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Presenters: Didier Bellens, Ray Stewart
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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 2010 Q1 Results Conference Call. For your information this conference is being recorded. At this time I'd like to turn the call over to Nancy Goossens, Head of Investor Relations. Please go ahead.

Nancy Goossens: Yes, thank you. Good afternoon everyone and thank you for joining us on this conference call. As usual we have here around the table our CEO Didier Bellens; our CFO Ray Stewart as well as the heads of each of the business units. They will all be very happy to answer your questions just in a minute, but before doing that I'd like our CEO Didier Bellens to do a small introduction and after that we will open the line for the Q&A, so please go ahead.

Didier Bellens: Thank you Nancy. Good afternoon and welcome to our conference call on the first quarter results. We all know that the results are not really straightforward because of the changes in reporting and the full consolidation of BICS, but I think that we can summarise our realisations in the first quarter as follows. First on group revenue, the evolution of our revenue was clearly positive. We had a growth of 10% compared to last year and although most of this is linked to BICS, the like for like revenue evolution was good as well. For example if we look at our consumer business unit we see its year over year revenue growing by about 2% on a like for like basis. This is the result of the growing revenue of fixed internet, mobile data and especially TV. In the first quarter the revenue from our TV business grew by almost 50%. The customer gain continues to be successful. As a result we ended the first quarter with 814,000 customers on our TV platform and we have succeeded in increasing our market share in all regions. We are achieving this thanks to our unique marketing position in Belgium where we include free TV in our bundled products.

For our business units servicing our professional customers we see that the top line on a comparable basis declined by 2.9%. The main impact comes from mobile as the EBU mobile revenue is feeling pricing pressure while we are maintaining our market share. The group revenue was however solid and based on the first quarter and the assumptions for the remainder of the year we are confident to end the year with a revenue growth in the high end of our guidance of 8-9%. It's clear however that the nature of our top line growth is affecting our EBITDA margin. For the first quarter our margin was diluted to 30.2% because of the increased share of BICS' revenue in the total of the group.

So while we expect to solidly grow our turnover for the rest of the year, the product mix of this growth and also the increased pressure of competition are challenging our group EBITDA margin. This being said we will obviously continue to work hard to live up to our promise on the full year EBITDA margin.

I guess that with this very short introduction we can go straight away to the Q&A. Thank you.

Operator: Thank you sir. Ladies and gentlemen if you would like to ask a question at this time please press the star or asterisk key followed by the digit 1 on your telephone. Please ensure that the mute function on your telephone is switched off to allow your signal to reach our equipment. If you find that your question has already been answered you may remove yourself from the queue by pressing *2. Again please press *1 to ask a question. Once your question has been asked, please mute your line to avoid any background noise playing into the conference and please limit your questions to two per person. We will pause for just a moment to allow everyone to signal.

We will take our first question today which comes from Marc Hesselink from RBS. Please go ahead.

Marc Hesselink: Hello, this is Marc Hesselink from RBS. First question, your press release is saying about increased competition and pressure therefore. What are you going to do to face this competition? What are your plans there? The second maybe in line with that, could you give an update on the handset subsidies?

Didier Bellens: Handset subsidies, your second question Michel Georgis can take this question.

Michel Georgis: Regarding subsidisation of the devices, first of all we expect in Q2 to have I would say a fair and clear legal framework on the joint offers topic. It's clear that as an established operator Belgacom doesn't want to start massively a joint offer today on 2G. If we go for it Belgacom wants to focus its approach on controlled subsidisation targeted to value creation and I think mainly about the mobile internet and on the market indication.

Didier Bellens: So basically no change compared with what we've explained to the market at the time of the roadshow. Mobile competition, we have to ask both Michels, maybe first for EBU mobile competition, what are we going to do and then Michel Georgis will take the CBU competition?

Michel De Coster: With regards to Enterprise business we will definitely continue to work on our convergence strategy, especially in the mobile area we're thinking about combining mobile data, mobile voice flat rated plans as we did before and it has given us the possibility to keep our market share so we will continue to focus on that element.

