

Company: Belgacom S.A.
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Presenters: Didier Bellens, Ray Stewart
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Operator: Please stand by, this is Premiere Global Services, we're about to begin. Good afternoon ladies and gentlemen and welcome to today's Belgacom 2009 Q3 Results Conference Call. For your information this conference is being recorded. At this time I'd like to turn the conference over to your host today, Nancy Goossens, Head of Investor Relations. Please go ahead.

Nancy Goossens: Thank you. Good afternoon everyone, thank you for joining us on this conference call. From our side we have around the table the CEO Didier Bellens, CFO Ray Stewart as well as the heads of each business unit Michel Georgis, Michel de Coster, Scott Alcott and Daniel Kurgan. As usual we will start this call by a small introduction by the CEO after which we will open the Q&A lines for your questions.

So with this I'd like to pass the word on to Didier Bellens.

Didier Bellens: Thank you and good afternoon to everybody, welcome to our conference call on our third quarter results of 2009. Let me start by saying that I am very pleased that the group revenue continues to be solid and that we could end the first nine months of this year with a reported revenue growth of 1% and you will remember that the evolution of the top line was definitely one of our objectives so it's positive, it's +1%. The fact that our revenue is also growing on an organic basis proves that our strategy is successful and that we remain resilient in a difficult economic climate. This is especially the case in our consumer business unit which recorded solid revenue growth of 8% compared to one year ago. As we anticipated this part of our business does not feel any significant impact from the crisis which is also showing through a growing organic revenue.

As you know our strategy is built on convergence. For the consumer market this translates into the convergence offers that we call packs or bundles. In July we took it one step further and launched the free TV pack. The first results are very promising with in the third quarter a record number of 70,000 packs sold. Belgacom TV2 too was boosted by this offer with in the third quarter an all time high number of 75,000 additional TV customers. I may remind you that when we are gaining one TV customer, that means that cable are losing one TV customer. Being a challenger in a highly penetrated country which is the case here, we are obviously very pleased with these results.

As far as the Enterprise business unit is concerned, they continued to feel the impact of the downturn of the economy just as we expected. The exposure to the crisis remains mainly visible in the mobile and IT domain and explains the underlying revenue decline of 2.8%. So far we don't see an uptake yet, however it's encouraging that the trend did not accelerate over the third quarter which means that we do stabilise but we don't see up to now an uptake, so it's no longer declining which is also really good news.

Our International Carrier Service, so the BICS business which now represents about 15% of our group revenue continued its solid revenue increase. As we expected the year over year growth in the third quarter started to decelerate somewhat. On the cost side we also had some very satisfying results which proved that the strategic decisions we have taken in the past, so one year ago before the crisis, our non-HR costs are down by 2.5% year over year and on a comparable basis it means a reduction by more than 4.9% which is in line with our commitment to decrease the non-HR costs by let's say between 4-5% this year. As a result of the ongoing head count reduction programmes, our HR expenses have gone down by 1.3%. Our unrelenting focus on the cost side helped us to mitigate the impact on our margin from the higher sales related costs and keeping our EBITDA margin at the level of 33.3%.

Taking into account the results we had over the first nine months and including our best estimates for the fourth quarter, we feel comfortable in reaffirming our 2009 full year guidance on all metrics. It means that we foresee our reported results before non-recurring items to be a group revenue decline of about 1%, an EBITDA margin between 32% and 33% and a Capex to revenue ratio between 10% to 11%.

Now before let's say going to the Q&A I would like to come back to one question we've had this morning already when we've issued the press release, which was related to the interim dividend. The interim dividend has been decided at €0.40 and there have been a lot of questions, last year we had €0.50. The question was clearly why to have this decrease from €0.50 to €0.40, is this right Ray?

Ray Stewart: That's right.

