secondly I was wondering if you see a gradual devaluation of economic conditions in the course of Q2 or if it was more impacting the end of the quarter? Lastly Mobistar and BASE told us that they did not feel a strong impact from the economic conditions. Do you know why you feel it stronger? Is it because of your position on the fixed line business? Thanks.

Didier Bellens: The communication was really very bad but I understand that there is a question on Scarlet and a question on the economic situation so maybe Michel De Coster can take the evolution of the economic situation.

Michel De Coster: No problem. We all read the press so I think it's undeniable that there's a slowdown. The feedback of the economic slowdown is throughout the whole of Europe, we have the advantage of having subsidiaries in almost every European country and when we interact with the country managers specifically with regards to our ICT portfolio we offer there, there is indeed a slowdown and it's translated into lesser deals, smaller deals, longer sales cycle, higher price pressure, renewals that are longer debated so it's undeniable and I think the advantage that we have is that with our convergent offering we can try to cope with some of the price decreases with that and that's what I think going forward that's what's going to happen.

Didier Bellens: Your last question was related to the economy also and why BASE didn't feel the impact of the economics. Ray?

Ray Stewart: Clearly for BASE it's fairly obvious because what we've talked about where we were seeing let's say the revenue slowdown in the second quarter was mainly in the business sector, so we talked about the roaming out and that's primarily in the business sector, it's not in the residential piece and BASE, I think their business customers are almost non-existent, clearly by far almost all of their customers are residential so I think that would explain BASE and then also if you look at the corporate sector by far we have much more of our customer base in there than Mobistar does. So I think that's why we would feel the economic impact that we've talked to you about before or maybe so far in the consumer market BASE and Mobistar haven't felt that.

Guillaume Tastet: Ok, very good. Just one quick follow-up, did you feel a gradual impact of this economic slowdown during the course of Q2 or was it mainly focused on the end of the quarter?

Ray Stewart: Yes, we really started seeing it I'd say around the middle of the quarter. I won't say at the end but it was more in the May/June timeframe.

Didier Bellens: Ok, and your third question was related to Scarlet I think.

Guillaume Tastet: Exactly.

Didier Bellens: I'll try to address this question about Scarlet. You'll remember that we have an agreement to buy Scarlet and the major strategic reason is that we think (1) it's good to buy customers and to be part of the consolidation in Belgium; and (2) it's also good to buy the brand of Scarlet and to have a subsidiary able to act at the low end of the market run independently and able also to make competition with Belgacom. Today we are offering VDSL via Belgacom at a

price of €20 a month. We do believe that Scarlet at the low end of the market with less service can deliver broadband access at probably €15 a month which is definitely the advantage for the consumer. Now we have this agreement subject to the competition authorities' agreement. The competition authorities in Belgium, they see today definitely an issue and they believe that this acquisition will reinforce Belgacom probably too much in the Belgian market and they are asking for several remedies. It seems that they really take advantage of this potential acquisition to ask to Belgacom things that are not at all related to the acquisition of Scarlet. I'll just give you one example, they would like to see our broadband price declining by 30% and that has of course nothing to do with the acquisition of Scarlet and that's not at all our interest to go in this direction. So our position as management is...really the remedies the competition authorities want are to have, we are just going to say "listen, we are not interested in Scarlet, we don't do that" and we'll go ahead with our B plan and the B plan is to develop a second brand by internal growth just to address the low end of the market differently potentially at a lower price. So that's our strategy and our vision. I don't know what will be the outcome of all this discussion but we are not going to accept the restriction of value at the level of Belgacom with the only purpose to buy Scarlet and Scarlet I'll remind you, that's a relatively small deal. It's good to be part of the Belgian integration-consolidation, but Scarlet, they have what, 185,000 customers so we are not going to destroy the value of Belgacom for this number of customers. So that's basically where we are. The decision will be taken by the authorities in September.

Guillaume Tastet:       Ok, that's very helpful. Thank you.

Operator:       Thank you gentlemen. The next question today comes from James Britton from Lehman Brothers. Please go ahead sir.