Michel Georgis: So regarding mobile for the consumer market, it's clear that we are not satisfied with our mobile commercial drivers for Q1 even if you have of course to isolate the loss via our MVNO Mobisud. We have identified a certain number of root causes. It's clear that we want to focus on value customers. The focus is clearly on post paid customers and value, so retention is priority number one, also healthy acquisition and as I mentioned no subsidisation of 2G devices but I can tell you that there is a big focus on getting back on track for mobile in the consumer business units.

Marc Hesselink: Would that also include being aggressive on pricing? I don't mean really low pricing because you're focusing on the high end but more on the flat rates for consumers.

Michel Georgis: You will understand that for confidential reasons I don't want to disclose the information. We have quite a lot of actions at all levels from product reshuffling towards channel actions.

Marc Hesselink: Ok, thank you.

Operator: Thank you. We will now move to our next question today which comes from James Britton from Nomura. Please go ahead.

James Britton: Thanks. My first question is on how the new broadband brands that you've introduced at the end of Q1 are likely to expect your revenue development from your consumer base? The second question is really around the perennial question of M&A. Do you see any opportunities at this stage to optimise your capital structure with an acquisition or do you actually need to preserve some headroom on the balance sheet in case the court case for the abuse of dominant position goes against you?

Didier Bellens: I will take maybe the second question. Regarding our balance sheet it's fair to say that we have probably one of the strongest balance sheets within the telco sector and let's say we know sometimes it's considered a disadvantage and sometimes, especially when the financial markets are a bit less attractive it's seen as a strength. Today we are very comfortable, we saw the structure of the balance sheet. Regarding M&A especially we are exactly in the same position as the one we had at the beginning of the year. We are still looking at opportunities in the market and especially if the market is getting more and more difficult maybe there will be opportunities today, let's say we don't have something special on the radar screen. It's also fair to say that if we can reinforce the activities we have within the group and especially around innovation, we'll take the opportunity to invest some money, not a huge amount of money but some money in these innovation opportunities supporting the development of our core business and especially if we can differentiate with our competitor in Belgium we are going to do it. But there is no further announcement to be made today or in the very near future. So that's for the second question and your first question was broadband consumer market for Michel.

Michel Georgis: It's probably too early to give you of course already feedback on the impact of this new revamping of our broadband tariffs. What I can say is that I think we were very pleased in terms of image to be the first to innovate on the market and to come with unlimited volumes and we had there quite a lot of good press coverage on that. What I can say based on the first results is that we don't see quite a lot of swap towards lower tariff plans and so on, so it remains

at this stage rather in line with the mix we had previously, meaning that for the biggest part of our customers remained in the two Comfort and Favorite tariff plans.

James Britton: Thank you very much. Can I just follow up on the question on balance sheet headroom? The second part of the question was really whether or not you need to take any account of the ongoing court case against you for the abuse of dominant position where I think the independent experts have assessed the liability to be in excess of €1 billion. Is that any reason to be more cautious with your balance sheet?

Didier Bellens: Not at all, we have defined our dividend policy a few weeks ago I would like to say and you have seen that the dividend policy is rather a generous one and especially a very transparent one. Number two, we've also announced already the trend of the dividend for next year which means that we are very comfortable about the evolution of our business including all the risk to our business. We have a complete review about the risk and especially the court case risk, on different occasions, it's reviewed by our external lawyers on top of the internal lawyers and the auditors and I think that there we have nothing new to announce in terms of evolution of the risk, so as far as we know we are very comfortable with what you can read in the annual report and especially the balance sheet and the exhibits of the annual report. So nothing new at this level and that's all that I can tell you.

James Britton: Thank you.

Operator: Thank you. We will now move to our next question today which comes from Stefaan Genoe from Petercam. Please go ahead.

