Company: **Belgacom S.A.**

Conference Title: **2010 Full Year Results**

Presenter: **Didier Bellens, Ray Stewart, Nancy Goossens**

Date: **Friday 25th February 2011 – 14h00 CET**

Operator: Good afternoon, ladies and gentlemen, and welcome to today's Belgacom 2010 Full Year Results conference call. For your information, this conference is being recorded. At this time I would like to turn the call over to Nancy Goossens, Head of Investor Relations. Please go ahead.

Nancy Goossens: Thank you. So yes, good afternoon, everybody, and welcome to this conference call. I know it's been a crazy day for most of you and that we have a competing conference call going on as well, so thank you for calling in in ours. We have here around the table our CEO Didier Bellens and our CFO Ray Stewart and the head of each of our business units. They will be taking your questions as soon as we open the lines for the Q&A. We're going to hold onto the usual format because I assume that everybody has seen the detailed results by now, so our CEO will start with a short introduction and then we will be opening the lines. So thank you, and with this I'd like to pass the word on to our CEO.

Didier Bellens: Thank you, Nancy, and good afternoon. Welcome to our conference call on our full year results. Before commenting on our results, I'd like to quickly introduce to you Bart van den Meersche. Bart is now two months on board as the new Executive Vice President of our Enterprise Business Unit. He has released Scott from his interim job so Scott can fully focus on SDE again. Bart has been working for the last 28 years with IBM so he has an in-depth knowledge of our business, generally speaking, and especially he is going to bring a lot to EBU.

Now just a short comment on our results before we open the line for questions. As you have seen in our press release, we ended the year with solid Group revenues which were slightly ahead of our guidance. The 10.2% growth compared to last year obviously includes the positive impact of the full consolidation of BICS but at the same time, it also includes a negative impact from regulation, which has decreased our full year revenue by €121 million. If we make abstraction of these impacts and take a look at our underlying business, we see actually a slight revenue growth of 1.4%. This is mainly driven by the underlying revenue growth within the Consumer segment and also because of some organic growth from BICS. As you know, additional revenue from BICS comes at typically lower margin but despite that, we have reached our EBITDA margin target of 30%. We have also ended the year with a strong free cash flow of €980 million. This is about €180 million higher than last year, and that's mainly explained by some one-time items and timing differences related to taxes but also because of the higher EBITDA.

This brings me to the subject of shareholder return. We have committed to an attractive shareholder return in our policy which is based on returning, in principle, most of the annual free cash flow to our shareholders. Therefore I am pleased to announce that our Board of Directors has approved to propose to the Annual General Meeting of 13th April the total dividend of €2.18 per share as we guided for last year. This means a total dividend of €701 million over the result of 2010, including the €161 million interim dividend or €0.50 paid in December last year. In addition, the Belgacom Board has approved a share buyback programme for a maximum of €200 million to be carried out during the period 2011-2012.

My last comment is on our expectations for the year 2011. Clearly our results will continue to feel pressure from regulation. We estimate the negative impact on revenues to be about €115 million, while for the EBITDA the impact should be less than €30 million. Including these impacts, we estimate that our 2011 full year revenue will show a decline of up to 1% and our EBITDA to decline up to 2%. Regarding capex, we foresee for 2011 to invest in the further development of our fixed and mobile access network and therefore expect our capex as a percentage of Group revenue to be in the upper range, upper end—excuse me, the upper end of the range 10%-12%. Finally, from the result 2011, we expect to return to our shareholders a total annual dividend of €2.18 per share.

I think that with this short introduction, I can stay there and we can probably open the floor for questions.

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

Operator: Thank you. If you would like to ask a question, 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. We would ask that after you ask your question, you mute your telephone. We will now pause for a moment to allow the queue to assemble. Thank you.

We will now take our first question. Paul Sidney from Credit Suisse, please go ahead.

Paul Sidney: Thank you. If I could just ask a question in terms of the capex-to-sales guidance please, you're guiding the upper end of 10%-12%, which is a jump from the sort of historic figure of around 10%. Could you just give us a bit more detail on where that will be spent in terms of the split between fixed and mobile and with particular focus on the implications for any potential future fibre bill and what it means for your Fiber-to-the-Cabinet coverage as well going forward? Thank you.

Didier Bellens: Well, before giving the floor to Scott, I would like to give you some historical figures about capex. So in 2006, capex represents 11.4% of revenue; 2007 10.3%; ’08 12.8%; 2009 10%; 2010 11.1%—which means that we are always, let’s say, close to this famous range between 10%-12%, except one year we spent 12.8% and now let’s say our guidance is upper range of the range, upper end of the range 10%-12%, which means it’s maybe 11.5%, it may be 12%. So that gives you an idea. Now Scott, can you comment a bit on the project?