James Britton:   Good afternoon, I have three questions please. First of all just to make sure that we're adjusting for any sort of funny cost items in the quarter, can you...perhaps I could put it this way, am I right in estimating that the provision in the staff and support segment for the early exit from

the Proximus building is in the region of around 5 million? The second question, given you won the football rights and this wasn't guaranteed when you gave guidance earlier in the year, do you now expect faster or more significant customer growth for the Belgacom TV product than at the start of the year? Thirdly just a general question on usage, usage elasticity on the roaming revenues must be very low given that your initial assumption was 20% I believe, so does this make you increasingly nervous about using price generally to stimulate usage in the Belgian market?

Ray Stewart: On the one-timers James, you're right, in the second quarter the Boreal building is about 3 million that we've put in there. If you look at when we talked to you in the first quarter we had assumed that hopefully going forward we weren't going to get any retroactive impact on the MTR, what we did in the second quarter so that cost us about 7 million and then we had a court case of litigation that we increased our provision for by about 6 million and then we had one or two small items let's call it on the international front that were another couple million, so there's kind of like a laundry list but those are the big ones and those can get you as I said pushing close to 20 million.

Didier Bellens: Ray, thanks. The two next questions probably for Michel.

Michel Georgis: The first one I will take is regarding the TV. At this stage we maintain our guidance to grow back at least at the same pace as we did in 2007 and we are quite pleased with the results and also with the evolution of the ARPU and so that's at this stage what I can mention regarding the evolution of our TV subscribers.

James Britton: Can I just ask why you wouldn't be more positive on the growth prospects?

Michel Georgis: We say at least in line with the same number of subscribers of 2007 so let's see also.

Didier Bellens: Roaming rates.

Ray Stewart: Maybe I'll start and maybe my two Michel colleagues can come in. Basically...I think the last time that we have talked about expectations to us from the roaming I think we had used about 10% elasticity is what we were anticipating. In the first quarter we started seeing those kind of volume increases and then in the second we didn't. Does that mean we still don't believe in elasticity? I guess the answer would be no. There's probably still elasticity. We think part of it, you've got to understand for us the majority of the roaming out is coming out of the business sector so we just think if you've got let's say an economic downturn going on and businesses are tightening their belts they simply put budget constraints on their people when they're travelling and so I don't think they allowed it to maybe pass through but I'll ask EBU Head Michel De Coster to come in also.

Michel De Coster: Correct Ray, in fact what we see is that the cost savings within the companies are pushed by the management. When they get a roaming decrease and a lower cost they just capitalise on it. They don't stop their calling behaviour, they make the same calls as they did before but they see at the end of the month that the invoice is lower and so they get congratulations from their management that they are doing lower costs but it basically doesn't push them for calling more, there's not such a logic within the business sector and so we see that there they just take the saving in and that doesn't change their behaviour, length of calls, number of calls, it just remains the same and that's something we need to take into account and maybe push for our mobile data or other revenue streams to compensate.

James Britton: Thanks.

Operator: Thank you. We will now move to Thijs Berkelder from Petercam. Please go ahead sir.

Thijs Berkelder: Thank you. Most of my questions have been asked already but I want to come back with a specific question for you Mr. Bellens. In the Belgian press we read that the majority of the

board was not supporting you and now let's say the government more or less has given you the opportunity to continue your period as CEO. What do you expect will happen with the current board? Is that partly in your own hands or how should I judge that?

Didier Bellens: The first thing what you read in the press is not always accurate and indeed for those who have time I have press books that are really impressive, let's say the tone is changing a lot and when the tone is changing people are also changing their mind. So it's quite clear that let's say the decision of yesterday made by the government is just as I said in my introduction supporting the work that has been performed during the last six years, supporting the strategy and that the government is very pleased with that. If you read the press of this morning it's also very clear that you read there that some board members probably do leave the board but that's not where we are today so it's difficult for me to comment on that. I guess that let's say there was probably some difference in the point of view between some board members, it's important to understand 'some' board members, the shareholders generally speaking and the main shareholder and the management about the strategy and especially following acquisition and at the end of the day let's say after all this discussion which discusses really in my view the positive point, the main shareholder, some of the institutional shareholders and management are fully aligned with some and today the majority of the board members about the strategy and the strategy is we'll go on with what we've done up to now. We think that convergence is the right thing to do. We think that indeed we have to be efficient and we have to affect the question of the cost in Belgium and regarding international strategy we think we have to look at potential investment if it makes sense and as I said previously today it makes sense, that means creation of value and creation of value has to be also compared to share buybacks. So we are now fully aligned and indeed some board members who were not convinced by that have now to decide if they remain consistent with what they believe and if they are consistent they have to leave the board. It is as easy as that.