Didier Bellens: What I would like to say first, of course if you take just the math it's a decline by 20%, so that's obvious. But this 20% decline in the interim dividend doesn't reflect what we and what the board want to do for the whole yearly dividend, so in 2009 we paid in April or May a final dividend of €1.68. If you keep the €1.68, I'm not saying that we are committed to that because it's a decision of the board, and you take the €1.68 plus the €0.40, that means that we come to €2.08 compared to €2.18 which is a decline not of 20% but a decline of 4.6% I think or something like that. So the decline you see today in percentage is obviously not the decline we'll see for the full year. It's obvious and as CEO of the company that's my very strong feeling that we've had very strong results, not just financially but also operationally and that the interim dividend which is in decline is a sign or messages we want to send, not just to you but we want to send a message saying that indeed we want a few things we have been fighting for to be solved, like some of the fights we've had on the regulatory side. I just may tell you that on the asymmetry of the termination rate, this issue, we have been told, should have been solved by 1st Jan next year. We have not seen yet a final answer but what we have seen is a letter sent by the European Commission to the Belgian regulator just saying that they have to finalise this issue. We as Belgacom, we cannot go on accepting to pay subsidies to our competitors more than hundreds of millions of euros. We cannot at the same time be the only one to pay for the universal service obligation in Belgium and we cannot just pay large dividends to our major shareholder, the state, which means that let's say a message has to be sent at the time we consider as appropriate because we wanted to keep at the level of the management and especially the level of the board a long term view, a long term vision about this company and not just to say 'Ok, fine, we are doing well and we don't expect any change'. We want regulation to change. We want a change, a level playing field. We want to change at the level of the asymmetry in the termination rate and it's high time to put pressure on others also to change that and not to say 'Listen, we are just going to weaken long term the company for the

short term interests of some people'. So that's the message we wanted to pass, but the strength of the company is very clear.

So let's go to Q&A.

Nancy Goossens: Operator, can we open the lines for Q&A please? Thank you.

Operator: Thank you. The question and answer session will be conducted electronically. If you'd like to ask a question please press the * or asterisk key followed by the digit 1 on your telephone. Please ensure the mute function on your phone is switched off to allow your signal to reach our equipment. We'll take questions in the order received and take as many as time permits. If you find that your question has been answered you may remove yourself from the queue by pressing * and 2. Again please press * and 1 to ask a question. We'll pause for a moment to allow everyone to signal for questions.

We will now take our first question from Akhil Dattani from JP Morgan. Please go ahead.

Akhil Dattani: Hi, good afternoon. Two questions please. Firstly looking at your consumer division, you've delivered very strong TV additions in the quarter. We've had 74,000 additions. I just wondered if you can comment on whether you think this momentum is sustainable and also what is the geographic mix of this growth? Secondly on handset subsidies, we saw yesterday Telenet unveil a new tariff which included subsidies. I just wondered if you could comment on what you think of this offer and in addition to that whether you see any need to respond over the coming months? Thank you.

Didier Bellens: Michel, do you want to take both?

Michel Georgis: Yes, so let me first comment on the first one regarding TV net adds. Indeed we had a strong quarter of 75,000 TV customers or up 220k if we do a year on year comparison. It's clear that those results are linked to a certain number of elements but it's clear that the launch of the free TV pack in early July is certainly one of the important elements in these good TV numbers. Regarding your question regarding the weight, I can confirm that the biggest part of those net adds are sold in the North. I would say that probably one of the main reasons for the success of

this free TV is probably linked to the commercial concept and the notion of simplicity and the fact that the people have the impression that they get more value for money. So that's for the first question. Regarding the second one, we indeed saw the Telenet offer. We are analysing it. The first reaction is that we are not very surprised because in the recent discussions we had with everybody we knew that we expected some of the competitors to come with joint offers by the year end. We stick to our position that mainly for us retention remains the key focus and that we want in the future to offer our customers I would say 3G joint offers, but for us what is important is to find the right balance between value creation and keeping the costs mainly of acquisition under control. We believe again – and that's why I mentioned 3G – that we are with the best network in Belgium well placed with those joint offers to boost our mobile data revenues.

Akhil Dattani: Ok, great, thanks. Just one very quick follow-up. On your point on the success of the new TV promotions, if I look at your TV ARPU the ARPU has actually grown this quarter on a year on year basis so it doesn't seem as if these promotions are dilutive. Is it fair to say that they don't include a significant discount, it's just the commercial way you are positioning these or is there some other reason as to why they're successful?

Michel Georgis: The answer is yes.

Didier Bellens: Any other question for Michel just now or do you want to follow up?

Akhil Dattani: No, that's fine, thanks.

Didier Bellens: Ok, next question.

Operator: Thank you. We'll now take our next question from Jakob Bluestone from Merrill Lynch. Please go ahead.