Scott Alcott: Yes, I’m the guy who spends the capex so let me give some details on it. You're correct that there is investment—generally we’re talking here about coverage and speed—so both on the fixed and mobile network side, we’re gong to uptick some investment related to fixed access, and you may have read in the release that while we’re at 76% of VDSL2 coverage today—that’s our Broadway footprint that we use for bringing high-definition TV—our plans are to take that up to 85% by 2013 and so the capex that Didier detailed for next year will include next year's contribution to that. We're also going to be stepping up investment in mobile access. You've seen, and later I think we'll be reporting, Michel and I will, CBU as well, the beginnings of mobile data take-up, and of course we're scaling the backhaul and capacity of our radio network, while most of you are aware we're also swapping the radio network to a 2G, 3G and LTE-compliant asset that can set us up for the future. So there are expenditures for that increasing next year as well.

In addition to the network side, we're foreseeing some small increases in IT expenditure as we do our OSS/BSS upgrade to move to All IP, but also to support some of the new technologies that are replacing the legacy networks, so things like Access Gateway and some of the fibre and some of our improved customer satisfaction and service tools that will allow for self-diagnosing and repair and more online sales. All of that's about creating efficiency. And that's the last point I want to make. This capex, all of this goes through a pretty rigorous process to make sure that there's payback for this capex. These are about business cases that when we increase our coverage from 76% to 85%, you know, we should be getting proportional more market share because of that footprint increase, and so this is money spent for gaining coverage, gaining customers as well as setting up the mobile data revenue and profit stream. I think that's all I can say.

Paul Sidney: That's great, thank you. Can I just ask a very brief follow-up from that? Because of the level of investment that you're making and because you're actually, you're putting prices up in terms of retail prices, can we assume going forward that the strategy would be to really compete on the strength of your network rather than price? Thank you.

Scott Alcott: You know, we think we have. You know, Belgacom clearly is the leader in networks and in performance, and we've always been, on the fixed side as well as the mobile side. I remind you, on the fixed side we were first Fiber-to-the-Curb in Europe and the leader in Belgium, and number 4, number 5 fibre network in the world. I think everyone's aware we were the leader going to digital TV, before the cable operators were ready. I think you're aware of our 97% 3G coverage. That is far beyond the capabilities and capacities of our two competitors and we maintain network leadership in mobile, and we believe we're an innovator that's bringing the services that the customers want on the fixed net through advanced investment. And that's how we maintain a price premium, because we have a quality solution, and I remind you we're the only one that can provide the convergence strategy. So it's not just the individual networks but it's the combination of having fixed and mobile, quadruple-play control nationally of our networks, that makes us the quality provider and the price leader in the market.

Paul Sidney: Thank you very much.

Operator: We will now take our next question. Stéphane Beyazian from Raymond James, please go ahead.

Stéphane Beyazian: Yes, good afternoon, two questions if I may. I'd like to come back just on service delivery. In 2011, so you won't have the impact of the collecting model on one hand but also not any more the impact of the Scarlet customers' migration. So I'd like to know what you expect in terms of top line for that division and what could be the sort of key drivers for 2011? Second question regarding the guidance, I was wondering whether you're factoring in any price increase in 2011 and if that's the case, could you just give a little bit of colour on where—in which areas you believe there might be some flexibility to raise prices? Finally if I may, a third and last question, you mentioned in the last conference call a possible, let's say a segmented approach in terms of handsets subsidies. What happened finally in the fourth quarter in that regard and did you, do you still believe that could be an option for you going forward?

Scott Alcott: Yes, it's Scott here for your question on revenue in SDE, and you're referring to wholesale. First point, we don't give divisional-level revenue guidance, so I need to be clear that we'll stick to the Group guidance that we've given. But I should point out some trends that are public, because the true impact, net of all the intercompany things that you described, you know, the value-added services and interconnect premium rate stuff, that doesn't impact our direct margin. You know, that's kind of a flow-through issue, and things between us and Scarlet which we captured 100%, I also don't want to get into a lot of details because it doesn't affect things at the Belgacom level.