Stefaan Genoe: Yes, good afternoon. I've got three questions, first on the mobile side also. Can you give us some more colour because the ARPU is declining underlying year on year and despite the percentage increase of the post paid base versus the prepaid, can you give us some colour on the underlying I would say price pressure you are witnessing for post paid and prepaid and I would say excluding the roaming impact that we saw compared to last year probably? Then secondly if we look at Mobistar and Base and now Belgacom in Belgium, you are all losing customers in the prepaid segment. I agree that there is some clean-up in some of those numbers but nevertheless do you believe that you are losing customers to Telenet in the

prepaid? Then the third question, I've got a small one on the capital gain or the one-off gain that seems to be recorded in the staff and support. Could you quantify this amount? Thank you.

Ray Stewart: Which capital gain are you referring to?

Stefaan Genoe: There was a one-off gain in staff and support driven in the press release on page 16, first quarter revenues of staff and support increased 10 million driven by some one-time items.

Ray Stewart: One-time items, meaning non-recurring. Yes, we always have some small building sales and things like that, so it's nothing significant.

Stefaan Genoe: Ok.

Didier Bellens: Michel?

Michel Georgis: I can start maybe with your second question regarding prepaid. It's clear that there is a trend in the market towards post paid for the three operators. I don't have an indication that those prepaid customers are going to Telenet. That's it for that question. Regarding the ARPU for consumers what I can mention is that when you look at the adjusted ARPU we go for the blended ARPU. Voice is decreasing by 2.5 year on year while it was decreasing by 10% last year. If you exclude regulation it was -7 so there is an improvement of the ARPU voice for the consumer part. Maybe Michel can comment on the business part.

Michel De Coster: On the business part the decline adjusted if you look at the bottom line sheet quarter over quarter is quite flattish from 35.6, 35.1, now 34.8. In fact the main driver for the decline in ARPU compared to Q1 of last year is the aggressive pricing plans we put in place, Flex and Fusion and that has given us results with regard to the market share and to our position in the market, basically flat rated pricing plans that had an effect on the ARPU I would say Q3 '09 but that since then has been fairly well under control.

Stefaan Genoe: Perhaps following up on that it seems that on the comments you provide that you are not really witnessing an underlying deterioration in ARPU. Can you then explain why on the margin front you seem to become more cautious on the mobile side?

Michel De Coster: It is clear that these pricing plans do have an effect on the top line and on the bottom line because these are pricing plans with free minutes, with flat rated prices and so yes, you get a flattening out of your margin and you have to be cautious in that matter.

Stefaan Genoe: Ok, so it's mainly the pricing plans...

Michel De Coster: Absolutely, because you ask to exclude the roaming and the usage, so it's basically the pricing plans that we launched I would say at the end of Q1 last year.

Stefaan Genoe: Ok. Perhaps following on on that because you already launched early last year, does it provide info for you today to become more prudent on the margin in mobile CBU?

Michel Georgis: It's clear and again I repeat that when you look at the mobile financials they are I would say going in the right direction. You saw the revenue line that is increasing by 2% even if they are under pressure, they are decreasing compared to the same period of last year; and ARPU, you saw the improvement even if we are not yet there any maybe I can also highlight that the data ARPU is growing by 12% you certainly notice.

Stefaan Genoe: Ok, thank you.

Operator: Thank you. We'll now move to our next question today which comes from Frederic Jeanmaire from Bank of America Merrill Lynch. Please go ahead.

Frederic Jeanmaire: Good afternoon, this is Frederic. Two questions please, the first question still on mobile. I'm just looking at the service revenue share in the Belgian market, it seems like you're losing share so I'm trying to understand what you're not doing maybe as well as the others and if you go into the data front it's probably there. How could you accelerate data take-up and do you think you're a bit behind there? The second question is regarding the tax situation in

Belgium and how do you see the government doing with taxes and how could this impact yourself?

Didier Bellens: Maybe you start with tax and then Michel will take the mobile question.

Ray Stewart: Yes. Belgium like a lot of the other countries are looking at let's say possibilities for different sources of revenues but at least right now what's being discussed and proposed doesn't have any significant impact on our let's say tax rate either from what I've seen this year or next year. I think this year probably people's models still have around 25% effective tax rate, something like that. That's still appropriate.