Jakob Bluestone: Hi there. I've got two questions. Firstly just given the comments that you were making earlier on MTRs and the lack of reaction or action from the regulator, presumably you must have regular conversations with the regulators. Could you maybe give us some sort of insight into what they tell you? Presumably not all the MTR discussions take place in letters

being passed around. Secondly just on the subsidies side, there's a view that you're going to see not a rapid acceleration of subsidies but a gradual build-up of subsidies and increasing retention costs. Do you think it's fair to say that it starts very slow but it does eventually build up to a material amount of subsidies over the next 12-18 months?

Didier Bellens: On MTR of course we have regular meetings with the guys there. The issue is really the following: we have let's say an idea of the paper they have prepared, the evolution and we are in line with that, so there is no dispute there. But having said that we have been so many times disappointed about timing that we want to put pressure on timing and to say now it's really time to put an end to subsidies and transfer of money from the small Belgacom to the big KPN or the big France Telecom. So that's basically what we want to pass as a message. We don't doubt that there will be an end to the asymmetry but the issue as you know is the sooner the better for us, not just because let's say there will be a decrease of the cost but also there will be more flexibility in terms of pricing. So it's very important for us to see this decline in the MTR which will be by the way also good for the market in general and when I say it will be good for the market, that will impact... but let's say we really think it's now more than time that they act and we have all the papers from Europe, we have the support of the Commission, we have everything. The only thing we have not yet done is to go to court against the regulator. So that's the only thing we have not yet done, so we can still think about doing it but we think that a friendly solution is always better than to go to court.

Jakob Bluestone: If I could maybe just ask a follow-up, would you be willing to give perhaps a very ballpark estimate of how long you think it might be before we see something or that...?

Didier Bellens: For us let's say and the discussion we had was really 1st of Jan next year and we are already I used to say November, I know it's still October, but let's say November and as you know it's time to finalise our budget and we just need clarity on these kind of issues because the end of the asymmetry and Michel you will agree is let's say important, not just because the costs will decrease but the competitive landscape will change also which will give us opportunities in this market. So it's not just a decrease of the cost, it's much more than a decrease of the cost. It's also to give us the possibility to fight more efficiently against the other operators. That's the reason why in my view it's so important that this issue is solved as early as possible. So for me 1st of Jan, you know I have been fighting now for more than six years on this stupid thing so you

may say I can wait another year, but each year not only costs a lot but in terms of competition it's not good and it doesn't help our group. So I am really fighting for that and that's the reason why I try to put pressure where I can.

Jakob Bluestone: I think that's quite clear and maybe if I can just ask one follow-up before moving on to the subsidies. If in three months you don't have an answer yet, when it comes to giving your 2010 guidance will you be doing it based on current MTRs or will that be based on your internal assessment of what eventually happens on a particular timetable?

Didier Bellens: Maybe Ray will answer this question.

Ray Stewart: The way we'll do it then is I think how we've done it before, we'll give you our guidance and we'll make it clear what our assumption is on the MTR so we can tell you that with the MTR if it happens by a certain date here's the impact and without it here it is, so we'll make it very clear to you what our assumption is and then if we get it fine, you'll know the guidance; and if we don't get it, so you'll have both sets of numbers.

Jakob Bluestone: Great, and on the subsidies?

Didier Bellens: Then you have a last question about subsidies, so maybe Michel you want to take it?

Michel Georgis: Yes. Again we believe that Belgium has a unique advantage to start from a blank page with joint offers and that we should avoid to replicate most of the mistakes that were made in other countries where clearly the EBITDA has weakened due to uncontrolled subsidisation. We also believe that it's hard to believe that we would have aggression in terms of subsidisation on the Belgian market combined with what we expect finally is the decrease of the mobile termination rates. So I still believe and it was already commented by some of our competitors that they will have a rational attitude in terms of subsidisation that's what we expect and we will clearly act in that sense and focus mainly on the 3G offers.

Jakob Bluestone: Great, thank you.

Operator: Thank you. We'll now take our next question from Stefaan Genoe from Petercam.
Please go ahead.

Stefaan Genoe: Yes, good afternoon, Stefaan Genoe, Petercam. I've got a few follow-on questions on Belgacom TV. First a follow-on on the ARPU question. There was a discount of course which you marketed as being free TV so it is kind of ongoing up to 25%. So compared to the previous quarter we should have seen an impact on the ARPU I would say but we haven't seen this. Could you explain this in more detail? Then secondly on Belgacom TV, we've seen the numbers of Telenet yesterday with a natural attrition of slightly more than 10,000. You mentioned that from the 75,000 a large part was in Flanders. Can you explain the difference if we take say half of it, 35,000 customers in Flanders, there is still this difference with the attrition numbers from Telenet. Do you believe this is a timing difference or anything else? Thank you.