The issue for CWS related to its revenue—and I speak here about national wholesale—is 100% regulation. You know, this is the impact, so for example if you look at what the regulator, the BIPT, has done this year in August, August 3rd the BIPT decreased 20% the local loop unbundling pricing from €9.29 to €7.57. I think it puts us pretty much at the lead in Europe. They had similar cuts for ATM, VDSL and Ethernet bitstream access and so we are taking exception to some of the cost modelling and approach on that, and following the procedures to object to it. But those changes will be, together with roaming, the things that impact CWS's revenue going forward, not just next year and the outer years. Because those impacts are published and known, you can build your own model but again, we don't give divisional-level revenue guidance.

Michel Georgis: So regarding price increase, I remind you that we had a price increase in August and we try, in function of the competition environment, to adapt our prices in function of the inflation but I will not comment on potential price increase in 2010-11.

Ray Stewart: Yes, so it's Ray. So I'll just do a follow-up. So what we try to do in all of the segments is because if you're in an inflationary environment, of course our wages go up with inflation, our suppliers try to hit us with inflationary increases. So where we can in, as Michel said, in the competitive environment, if we think a price increase is the right thing to do, we try to do it but we're not able to do it across all revenue segments.

Didier Bellens: Yes, handset subsidy is for Michel.

Michel Georgis: We stick to what we already mentioned in the previous quarter so if we go for subsidisation, it's clearly a targeted segment of subsidisation that creates value for the Group.

Stéphane Beyazian: Which means you haven't done anything yet?

Michel Georgis: Correct.

Nancy Goossens: Any other questions?

Operator: Thank you. We will take our next question. Siddy Jobe, please go ahead, from Bank Degroof. Please go ahead.

Siddy Jobe: Good afternoon, Siddy Jobe, Bank Degroof. I had basically one question and it has to do with regards to the proposal of both the telecom regulator and the media regulator which is pushing for a multicast functionality obligation in wholesale for Belgacom. Could you give us an indication on the timing when should Belgacom be ready with such a wholesale offering? And secondly, what if cable would get a delay or would even be able to completely toss the proposal in the dustbin? Would a multicast functionality also would remain an obligation for Belgacom?

Didier Bellens: Scott?

Scott Alcott: I think Gregoire may want to hop in as well. Look, the position we've taken on multicast is that we're already talking to our subscribers on a commercial arrangement for that, and we point out that we are the attacker. We are not the monopoly in television services, and we find it, well I'd say strange and even a little bizarre, that people are looking at the attacker to have its infrastructure opened up for the competitor. We have no issue with providing multicast to our competitors on a commercial basis. We just believe that regulation of that is unwarranted for us at all, but certainly us specifically and not the cable operators. We've heard that some of the cable operators are arguing that—we hear a lot of things, that it's technically not possible. This is not true; it's happening in Denmark as we speak. It was mandated in Canada as well. We've heard our competitors on the cable side complain that it may cost millions in order to do this but we know that full well because Belgacom has spent millions unbundling our local loop and enabling our competitors, so we think that it's just proper that these things get synchronised in in the right priority.

In terms of your question related to when will it be ready, we're following the procedures with the BIPT. We commented. We are prepared to comply with decisions on timelines that are required, but we reserve our right to follow the comment procedures and the objection procedures of which I've just outlaid. I want to underline that we expect that cable should be open for analogue and they should have to open their overall assets and Belgacom, being the non-monopoly attacker, should not be the priority of the BIPT in that subject.

Siddy Jobe: Okay, thank you.

Operator: We will now take our next question from Marc Hesselink from Royal Bank of Scotland. Please go ahead.

Marc Hesselink: Yes, hello, three questions please. First one, as a follow-up on the handset subsidies, is it then correct that if you're not doing that yet and not expecting it soon that you didn't include that into consensus? Secondly also following up the last conference call that the further cost savings from this level will be difficult, I think that's also shown in the guidances you have today. Does it mean that Belgacom is going to be lean and mean as it is and cannot have further cost-cutting in 2012 or beyond that? And a third one, I was looking like what do you see in your business segment? Do you see like a pickup after the downturn and if you exclude the regulation, is there an improvement there?

Didier Bellens: Okay, so Bart?

Bart van den Meersche: Okay, for the business segment we see indeed an improvement against 2009. You know, 2009 was a difficult year for the business unit given the economical crisis. You might remember that we had a revenue decline of –4.2% in EBU in 2009. If you look into 2010, this is now –2.1%. If you exclude regulation from that it’s, the underlying business is –0.5%, so compared to –3.1% in 2009, which indeed indicates a clear improvement.

Now within there, there are a number of elements that are encouraging, ICT in particular. You might have seen in your results that in ICT we have a growth of 3.3% compared to last year, so that is going in the right direction, and the same for other indicators like the mobile data where we are getting ready to capture the growth that is coming in this area.