Michel de Coster: On your first question with regards to the service revenues, we see indeed in mobile data a growth of 12% quarter over quarter, that is slightly disappointing so I think on the devices side we will accentuate our focus and work in the coming quarters to improve the growth percentage there for sure.

Frederic Jeanmaire: So do you think the work is mostly on the device side because you've got a very large retail presence, so actually devices should be quite a strong argument for you. So would it be introducing new handsets or what would it be more concretely?

Michel de Coster: We have been introducing handsets all over the past quarters but we've seen in the market generally speaking, not only us but a declining trend in the PC related mobile internet and everything is focused on devices, so yes, all hands on deck on the devices side in the coming quarters together with our devices partners and I think the same applies for the CBU piece.

Frederic Jeanmaire: Do you think you're suffering from not being able to officially distribute iPhones at the moment? Is it an area you could explore?

Michel de Coster: The answer is yes, we can always explore but today the facts are what they are and today the iPhone is exclusively distributed by a competitor so yes, it has an effect on the devices side for sure.

Michel Georgis: I can also add that indeed we don't have the distribution of the iPhone for Belgium. On the other hand we continue to see a quite important proportion of those handsets detected on our network.

Frederic Jeanmaire: Ok, that's great. Thank you.

Operator: Thank you. Once again ladies and gentlemen if you would like 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 the signal to reach our equipment. We will now move to our next question which comes from Dimitri Kallianiotis from Citigroup. Please go ahead.

Dimitri Kallianiotis: Good afternoon, I have two questions. The first one is on the margins. You mentioned some competitive pressure challenging your group EBITDA margin and you also mentioned that you will come at the higher end of your group revenue range, so should I just basically assume that you will come at the top end of your revenue range and therefore you will come out at the lower end of your EBITDA range or do you see even some risks that you might not meet this EBITDA guidance? My second question is on the renewal of the 2G licence. I just wanted to know how much do you think you will have to pay per year in terms of if indeed you have to pay for the renewal of that licence? Thank you.

Didier Bellens: Maybe the EBITDA margin and EBITDA guidance, Ray, do you want to take this one?

Ray Stewart: Yes, if you look at just the results for the first quarter, the guidance we had given was between 30 and 31, we're at 30.2 with the things that my two colleagues have been talking about in EBU and CBU so it's not easy right now. We're still saying we're going to be targeting to remain in there but it's not automatic.

Grégoire Dallemagne: On the question around the 2G licence I would like to say that Belgacom maintains its standpoint that the tacit extension of the licence does not imply payment and we intend to file appeal. In the meantime we will comply with the payment obligation with all due reserves and we have opted for annual payments. So if we look at the price tag for the licence it's similar to what was paid originally for the same licence proportional to the time that we are looking at, so between now and 2015 we are talking of a one-shot amount of 74 million and as

we said we have chosen to pay in annual payments and so we're looking in 2010 at an amount around 28 million.

Dimitri Kallianiotis: Thank you.

Operator: Thank you. We now move to our next question which comes from Paul Sidney from Credit Suisse. Please go ahead.

Paul Sidney: Thank you, it's Paul Sidney from Credit Suisse. You recently announced some price increases particularly on the fixed line around 3% from August 2010. Could I just understand how does raising prices fit with this idea that competition is getting worse and also could you just quantify the impact that these price increases could have at the group level? Just a follow-on from that, would you expect your competitors to follow these price increases in the second half of this year? Thank you.

Didier Bellens: Michel?

Michel Georgis: We have indeed foreseen a certain number of price increases that will take place on 1st August for the PSTN line mainly and a certain number of calls that will be also adjusted. We believe that, we don't know of course if competition will follow. In the mobile side last year when we did an increase for the no longer commercialised pricing plans, there Mobistar followed, I don't know what they will do this time but we have a slight increase foreseen.

Paul Sidney: Ok, thank you.

Operator: Thank you. We'll now move to our next question which comes from Jacques De Greling from Natixis. Please go ahead.