Michel Georgis: Regarding the ARPU, it's clear that we see a slight increase in the ARPU, if I compare with Q1 and Q2 of 2009. It's linked to higher sales of set-top boxes and also the increase of video on demand due to more rentals per user and also a higher average price per rental. Regarding your question of the discount on the free TV pack, it's clear that we split it over the different products of the conversion offer, so that's maybe the explanation you expected.

Didier Bellens: It is Michel. Second question?

Michel Georgis: Again I confirm that the biggest part if you had to split it between Brussels, Walloon and the north of the country, it's clear that the biggest part is going to Flanders. Regarding the loss and the comparison with the Telenet numbers, what I can tell you is that based on a certain number of studies, we interviewed Belgacom TV customers. They confirmed to us that for more than 75% they have cut their cable subscription. There could be some delay in the cuts because most of them, the biggest part of them have an annual subscription with Telenet but clearly I see in my numbers that we had an increase in Q3 significantly of share of net adds in the north.

Stefaan Genoe: Thank you, then I've got one final question on the prepaid segment. We've seen one of your competitors losing quite some prepaid customers in mobile and according to their comments you were quite aggressive in between the period until August I believe, but we've not seen these prepaid customers really coming back in your numbers. Can you comment on that?

Michel Georgis: Yes, I was also surprised by the comments of Mobistar on the aggressiveness of Belgacom during the summer period. As usual I would say you have I would say a summer period, and that are typical periods of the year where we sell mobile services, so you indeed see in our numbers that we have an increase in Q3 versus Q2 but I was at first surprised to see that. For us it was not really an aggressive offer for our prepaid customers.

Stefaan Genoe: Ok, thank you very much.

Operator: Thank you. We'll now take our next question from Luis Prota from Morgan Stanley. Please go ahead.

Luis Prota: Yes, hello. I have two questions, the first one is on shareholder remuneration. You mentioned at the beginning the pressure you are putting on different parties with the dividend. Is that also having an impact on potential further buybacks? Are you ruling out announcing another buyback this year or is this still something visible? The second question is on the fourth mobile licence. What are your thoughts on this? Who are the potential bidders? Are you expecting a lot of candidates and what are the bid implications of this or maybe the risks are small taking into account that the level of penetration in the market is already high. What's the timetable as well. If you could give us an update on this that would be good. Thank you.

Didier Bellens: Thank you for the questions. I'll take the second question with Michel and Ray will answer the first question. The fourth mobile licence, when we thought about that in the past it was already unclear who would invest let's say not only in the licence but also in the network and what can be the return for somebody coming in the small Belgium to invest in the fourth licence and you see obviously that even in France, a country six times larger than Belgium it's already not easy. So in Belgium it's in itself not easy. Now with subsidisation and with all what you've heard about what Telenet is making and the cost of subsidisation, that really means that a cost of a newcomer is increasing a bit more to try to compete with the three actual players. So subsidisation one way, we may say we don't like it because it's about subsidies. On the other hand I think there should be a negative impact of subsidisation on the fourth licence because the guys being potentially interested in the fourth licence can only say 'Listen, my maths are completely different. How should I make money out of this kind of investment?' Who can

come? In the past let's say people were thinking Telenet may be interested in the fourth licence and we've never been sure about that because they have an agreement, an MVNO agreement with Mobistar. We see that now with this MVNO agreement they can do the subsidisation of the handsets. Are they interested to invest in a network and to make all these investments taking into account let's say their balance sheet – I don't know. Probably you will talk more to Telenet than I am talking to Telenet so it's up to you to make up your mind. Outside these guys who else may be interested? I have not really heard about let's say an international group saying Belgium is a strategic key and I would like to come in a market where penetration...what is penetration today Michel?

Michel Georgis: It's close to 107%.

Didier Bellens: With three players plus Telenet as an MVNO with let's say a clear positioning, so we've not yet seen and heard who may be interested in this fourth licence. Having heard let's say what we know, that was an idea of the state, the government and especially our minister to try to get a small amount of money for the government selling the licence but we'll see. So that may happen. At the end of the day I think that the subsidies paid to the handsets is going to weaken the financial proposal. I don't know Michel if you want to add something.