Marc Hesselink: But also maybe in tenders that you see, is there more tender activity there or is that improving?

Bart van den Meersche: It's clearly that the market is taking up again also, yes, also in tenders. So we see that all, we see that especially also in the public sector which on itself is more the environment where you have tenders but we see also in the private sector where we have more and more, again questions for new business.

Marc Hesselink: Okay, thanks, and the other one, other questions?

Didier Bellens: The cost?

Ray Stewart: So Ray Stewart, I'll take the cost savings question. You know, the first thing to keep in mind is that, you know, at the company level anyway, we continue to focus on the long term and by that I mean whether you want to call it capex or opex, we always look, you know when we're spending money, what's the return for the company over time, not necessarily in the next quarter but over time, and I think we've got a pretty consistent track record of that. So number one, we'll keep the pressure on this year to control costs wherever we can and if we can continue to save, we will. But you need to understand, you know, the Management Committee of Belgacom, we have two priority focuses this year. One is the continuation of our customer satisfaction programme that we launched last year and another one is simplicity programme that we've launched. Now both of those programmes will pay off over time, we think number one over time, we will continue to hopefully start regaining market share, which hopefully will increase revenues and margins. But yes, this year we're not going to be able, let's say, to put the resources, the needs programmes and deliver significant cost savings but still we'll do our best over time, you know, to continue the cost controls that we've put in place and that's all in our guidance.

Marc Hesselink: Okay, thanks, so then beyond this year then, you have—I'm sure this year you're investing to have cost control in the years after, better even in the years after or how should I see that?

Ray Stewart: Yes. We've talked about it long term. You know, we've given you some targets in terms of how we thought our headcount evolution will continue and that will, and it'll be because of these programmes, both on the capex and the opex side, because what you have to keep in mind, we look at the resources spent out of the company. We don't necessarily—maybe I do it to see if, oh, I look at the accounting, but my colleagues are simply cash spent. How we account for whether it's opex or capex, there are accounting rules for that but when we spend the resources, we try to look at the long-term return and yes, we still think over time we'll deliver on the commitments that we've made.

Marc Hesselink: Okay, clear, thanks, and the last one on the handset subsidies, is it included in the consensus? So I think that's not in the guidance.

Michel Georgis: So subsidisation is included in the guidance.

Marc Hesselink: Okay, so you expect to happen—the subsidisation to happen this year?

Michel Georgis: I don't know. I'll tell you that for us, a segmented subsidisation is included but it's clear that we learn also from what's happened in the other European markets and we know the danger of mass subsidisation, so it's clear that we want to be very careful and judge a little bit the situation on the market that all the mobile operators, with the exception of Telenet, is very careful today in terms of subsidisation in any case in the consumer market.

Marc Hesselink: Okay, thank you.

Operator: We will now take our next question. James Britton from Nomura, please go ahead.

James Britton: Thank you very much. I've got a couple of detailed questions but perhaps I could start with one on the buyback. Can you just outline your rationale for spreading the buyback over a two-year timeframe? And I see you sort of, you suggested there would be a maximum of €200 million over that period. Why wouldn't you leave some flexibility to increasing it should you have another fantastic year for free cash generation in 2011? And then the detailed questions would be firstly on wage indexation I saw there was an indexation in October. When would you anticipate the next round of indexation and perhaps you could just enlighten me on the indexation measures currently showing up in Belgium? And then another detailed question on enterprise mobile trends in the fourth quarter seemed to be a sharp leg downwards. On the restated basis, enterprise mobile was down 6% and it was around –2% in the previous quarter. Can you just explain why the deterioration in Q4? Thanks.

Didier Bellens: Ray, you have the buyback and the wage indexation?

Ray Stewart: Yes. The buyback, number one, the spread-out over two years is just to give us some flexibility and if what you said is true, which I hope it is, if 2011 turns out to be a fantastic year, there's nothing that prevents us from this time next year to announce an addition to that share buyback. So there's nothing that precludes us, if we have another great year, as you said, in 2011 to increase that. The buyback we announced was based on the 2010 results so basically if you look at what we returned to shareholders and dividends and then you add the share buyback we've announced, and I think we've kept with our commitment that we've made. So that's how you should think about that. The fact of having it to be able to do it over 2011 and 2012 just gives us some flexibility. It doesn't mean that it's also included for the 2011 results, whatever they should be, so that's number one.