Thijs Berkelder: And that's let's say for you also a brief condition to stay on?

Didier Bellens: I think that a company needs clarity and some of the board members who were very vocal saying that we should have invested massively before the financial crash did it in their own companies and that has had a very negative impact on their own companies and their share price. That was obviously very helpful for me.

Thijs Berkelder: That's clear. Thank you for your answer.

Didier Bellens: Thank you.

Operator: Thank you. We'll now take a follow-up question from Bart Jooris from Fortis. Please go ahead sir.

Bart Jooris: Yes, hello, I still have two questions left. First of all regarding the decisions that you could take on mobile termination rates in September, could you give us an update which percentage of your mobile income is coming out of MTR and roaming at the moment? Then my second question is what are your plans now with Interkabel?

Didier Bellens: The first question, it's obviously Michel Georgis.

Michel Georgis: High level, it's roughly 15%.

Bart Jooris: 15% of what, voice or complete mobile?

Michel Georgis: No, it's of total revenue. My answer of 15% is related to interconnect revenue. It's not roaming of course.

Bart Jooris: How much is roaming?

Michel Georgis: Roaming, I think it's again 15% roughly.

Bart Jooris: Ok, thank you.

Didier Bellens: Regarding Interkabel we were interested to make this investment especially to buy or to have access to the TV customers of Interkabel. As you know there is a very complex relationship between Interkabel and Telenet and we really thought that we had to intervene there, we had to make an unbinding bid to say 'that's the value we see in Interkabel and we wanted to also have access to a cable network. We think that for a telco company it could be an advantage to have access not just through the telco infrastructure but also to cable infrastructure via a specific set-top box. In one word what we want is obviously to open the access to the cable network and that can be very interesting for us. It's in line with one of our regulatory discussions which is related to the level playing field between telco and cable operators, so we've made this non-binding bid. At the end of the day the cable operators, the shareholders of Interkabel sold their stake to Telenet for a higher price so that's already one outcome for us even if the main outcome was to force Telenet to pay more, but it's already something we gained in the deal and for the rest we still have a court case around this subject. The main issue we want to address, it is the level playing field and access to cable networks for Belgacom. As you know cable have access to our network, we don't see why we cannot have access to their network. We are not going to make a counter bid necessary and things like that. That's not the fight we want to open with Telenet. In fact we don't want to open a fight with Telenet. We want open access to their network and they argue they are technically unable to do that which is wrong. If they are unable to do that we can help them to do that because our engineers can do that. So that's the only thing we want, it's not really a war with Telenet. It's just to say "listen, we want access to the network – full stop". Ok?

Bart Jooris: Ok, that's very clear. Thank you.

Operator: Thank you. As a reminder ladies and gentlemen, to ask a question please press \*1 on your telephone keypad. Please ensure that the mute function on your telephone is switched off to allow your signal to reach our equipment. We'll now take a follow-up question from James Sawtell from Goldman Sachs. Please go ahead sir.

James Sawtell: Many thanks. I think most of the issues I'm going to touch on have been answered but one residual question, we've manfully restructured our Belgacom model to match the new reporting structure and I think one of the bits that we got slightly wrong was on the service delivery engine where I think we underestimated that through the first half and certainly in the second quarter the revenues as defined for that unit had fallen by I think 22.5% and then 24.3% year on year at a lower margin than we thought tracking around 18%. Can you just give us a bit of colour on whether that rate of deceleration in revenues continues or abates and what might help to abate the trends there and get going through the second half of the year and into next year?