Michel Georgis: What I would like to add is to confirm that if there are some potential players interested by the fourth licence, it's confirming that our strategy is right in terms of conversion and that the future is for the operators that will be able to bundle fixed and mobile services. What I expect of course is if a fourth player is coming on the market, first of all that fair prices are applied and I would remind that we paid €150 million for this licence some years ago so we expect a fair price and that the fourth player will have to respect the same rules that we are. I see also some contradiction I would say in terms of for example going further in terms of for example the 3V per meter and the arrival of a fourth licence that could of course create much more size on the market etc; and the last comment is I see already a third player complaining and crying on the market about difficult to have a profitable business in Belgium, so to have a fourth one is a question mark.

Didier Bellens: Michel, thank you. Ray?

Ray Stewart: Yes. On the share buyback question, first I guess I would just like to go back to Didier's opening comments on the shareholder return. I guess I just would like to remind all of the investors on this call that I think Belgacom has a fairly good track record from the very beginning since our IPO of being fairly consistent and fairly I would say strong on shareholder return. We've not done anything foolish with our cash in terms of doing shareholder value destructive M&A and consistently I think year after year we've done a fairly good job of returning that cash to the shareholders either via share buyback or dividends or a combination of both and as Didier said I wouldn't read a whole lot into the fact that the interim dividend in the second half of this year was €0.50 versus €0.40, there has been some signalling in that. Now with all of that being said we have one more board meeting before the end of the year, I would never say anything is impossible but I would not count on anything that Belgacom would announce any kind of a share buyback before the end of this year. I think the extra shareholder return in the second half this year will be via the dividend.

Luis Prota: Ok, that's clear. Thank you.

Operator: Thank you. We'll now take our next question from Marc Hesselink from RBS. Please go ahead.

Marc Hesselink: Hello gentlemen, three questions. Firstly in the recent months you have been quite aggressive in promotions. You signed up a lot of packs from TV customers and I'm wondering, are these predominantly new customers or are they also existing customers that you upgrade the new packages? Additionally on the Opex, again you have been able to cut Opex. How do you see room going forward? Lastly you look well ahead of your guidance for the full year. The press release already provided some reasons why that will be difficult for the comparison based on the fourth quarter, but it still seems that you will end up at the high end of your guidance. Could you comment on that one?

Didier Bellens: Let's start with the TV customers, Michel, it's about cannibalisation.

Michel Georgis: Regarding the packs, we have indeed a combination of the arrival of new customers, we saw it even with the PSTN line. It's part also of the good results we reported for fixed line with only 29,000 fixed line loss in Q3, so there is new customers and there is indeed up selling to

what's existing customers where we believe also that the free TV pack will help us to keep our customers, make them more loyal. We see also to give you an example of successful bundling not only for free TV but the combination of fixed, broadband and mobile data that even if we give the mobile internet free during the weekend that people also use this mobile internet service during the week and you see the results of that with a quite impressive increase of the advanced data revenue already in Q2 but even more in Q3.

Didier Bellens: Regarding Opex, of course we are very pleased to see the decrease of Opex in 2009 and what we wanted is to change the DNA of the company. We are not yet there in terms of changing the DNA of the company regarding Opex and I do think that there are still opportunities depending of course on the evolution of the business. So you have understood that CBU is growing quite fast which means that there are costs related to that in CBU but also in SDE managed by Scott. On the contrary EBU, Michel...we have two Michels, so it's Michel De Coster, there we've seen a decline as we forecasting in some of the businesses of EBU no surprises especially ICT services and I think that there we have a commitment if the business is not coming back to perhaps further cut costs of EBU-ICT and a chance to follow the trend of the business. So definitely let's say we need to maintain the margins not only at the level of the group as such but we are managing the group also division by division where we put clear targets to all the divisions. So I think that either we see just like it's happening now in the States a rebound in the economy and let's say a rebound in the ICT market, in the Belgian market and then it's ok, otherwise we'll have to cut the cost dramatically in ICT Europe to be very clear. For the rest of the level of guidance issue, Opex for the rest, staff and support, let's say we go on with very strict objectives for 2010 so we don't want to talk today about 2010 necessarily but let's say it's not in my view the end of the control of the Opex we've put in place. A lot of structures and governments will go on with that even if it's a bit heavy for us at the level of the management committee, so Ray?

Ray Stewart: On the guidance in terms of what happens in the fourth quarter, I guess the one that we get the most questions on is the fact that if you look at the three quarters the revenues are up and we're guiding for 1% down. So it's basically mathematical but I'm going to have our group controller Diederik take you through the process real quick.