Number two, on the wage index right now what we have in the plan anyway is that there would be a wage index for what we call the Belgacom S.A. that would occur in August of 2011 for I think it's approximately 2%, yes? And then we would assume for the non-Belgacom S.A. entities, it would occur mainly in January of 2011 and both of those are in the guidance that we've given.

James Britton: Is that also a 2% for the non-Belgacom SA employees?

Ray Stewart: Yes. Yes.

James Britton: Okay.

Ray Stewart: And then EBU.

Scott Alcott: Yes, hi James. The mobile voice revenue did decline sequentially so third quarter I think was 124, fourth quarter 120. This largely is the regulation impact, so you're right. It was, the quarter was, I think it was 6.3% on a like-for-like basis but it's largely due to the regulation, specifically the MTR cut that accounts for that trend.

James Britton: Thanks, Scott. Obviously I'm aware of the MTR timeline. I think the cuts came through on the 1st August, so you would have had an extra month, if you like, of the severe MTR cut. But it sounds as—well, it doesn't really feel as though that would have fully accounted for the 4% drop in the trend. Is there anything else that you can add to on that front?

Scott Alcott: Yes, I think generally—you're right and I'd say generally, James, that the strategy of EBU has been to protect market share, grow customer base and trade ARPU for that. So if you look in the fourth quarter, there was some improvement in the minutes of usage and customers, particularly on the corporate side, were put on some closed user group plans which allow for kind of inter-company calling but those things were bundled, James, with fixed relationships, part of the convergence strategy. Say if you take an Explore platform and a data pack and keep your intercompany links, we'll allow for closed user group calling. So you know, our strategy here is that we want to preserve our high market shares in the business sector and we want to not allow losing some mobile cards to break that set, and so going for the total value is the strategy there. But again, most of this impact in Q4 is the regulation piece, but you asked for maybe some additional things along the side, I'd add that.

James Britton: That's great, thanks.

Operator: We will now take our next question. Nicolas Cote-Colisson from HSBC, please go ahead.

Nicolas Cote-Colisson: Oh thank you. In your press release, you talk about optimizing the copper access network. Could you elaborate a bit more on what you intend to optimize and what kind of bandwidth do you expect to reach eventually? I have a follow-up question on your VDSL coverage. You have a target of 85% by 2013. I'd like to know, the 15% left, if they are evenly distributed between Wallonia and Flanders. Thank you.

Didier Bellens: Okay, Scott?

Scott Alcott: All right, I get to answer some technical stuff, and I'll try not to be boring and quick on this subject, but copper is…

Ray Stewart: [unclear]

Scott Alcott: Thank you, Ray. Ray says I will be boring.

Ray Stewart: No, I said the other way. I said boring, maybe not, but quick, I don't know.

Scott Alcott: But thank you, thank you, I'll try. Hey listen, copper's not dead and you saw a lot of announcements from vendors related to phantom mode and different things. We do have, in hand, plans to do two things. So specifically increasing coverage is part of the story and I'll get to what we do with the remaining 15% next but the second part is really increasing speed through a couple of things that we're doing. Number one, we're working with our vendors for DSM, which is Dynamic Spectrum Management—really noise cancellation—to upgrade the bit rate that's possible on the shared components of the network so you and your neighbours don't cross each other. Today it's possible to provide higher bit rate with existing technologies but the signals bump into each other because of noise and it makes us kind of dial down the potential speed. With DSM we have the ability to allow that to go to full component, so that's all about vectoring.

We're also looking at using multiple pairs in the network, where they exist and where they're easily accessible, to increase the bit rate. More pairs physically means the opportunity to double what we're bringing towards the customer.

And then last, we're shortening loop lengths. We're innovating a strategy called VDSL Boost where we bring a little bit of a kind of an extension cord to remote optical platforms to bring fibre deeper in the network from where we have existing European leading assets, and you can do a lot more with speed at shorter loop lengths, specifically 400m and under. So we're working all of those things.

We're increasingly interested as well in bringing fibre to the building where there are multiple tenants of 50 or more, and basically putting a DSLAM in in the basement of some of these places and turning them into giant remote optical platforms to connect neighbours to them. All of these strategies should help us bring the bit rate, which today has moved from 20 to 30, and soon it will move from 30 to 40 and from 40 to 50 and as high as 70 and 100 across those various strategies.

On top of that, we expect compression to make that 100Mb and 70Mb and 50Mb line operate at double of today's capability. Today it's 8Mb and 9Mb bringing HD stream of television and soon that will be a 4Mb requirement for the same quality, and that means a 50Mb line will behave like a 100Mb line in terms of what the customer can do with it. So copper is not dead.