Jacques De Greling: Thank you. One question regarding regulations. Following the change in mobile termination rates we see in Europe, how would you see the regulations on roaming prices going on as Europe is to consider a new stage beyond the two year current relations? Thank you.

Didier Bellens: Grégoire.

Grégoire Dallemagne: If I may I understood the question on MTR and there we know indeed the glide path which we have already communicated but what's exactly the question on...?

Jacques De Greling: The question is the main cost if I remember well in the EU study was included in the costs of the service was related to mobile termination. So if mobile termination declines what does it imply for roaming regulations?

Grégoire Dallemagne: Ok, I understand the question. What we know on roaming regulations is what's on the table right now and this year we will see a decrease of a few euro cents in the middle of this year with an impact for all operators including Belgacom. What will be the future is hard to predict for us at this stage I'm afraid.

Scott Alcott: I will clarify this because I run wholesale include roaming. Let's remember that some of the principles behind the EU view is harmonisation of national tariffication with roaming and we want to get the message out that the relationship between termination rates and retail price don't have to be the same, meaning as termination rates approach one it doesn't mean the retail price goes to one. We think you're going to see mixes, flat rates etc so I think we should track the evolution of retail on the national level and assume some convergence with roaming and a bit of a margin, but let's not assume that that's all a one-to-one relationship.

Jacques De Greling: Ok.

Operator: Thank you. We'll now move to our next question from Frederic Doussard from Oddo Securities. Please go ahead.

Frederic Doussard: Hello, just one question. Actually I'm not sure to have well understood what has really changed regarding the competition environment in mobile leading you to being more cautious on the margin?

Didier Bellens: It's a good question. Michel, do you want to start again?

Michel De Coster: In fact the competitive environment has become increasingly competitive with regards to pricing. What we did last year is we launched some flat rated simple pricing plans towards our SME customers and they gave us the possibility to keep that market share where it is today which is very important and especially with regards to our convergence strategy. Going forward with the asymmetry will for sure have an impact on the Belgian market situation with regards to mobile as well as the fourth licence, so we have a very simple strategy which is to keep our market share and to focus on value customers and increase the mobile data piece and that's what we've been doing over the last quarters.

Frederic Doussard: Ok. Do you see in the strategy of your mobile competitors something which has changed in the past three or five months?

Michel Georgis: The answer is no. We have been adding in their indirect channels some additional incentives for acquisitions but we retaliate with regards to win-backs. There is regulatory prices, don't forget the fine we received last year but all in all the market is highly competitive as it was before and we fight for every deal. The aggression in the market has increased, that's for sure but it's not only the competition, it's ourselves too. It's the market that has gone really wild with regards to mobile.

Frederic Doussard: Ok, so how do you explain that Mobistar and even BASE are quite successful compared to other mobile operators in Europe in the last three months or even in the last six months while it's not so obvious for your mobile business?

Michel Georgis: On a like for like basis as I mentioned before in the call we have...an important thing is your market share which we have in the enterprise market kept under control. I think that's important going forward with regards to a convergence strategy because you need your mobile customers to drive your packages and your broadband. You know we've launched an important campaign with regards to IT in SME so for us it's really important in the enterprise market to keep our market share and we build from thereon and I think going forward it will become increasingly difficult to be as aggressive as our competitors have been, so yes, they have been relatively successful with regards to some value but I can assure you that we will continue to monitor this and to especially increase our activities with regards to the mobile data front

because as a growth area that's where we can make a difference and as said before we will focus there on the devices market even stronger.

Frederic Doussard: Last question: that means that on devices, maybe on smartphones you could be more aggressive and subsidise on some smartphone?

Michel Georgis: Yes sir, yes.

Frederic Doussard: Thank you.

Operator: Thank you. We'll now move to our next question today which comes from Frederic Van Daele from Kempen. Please go ahead.

Frederic Van Daele: Yes, good afternoon. Two very short questions on your fixed line network. First, your momentum in TV continues to be strong so I was wondering how quickly can you increase the population coverage from the current 74% to say 90%, that's the first question. The second one was that there was quite a bit higher depreciation in the quarter related to this radio access network. Is that just one quarter or are we going to see higher depreciation throughout the year and how quickly are you going to replace this equipment and what kind of network are you replacing there? Thanks.