Diederik Bossuyt: So you have to keep in mind two things when looking at our year to date September results. First of all we have to see at our 2008 results where there was first of all a disposal of our Tier 2 countries at EBU that has been offset by revenues that were integrated for Tango and Scarlet, acquisitions that have been done respectively in August and in December. So when you look at our reported figures, for the first nine months of the year you'll see that the acquisition revenues for Tango and Scarlet are more than offsetting the disposal impact of the Tier 2 countries and that's one element. On the second hand and that is more organically we have seen that the BICS international wholesale revenues have been pretty much up since I would say the fourth quarter of 2008. These two elements combined make that the revenues from a reported perspective year to date are what they are today, so almost 1% higher, half of it coming from the acquisition revenues from Tango and Scarlet, half of it mainly driven by the better revenues of BICS in the last quarter, however the Tango-Scarlet revenues are not going to offset any more as they did in the first three quarters the 2008 T2 revenue loss on the one hand; and the BICS growth is expected to be much lower as we have said in the past.

Ray Stewart: Just to close on it, it's lower simply because BICS had a very strong fourth quarter in 2008, so I guess bottom line what I want to leave you with is we don't see any further deterioration in our business in the fourth quarter. It's simply mathematical on a comparison basis. So we don't see any of the businesses having a worse trend in the fourth quarter than we've had during the first three quarters of this year.

Marc Hesselink: Ok, thank you.

Operator: Thank you. We'll now take our next question from Bart Jooris from BNP Paribas Fortis. Please go ahead.

Bart Jooris: Yes, good afternoon, Bart Jooris in Brussels here. Some of my questions have already been answered. I basically have one question left. Being on DSL your customer evolution is better than in the second quarter but we still see a loss of 1,000 in EBU and a 13,000 increase in CBU where current reports are at 13,000 increase. Are you happy with these numbers or are you planning further actions to push these numbers up?

Didier Bellens: I guess the answer is no, we are not happy, but let's have the two Michels talking about how to address the issue.

Michel de Coster: I'm glad to have a question, Michel de Coster from EBU. I think as we've mentioned before in the previous quarterly reviews, the DSL part in Enterprise is a saturated market, so I think the declines we see are really marginal compared to the overall part that is by the way still growing, so I don't see any reason today to go into massive promotion and value destructive actions to regain these small numbers. Don't forget that some of the declines have to do also with line losses with bankruptcies because we have experienced in the Belgian SME market in the last year quite some important bankruptcy numbers and given our market share this has had an effect, so it's under control but don't expect any really volume driven actions because that would be too much value destructive.

Michel Georgis: Regarding CBU, it's clear that we want to do better in the last quarter of the year. I'm pleased by the trend compared to Q2 that is always traditionally rather low. We had also July, August, the holiday season, September was rather strong with a Back to School campaign and the effect of our pack promotions. We clearly want to do better in the last quarter, that's what I want to say at this stage.

Bart Jooris: Ok, thank you. Can I have one follow-up question please on maybe not really the guidance but certainly comments made on the BICS? Can we already expect some revenues coming from the MTN deal in the fourth quarter and if so are they included in your guidance?

Didier Bellens: Maybe Ray.

Ray Stewart: The answer is no, there will be no impact from the MTN in the fourth quarter and that's not included in our guidance.

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

Operator: Thank you. We'll now take our next question from Paul Sidney from Credit Suisse. Please go ahead.

Paul Sidney: Thank you. Just a couple more general questions please. Your consumer line loss slowed further to just 29,000 in Q3. I was just wondering, do you see a return to underlying growth at any stage in the future; and if so when would you expect that? Just a more general question on the market, do you see a potential for more price rises in the Belgian telco market whether it's mobile, broadband or TV? We've seen in the past there have been price rises in TV, telephony and mobile say over the last 12 months with some of the operators. Is there scope to put prices up further do you think?

Didier Bellens: Yes. Michel, you may start if you want me to jump and try to help you.