For the remaining 15%, we take no final decision. I remind you, when we launched Broadway we started with 61%-62% coverage and every year we look at the success of that and add coverage. And you know, all the things I just mentioned—DSM, vectoring—these technologies didn't exist when we started Broadway. So we kind of buy options and every year we reflect on what new things are there and if we should continue. So it may be we end up with 100% coverage. We're going to examine that every year. But we'll also follow other technologies that may come.

Nicolas Cote-Colisson: Okay, yes, thank you. It's very interesting, not boring at all, I can reassure you. Just two questions, follow-up questions on that. For the VDSL Boost, does it really, does it imply that you will have to build some new street cabinets? And regarding the multiple pair, talking about the phantom mode, are there many lines where you can have multiple copper pairs?

Scott Alcott: Sure.

Nicolas Cote-Colisson: Because I'm a bit surprised these kind of things exist actually.

Scott Alcott: Yes, first my good CFO reminds me you wanted the geographic split.

Nicolas Cote-Colisson: Yes.

Ray Stewart: On the 15%.

Scott Alcott: Yes, and I would say through the plan to get to 85%, there'll be virtually no geographic difference in our coverage. So all of the regions will be served equally, and it's close to that fact today but as we increase, the gap shrinks and so there's no digital divide between the regions.

In terms of extending the street cabinets for VDSL Boost, I don't want to get into a lot of details but it requires much smaller works in the roads than the original Broadway deployment. It allows us to put a mini-box that's kind of an extension to the existing street cabinets in a way that's much less physically disruptive and it's really kind of an extension of that that goes intelligently a little deeper in the network. It does require digging. It does require placement of the box but it's a smaller initiative than what was needed. Also, it doesn't affect all 18,000 remote optical platforms. We place them intelligently in between those ROPs so that we can boost each of them through one common asset. And your last question was about multiple pair.

Nicolas Cote-Colisson: Yes.

Scott Alcott: Yes, and that varies by operator, and I'm not going to give a lot of details about it but I can say this, that we have access to significant numbers of multiple pairs in our network, also inducted into the home and that's the key. If you need to splice to get to those extra pairs, they're not very useful, but Belgacom has significant assets related to gettable extra pairs.

Nicolas Cote-Colisson: And sorry, a very last question. What was the reason in first place to put multiple pair of coppers?

Scott Alcott: Some operators will find that they have pairs in the network but that are not accessible to the customer home, so they have not been inducted into the customer home, and that would require them to break into the network, for example in the street in front of the home or deeper into the network to grab that pair and extend it to use it into the home. That's an example of a splice that would be required. There's extra assets there but they need to be extended to be usable.

Nicolas Cote-Colisson: I see, Scott, thank you very much indeed.

Operator: We will now take our next question from Dimitri Kallianotis from Citigroup. Please go ahead.

Dimitri Kallianotis: Good afternoon. I just have two questions please. The first one is on the increase in capex and I just wanted to—just to figure out is it just a defensive move to fight against cable and just because of competition in 3G or do you see that as well in terms of just we see more growth opportunities in terms of new services? And there basically I just wanted to get your view on are you expecting, do you think we are getting closer to the Group reaching an inflection point in terms of revenue growth so that we could—we'll stop seeing the Group declining, even if the decline is very small at the moment? And my second question, I just wanted to know if you could give us just a little bit more guidance in terms of what you expect on spectrum cost for this year and next, and also in terms of TV rights? I believe that football rights are up for renewal this year so I just wanted to get a bit of your view there. Thank you very much.

Didier Bellens: Okay, so there are three questions, so the first, I'll take maybe the first one, Michel. So the increase in capex, it is fully in line with our strategy. We are convinced that the end game is to increase our market share and to be able to do that, we need to have the best networks, which is the case with the 3G. We are preparing the 4G, so it's going to be done by the end of the year, and of course coverage, it's also important. Today we have VDSL coverage of 76%. We want to grow to 85%, which means that I do expect from EBU and CBU an increase in market share and penetration in this area. So it's very, very clear that there is a business plan. We are reviewing the previous decisions we've taken to invest in VDSL and let's say each decisions we've taken has delivered in terms of return. So we do expect return on investment there, so Scott say it, I can confirm that it has been reviewed at the Management Committee and that's the only reason why we do it. So of course VDSL, what we want to deliver is let's say all our services, which is TV with our new platform. It's not just TV; it's let's say a platform with entertainment and services with added value. So that's basically, let's say, what we want to do and as you know, broadband is more and more important. Everybody is convinced now that we are living in a world of convergence and convergence means that indeed your tablets or your smartphone is working with the mobile and 3G, with the broadband and mobile 3G. So that's the first question. I hope it's very clear. So there will be a return and both head of business unit have to deliver on increase of penetration of their services in the area we are going to cover, okay?