Scott Alcott: So as you look at the drivers of that there's a couple in particular, one is roaming in and as you look at the total revenue component, again I put away the transit which is a pass-through eliminated at the group level, so that's 25.5 million of the total number. As I do the walk-down the next biggest number is roaming which is different from the roaming that the Michels have been talking about, that's the roaming in. There's precious little that Belgacom can do to influence that. I think some of the effects we've been talking about in our outbound market, you can ask some of the other operators but it's going the other way around and so we are seeing a reduction not just in price but in volume and that's 18.1 million of that revenue decline. In terms of forward guidance on that we're going to have to watch and wait and see but to be clear there's very little in the way of action. We have the extent of the network for people whose phones are open for the best network, the points of access and address so at the airports and train stations we have switched to the best network advertising but there's very little that can happen particularly as

people tend to follow their carriers pan-European or global operators so this is why we're part of the Vodafone network and capture the people that move in. But we're going to have to watch that trend which I would say is an industrial trend. The other thing that's important as I look at my department on revenues, we do want to achieve our revenue targets but we also need to look at from a group standpoint the next biggest number is regulated wholesale which is about 15 million of revenue in the decline so I want to point out for everyone we're talking about the Belgacom Group with some pressure on revenue and a good amount of it is here in the SDE unit and especially related to things like other local operators and their performance. I can tell you out of that 15.2 million we are seeing some trends, there is definitely lower regulated volumes in all of the categories and this has to do with the lower exiting and sometimes failure of the other local operators, you probably read today for example about a bankruptcy in the other local operator called E-leven who hasn't been paying their bills and we are indeed seeing a lowering in traffic volumes as well as in regulated broadband but we've also seen regulated price reductions that are happening there. In the last category which is probably one of the most significant in regulated is there was a royal decree affecting a lot of the 900 and special numbers, these are the premium rated late night television caller 900 number and I think you all understand what kind of services they are but they've been limited, the calls have been limited, they've been capped, there are announcements and the calls get cut off to protect the consumer and this is very low margin revenue for the Belgacom Group. It passes through my unit and so we're seeing a significant revenue impact there but virtually nothing that hits the bottom line at least in a significant way. So we have to watch the trends, in bottom line I predict continued softening of the other local operators in broadband volume and it has been our view that we'll see consolidation of all those in this market and others and we expect that to continue. We don't know what will happen with roaming in and need monitor the industry and we do think some of the value added services special number stuff has a tendency to find its way back as those operators change their models and do different things, but big picture is that we'll move increasingly to internet, SMS and TV red button interactivity so that category may come under

pressure over time. Last message, please remember a lot of this is revenue with very low margin for the Belgacom Group.

James Sawtell: Thank you.

Operator: Thank you. We will now move to our next question from Petri Allas from Redburn.  
Please go ahead.

Petri Allas: Hello, just a little bit more colour on your outbound roaming volumes, whether you have a view based either anecdotally or on your location register data whether people are actually not allowed to call when they travel abroad as you said before or to what extent you are seeing less travelling from Belgium because of the economy or other items?

Didier Bellens: It's difficult to answer this question you know and especially it's too early because we've seen that only during the last weeks...I think around this table at least let's say we cannot give you more colour.

Petri Allas: Ok, thank you.

Operator: Thank you. We'll now move to our next question from Stephan Haber from Unicredit Group. Please go ahead.

Stephan Haber: Thank you, good afternoon. With respect to your comments on potential M&A opportunities, is there any change to your rating commitment and can you remind me of your exact rating commitment? Secondly when you spoke to the government recently was there any indication from the government to maybe reduce the stake in Belgacom? Thank you.

Didier Bellens: It's difficult to talk about all that but let's say regarding the Belgian stake in Belgacom they have never mentioned that they intend to reduce the stake of the government in Belgacom. That doesn't mean that it cannot change in the future but it has not been mentioned, that was your question. Regarding the other questions, Ray?