Michel Georgis: Regarding your question for the fixed line loss, the trend is I would say promising going from what it was a little bit more than 43,000 loss to be precise in Q1, 37 in Q2, 29 in Q3 and the 29 if you compare it with last year, 39 is going in the right direction. Of course we will have a certain erosion now on the other side in the context of conversion offers and the triple and quadruple play offers. We believe that the trend is to try to limit as much as possible this erosion in the long run and I would add that maybe some people that expected a drastic decrease in terms of fixed line penetration, we don't see it happen and we see that fixed line penetration is still close to 70% in Belgium at this stage. We did some price increases at this stage. I would prefer to comment on that when we will report Q4. In the context of 2010, at this stage I would say with all the reaction I saw on the market about pricing and the fact that we don't expect an indexation in 2010, it seemed rather difficult but we have also to see that from a competition point of view and that's it.

Paul Sidney: Ok, great. Thanks very much.

Operator: Thank you. We'll now take our next question from Nicolas Cote-Colisson from HSBC. Please go ahead.

Nicolas Cote-Colisson: Thank you. I understand that you're sending a message to the regulator regarding the MTR but I heard also that Mobistar is sending messages to the same regulator regarding ULL pricing and potentially a wholesale VDSL product, so don't you think that you have actually a risk from the regulatory side to get better MTRs but being forced entering some wholesale VDSL products?

Didier Bellens: Maybe Scott because you have not said anything up to now.

Scott Alcott: I know that's rare Didier. We've followed the evolution with the regulator but I want to point out that Mobistar has tried repeatedly to be a successful alt provider and we would just point to the history. We don't live in fear of their access. We honour obligations, we follow the regulatory requirements and we also see wholesale as an opportunity. But thus far the other operators have not because of their own lack of success and brand credibility been able to make that work. I would also point out that VDSL is extremely useful if you intend to be a television provider. I would remind you that we launched it to compete against the monopoly of cable operators by using this technology to go after the incumbent cable operators with video grade signal. You do not need VDSL for routine surfing and downloading, you need it for video. So if you're going to be an ALT and an OLO and you're going to try to gain access to VDSL, you should probably be thinking about it to be a competitive television provider which then means you need to spend money for content and you need to do that to go up against Belgacom and 96% cable TV penetration, so I think it's a hard business case. But we will follow and support the regulatory requirements related to opening that technology.

Nicolas Cote-Colisson: Ok, thanks.

Operator: Thank you. We'll now take our final question from Emmanuel de Feydeau from Natixis Securities. Please go ahead.

Emmanuel de Feydeau: Hi, just two questions please. The first question was on the subsidies, whether you can already on a legal basis subsidise handsets right now? The second is on employees' costs, inflation is pretty low currently and this year just because the number of employees is reducing, your total salaries cost is down by 1.3%. Does it mean the next year the decreasing trend should go faster?

Didier Bellens: Regarding the first question on subsidies and legal situation, maybe Saskia who is the Head of the Legal Department, maybe Saskia you can answer this question?

Saskia Mermans: The answer to that is simple, it's yes, but also confirmed yesterday by our competence minister. There is a legislative proposal in the making to see whether they would impose certain conditions to joint offers, but in principle it's allowed in Belgium.

Didier Bellens: Regarding the second question, employees and cost of employees. As you may remember this year at the beginning of the year we had inflation costs, in Belgium we call that indexation of what, close to 5% or something like that?

Ray Stewart: Yes, the carry over was 3%.

Didier Bellens: Then we decreased the number of employees which means that if you take all that together we decreased the cost of employees as I have reported in my introduction. Next year obviously because of the inflation rate in Belgium there will be no increase in indexation which means that we still have people leaving the company because of the plans we had in the past that have been provided for and so the decrease in the cost will be even more important than in 2009. Again we'll report later more about let's say guidance 2010 but you just have to understand the maths and the maths is something that we know quite well in Belgium, so for our foreign investors it's important to understand that when you have inflation in 2008 it has an impact in 2009. When you have inflation or no inflation in 2009 it has an impact on 2010, so no inflation in 2009 which is the case today, no impact on the cost side in 2010 and that's one of the reasons why it's maybe difficult for CBU to justify an increase in the sales price of the product. But we are working on that and Michel is working on that and we'll come back later when we report the guidance about what we are going to do there. Ok?

Emmanuel de Feydeau: Thank you.

Operator: Thank you. That will conclude today's question and answer session. I'd now like to hand the call back over to the host today for any additional or closing remarks.

Nancy Goossens: Ok, thank you. That leaves me for thanking you all to participate or listening to this call. If anybody has any follow-up questions you can contact the IR team. Thank you and have a good weekend.

Operator: Thank you ladies and gentlemen, this concludes today's conference call. You may now disconnect your lines.