So I'll take maybe the third question about the soccer rights and Scott will be, will take the spectrum question. So the soccer right, let's be very clear. Today the league has not yet decided what they are going to sell so it's difficult for me to tell you if we are interested in something that has not yet been decided and proposed for sales. What we've read, but we are even not quite sure, that apparently there is an agreement about the way they are going to organise the competition in the future. And it is important because the competition has to be attractive in terms of the way they organise it, so how many clubs will be part of the first league and how are they going to determine who will be the champion at the end of the competition. So that's the first element.

The second is how are they going to organise the packages. So that has not at all been discussed as far as I know and at least we've never been informed, which means that today let's say we are waiting. We are already end of February and I guess that the competition is starting again during the summer period, so they are rather late but we are comfortable by waiting and we know that there are other rights, attractive rights available in the Belgian market. If it's not football, it's going to be something else. So for the time being we are waiting. If they come with a proposal that's attractive, yes, we may be interested. It's really too early to talk about that so we'll see their proposal and then we'll start to make an evaluation of what it represents for us. But again, if we do that, we clearly need to be able to show that we are going to attract more customers, not just for soccer, not only for TV but for let's say our packs. Scott?

Scott Alcott: As far as frequency goes, we speak here about 2,600MHz frequency to set up the LTE. Government's talking about end of the year for the auction related to that frequency. All I would say is we expect that 2,600 does not go at a significant premium to legacy auctions related to 2G and 3G. In fact it should be significantly cheap is sort of the view, and so we're expecting—we don't shape this market and we don't want to disclose bidding strategies and the like. We need to see what comes. But we believe this should be, relatively speaking, a low-cost frequency for the market.

Dimitri Kallianotis: Thank you. If I may just ask on the 800MHz, has the government come with any firm plan in terms of when they want to sell those licenses and all the spectrums?

Scott Alcott: Yes, they're saying end of year, I think October or later.

Dimitri Kallianotis: Okay, thank you.

Operator: We will now take our next question. Michael Bishop from Barclays Capital, please go ahead.

Michael Bishop: Hi, good afternoon, two questions please. Firstly going back to the comments on enterprise, and obviously you were saying that there's a few more tenders coming up, but what

I'm interested in is whether a competition for those tenders is increasing, and if so, is that more in the larger tenders or is it more around the SMEs, because I know Mobistar and Telenet are investing a bit more in those areas? And secondly on CBU margin, so excluding the positive effects from the lower MCRs and the collecting model, can you talk a bit about where you think the underlying sort of cost of sales will go in 2011, given your talks about product profitability initiatives but also bearing in mind that it's clear that if you're increasing VDSL coverage, you want to be improving broadband adds, so I just want to get a sense of the movements there and whether you think they'll be flat or—thanks.

Didier Bellens: Thank you. We'll start with EBU, Bart?

Bart van den Meersche: Yes Didier, so the question about the increasing of the competition, you could say yes, there is an increase in competition because we are also extending our scope of activities. You know, instead of being only in communication, we're also in ICT, we're also in media, which means that you encounter different competitors, but I think that Belgacom is very well positioned to meet that competition because we have all terms in our hands to give end-to-end solutions. I am convinced that clients who look and receive that are also in the current discussions. The clients are looking more and more for end-to-end solutions. So we will focus on those end-to-end solutions and we will invest in those in order to meet that competition and bring added value to our clients.

Didier Bellens: Michel?

Michel Georgis: So regarding your question on the COGS, if I look at what we did in 2010, a certain number of them will be recurrent for 2010-11. For example, we decided to change one of our pricing plan when we offer more than 5,000 free SMS per month, so we limited there the number of free SMS per day. That's for sure one of the main initiatives that deliver some results in COGS. But beside that, we also had commissions under control. We renegotiated a certain number of content contracts. We also started a project regarding logistic flows of decoders and modems. That should continue to deliver in 2011.

Michael Bishop: Okay great, thank you.

Operator: We will now take our next question from Russell Waller from New Street Research. Please go ahead.

Russell Waller: Yes hello, thanks. Yes, it's Russell from New Street. The first question was on the impact that you thought Mobistar's triple-play product is likely to have on your business. I know it's been around since October but they're sort of indicating that they're going to have a bit of a push this year. So I'd be interested to know your views on that. And then just looking at the ICT revenues at EBU, the Q4 trend was obviously a little bit different from the Q3 trend. I was wondering if you could talk about why that was please. Yes, that's it, thanks.