Scott Alcott: First, thanks for noticing that our network is doing the job. We had one of the six best networks in the world in terms of fiber coverage. We've announced plans to go to 80%. We've made no statement about 90% or beyond. I would also tell you that our focus is not per se just coverage but bit rate that we can get out of existing assets so that more customers can get TV, so you know there are some developments that we're going to be doing on our existing Broadway deployment, it includes 17 megahertz in the future DSM. There's some interesting vendor developments, you heard some announcements out of Alcatel related to Phantom Mode. We're here at Belgacom announcing that copper is not dead. We think through 17 megahertz we can move up to 30 megabits we think with DSM and some of the other strategies we can continue to walk up that bit rate, so our intention is clear. We're going to extend our Broadway coverage overtime to 80% while upgrading the assets that we've deployed and increasing the multi-screen environment while allowing for over the top surfing and

simultaneous voice. Those are things we can do quickly, for example the 17 megahertz is a remote deployment, doesn't require additional trenching permits etc and a lot of the bit rate advantages that you can get are through core network strategies.

Ray Stewart: The depreciation, keep in mind the biggest contributor year over year is the BICS consolidation but to answer your specific question on the radio access network, that should be and I'm looking to Scott finished by the end of next year if I remember correctly.

Scott Alcott: That's correct. We speak here about the upgrade in swap of the infrastructure which is 2G/3G LTE hybridameleon.

Frederic Van Daele: Thanks. Maybe just to follow up if you say copper is not dead and there are ways to extend the lifetime, how capital intensive will that be?

Scott Alcott: Substantially less than fiber to the home. In terms of we continue to reiterate our guidance which is we will continue to upgrade this network while we retire legacy networks and swap out our IT systems while maintaining our run rate around 10% revenue on Capex. That's the guidance, that's how we're going to get that done. If we do fiber to the home it'll be evolutionary, where there are new parcels, where it makes sense, where it can also add and boost our copper network at the same time, we're comfortable we can continue to deliver the customer services whilst staying within those ratios.

Frederic Van Daele: Thanks.

Operator: Thank you. We'll now move to our next question today while comes from Siddy Jobe from Bank Degroof. Please go ahead.

Siddy Jobe: Good afternoon, Siddy Jobe, two questions. The first question is basically for Michel de Coster which relates to the strategy of the EBU division to drill down further the Enterprise pack towards smaller SMEs and independent workers, i.e. the ambitions to grow the partnerships with independent IT agents that could work as a distribution network for services of Belgacom. Could you update us on that plan and what we should expect of that, perhaps not in 2010 but rather towards 2011? Then also for Michel on the ICT environment i.e. Q1 2010 already showed

some slight improvement and whether he could give us a flavour of how the market is currently today and perhaps in that respect whether BIC contracts are being signed at this moment or not or whether people are still holding the brakes on larger projects.

Michel de Coster: Sidy, thank you very much for these two questions, I'm delighted. The first one, I'll answer the second question with regards to the overall ICT environment for EBU. What I can say is that when we look at the pipeline we are actually carrying it is healthy compared to last year but it's certainly not inflated or much bigger, so the level of activity is a little bit better and comparable to last year, so the order intake we took in the first quarter was slightly above last year but not extremely, so better but not great. The revenues as you mentioned, as you saw were almost 2% up compared to last year, definitely an effect from the Q4 good order intake we took. It is really too soon to say that there's an uptake. We are very pleased with the growth we did in ICT certainly compared to the declines we saw over the last quarters last year but what I can say is that all the deals – and it's a bit comparable with regards to the mobile market – there is a tremendous pressure on pricing especially the hardware, so we need to monitor that closely because first of all the large deals are not yet very visible in the marketplace, it is still a lot of smaller deals. We do have questions around the public sector because we're not sure that the public sector which is always a good spender on ICT deals will continue to do so given the actual situation in Europe and in Belgium specifically, so I would say on ICT generally speaking a good performance, a better performance certainly than last year. It gives us good hope, but it's too soon to say that we're there yet and I think that's very comparable to most of our competitors. With regards to the SME IT strategy, in fact it's very simple and I'll come back on the market share topic with regards to mobile. What we want to do especially in the small SE segments so it means the solo and small enterprises and in the mid enterprises is definitely with a segmental approach go into the IT space and sell in bundled services through these ICT agents IT hardware and software available through the cloud and out of our data centres, use also these ICT agents to sell our traditional broadband fixed and data services and by doing this adding the third component which is the IT piece on our SME offering because we definitely want to be overtime and that's certainly starting out as of 2011 be a one stop shop provider for ICT services preferably flat rated with service contracts over longer periods than one year and therefore it's absolutely necessary and that's why we started to fix this go to market model for the SMEs where we will address the SMEs with direct sales and we