Ray Stewart: What we've said in the past is that we felt with our business and our balance sheet we probably could be somewhere between 2, 2½ times EBITDA at a debt level and keep let's say an investment grade rating problem with the rating agencies. In today's economic climate that number is probably closer to 2 instead of 2½. It's not necessarily a target of ours, we've just answered the question that we could probably have that much more additional debt on our balance sheet if it was needed back to what Didier was talking about before if we found the right investment.

Stephan Haber: I have the let's say impression that during the time when you entered the European bond market with your inaugural issue then you gave a rating target of at least a low single A rating. Is that still valid or is there any change to it?

Ray Stewart: No, it's still valid. My only point is today you probably need less leverage to get that rating than you did in the past.

Stephan Haber: Ok, thank you very much.

Operator: Thank you. We'll now take a final follow-up question from James Britton from Lehman Brothers. Please go ahead sir.

James Britton: Thank you. It's just a detailed financial question on the interconnect provision if I can. Just to be clear the provision you've raised is for 7 million, that is in relation to Q1 if the retrospective ruling is actually applied. Does that mean that you think it is more likely than not

that the ruling is applied or is it your hope that actually – your hope and expectation – that is actually gets quashed because Mobistar for instance is not accounting for that retrospective application at the moment. Thanks.

Ray Stewart: No, as far as we're concerned today that was a final decision and an order from the regulator. Yes, I wouldn't give it much of a chance of getting reversed so that definitely is a provision that will be paid and I think it was reflected, I assume, I haven't taken their numbers apart but I think it's reflected in BASE and Mobistar's revenues.

Michel De Coster: If I may intervene, I think that there is a difference between BASE and where retroactivity, the probability is very high that we have to pay. We are still in discussions with Mobistar.

James Britton: Ok, thank you.

Operator: Thank you. We'll now move to Guillaume Tastet from Oddo. Please go ahead sir.

Guillaume Tastet: Thank you, two quick follow-up questions. The first one, I was wondering if you had any comment on the numerous declarations by Mr. Van Quickenborne who repeatedly said that he considered the fixed market in Belgium to be competitive enough, I don't know what you think about that. Secondly do you plan to be maybe more aggressive during H2 on the residential market and I'm more thinking about triple play or further convergent offers. Thanks.

Didier Bellens: The fixed market and the competition in the fixed market let's say Van Quickenborne is the minister in charge of the economy, he was referring to the risk of a dual in Belgium between Telenet and Belgacom and he was just saying that the prices are probably high compared with other countries and especially compared to France. He said that at a public meeting in front of the regulator. We had the opportunity to give facts and figures to Van Quickenborne showing that

especially compared to other countries the prices in Belgium are in line with what's happening for instance in France and are obviously cheaper than in other countries like Spain and he agrees on that. Regarding our prices, there also we are rather at the low end of the market at the level as you mentioned and so that typically means that the message of Telenet and Belgacom was the prices in Belgium are really in line with the European market and European trends. The second question is for Michel.

Michel Georgis: First a comment on our net adds. If I take the loss in fixed line, the mobile active customers, the broadband and TV customers I come to 130,000 and I compare that to the same period of last year 57k, 128% part of the year. What is I believe rather impressive, I'll remind you also that the launch of the packs in April 2007 generated a little bit more than 230,000 packs end of June. For sure we will continue. Of course we are not pleased with the broadband numbers of Q2. We saw also in mobile some increase of churn that we tried already to correct in a certain way in Q2 with less conversion of prepaid customers towards post paid but implementing a system of auto reloads that help us in terms also of bad debt problems but for sure in the second part of the year we continue in the same way as in the first part of the year fully in line with the conversion strategy. The retention of our most valuable customers, the selective acquisition of valuable customers, segmentation and more and more also launching new packs and the regional approach.

Guillaume Tastet: Ok, very clear. Thanks.

Operator: That will conclude today's question and answer session. I would now like to turn the call back over to you Mr. Bellens for any additional or closing remarks.

Didier Bellens: I would like to thank you for attending this meeting and as you know we are starting the road show at the beginning of September so we'll meet some of you in September. Goodbye.

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