will address the lower SMEs with indirect sales and that's a very important strategic plan for EBU and for the group as a whole.

Siddy Jobe: Thank you. I have one additional question and that is more precisely for Ray I guess with respect to the free cash flow. If we look at the free cash flow for the quarter which came out substantially higher than consensus was expecting, this has partly to do with I assume the cash receipts from consolidated companies. Were there some other elements in that free cash flow and whether you could indicate that given your addition to your margin guidance whether you feel that your free cash flow will also be more challenging than two or three months ago?

Ray Stewart: I'll answer the last question first. I've never given cash flow guidance so I'm not going to start now, let's be clear on that one. You're correct, the biggest item which gave strong growth year over year was the consolidation of BICS, so that was the biggest. The other items are just really related to working capital.

Siddy Jobe: Ok, so if we deduct the BICS impact we have a run rate free cash flow for the coming quarters.

Ray Stewart: Understanding working capital varies quarter by quarter.

Siddy Jobe: I do understand. Thank you.

Operator: Thank you. We'll now move to our next question today which comes from Hugh McCaffrey from Goldman Sachs. Please go ahead.

Hugh McCaffrey: Good afternoon, I just have a couple of questions. Firstly on mobile, how attractive do you see laptop connectivity and do you see any fixed mobile substitution risk in broadband as LTE starts coming? Then secondly on personnel costs, if I look at the core domestic businesses, CBU, EBU and SDE it looks like personnel costs are coming down around 5% year over year. Is that sustainable? Thanks.

Didier Bellens: Michel, will you take the first question?

Michel Georgis: Regarding mobile substitution, we have always positioned mobile data, mobile internet as an add-on on the fixed broadband and we continue to see that and in the context of our convergence and multi-play strategy we see quite a lot of our customers having the fixed broadband subscription that takes also the mobile one, you know we have there different tariff plans and for sure the combination mobile and fixed is rather successful.

Ray Stewart: The question on the head count and the FTE, we've said that our strategy is each year to try to take several hundred employees out of the business. That was the guidance that we gave for this year and that's what we'll continue to try focus on going forward. We've talked about our move to all IT project, the convergence or the integration of the companies all driving that forward so nothing has really changed in that regard. That's how we would like to try to manage it is just take several hundred out each year. It's better than a huge large programme which had some really negative shocks or impacts on the business, so that's still the strategy over time.

Hugh McCaffrey: Ok, that's very clear. Those several hundred heads, are they coming out just by natural attrition mainly or is it early retirement plans?

Ray Stewart: We have the natural attrition and don't forget we have that programme ongoing, the early retirement programme we had which continues to take employees out each year.

Hugh McCaffrey: Ok, great. Thank you.

Operator: Thank you. Once again ladies and gentlemen to ask a question today please press *1 on your telephone keypad. As we have no further questions I'd now like to turn the call back over to our hosts for any additional or closing remarks.

Nancy Goosens: Ok, so thank you all for participating to this call. If there are any follow-up questions you can obviously address them to the IR team. So thank you all and have a nice weekend.

Didier Bellens: Thank you very much.

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