Didier Bellens: I'll take the first one, the Mobistar TV. You'll remember we discussed that last time at the conference and I was very doubtful about, let's say, their proposal and at the end of the day they are trying to sell a dish, which is relatively old technology if you think about that. So now we have the figure, so I think you know, they have 10,000 subscribers and let's be very clear, they come with this technology. That means that they believe that having, let's say, something else than being just mobile-only is necessary for the development or the survival of their business, which is a good sign because that's exactly in line with our strategy. We believe in convergence, which means we don't believe in mobile-only, and they feel now—maybe a bit late—that they have to do something in the market. They could have invested in TV five years ago and they could have taken real market share but today let's say, coming five years later, they are in a situation where, let's say, they have two players, the cable operators and Belgacom with two very interactive technology: cable and our IPTV technology. So let's say coming with a technology that is less interactive is probably going to be a challenging proposal to the customer. But we'll see. So that's my very strong conviction. So the positive is that their move confirms that our move made five years ago was really the right one. For Mobistar, I don't see them as, let's say, a competitor in the TV market against the two players we have today in the markets.

Bart van den Meersche: Okay, and then regarding your question on the evolution of the ICT revenue, it is true that there is a difference in trend in between the first three quarters of 2010 and the fourth quarter. The reason is basically because, you know, the ICT environment has been hit by the economical crisis and the fourth quarter of 2009 we saw already a take-up. So if you're looking at the figures and you see the fourth quarter of 2009, there we clearly had a take-up compared to the other quarters. So the reason is basically because fourth quarter of 2010, we're comparing with a strong fourth quarter 2009 where we were flat against that quarter, and that is explaining why you have these different trends against the first three quarters.

Russell Waller: Okay, thanks.

Operator: We will now take our final question from Frédéric Doussard, Oddo Securities. Please go ahead.

Frédéric Doussard: Yes, hello, two questions. First, if I remember well last year, so in H1 2010, you said that you don't consider share buyback at that time because you were looking for potential external growth opportunities. The fact that now you announce €200 million share buybacks, so that means that growth opportunities is no longer a topic for the next six months? And the second question, is it fair to think that actually in terms of leverage, your goal is to maintain the net debt level at around €1.5 billion, like that?

Didier Bellens: That is consistent, so Ray, after the share buyback we'll be back to around 1.5…

Ray Stewart: 1.7.

Didier Bellens: €1.7 billion net debt, which means that we are in line with what we said last year. Basically if we do return, let's say, most of the free cash flow to the shareholders, the net debt should remain roughly flat. So that's really mathematics, so that's what we want to do, knowing that even a net debt of €1.7 billion is not a very high amount for a company like Belgacom.

Number two, let's say of course external growth, we have as you know a very, very small team looking at opportunities and looking at what others have done or are doing, so we know what's going on in the market. We've not seen in the market something attractive enough for us to be able to come in front of you and to say that's a fantastic deal and we are going to make a lot of money. You remember last year when we were talking about M&A potential and so on and so forth, geography where we're looking, we were talking about, well, eventually Europe, why not some country in the North of Africa to Middle East. Now let's say you could say, well, fortunately we have not done anything because all these areas are probably the area where you are more comfortable with the company being just located in Belgium, which is very, very safe haven and where you'll see that we can deliver on our commitment.

So external growth, we are not going to say never because we've said consistently we are never going to tell you never but we are—how do you say that?—structure…

Ray Stewart: Disciplined.

Didier Bellens: Disciplined, yes. So we'll remain disciplined and because we are disciplined and because we want to maintain our net debt at around €1.7 billion, the smartest way to do it is a share buyback and I don't have to convince you because when I meet you in private in 1 on 1, you tried to convince me that the best thing we can do is to buy back our own shares. So we were just following, let's say, your advice and we are convinced that by doing that, indeed let's say we are going to increase the per share results in the next years if of course all the other elements of our P&L are in line.

Frédéric Doussard: Okay.

Didier Bellens: So I think it's a good investment. It's very flexible and, let's say, we still have our team looking at, let's say, opportunities but you know quite well there is nothing that's available today and attractive especially. I hope I have answered the question.

Frédéric Doussard: Yes, it's very clear. And what could be the—if you don't see external growth in your future, what could be the catalyst for further increasing your leverage in terms of cash return to shareholders?

Didier Bellens: Well you see, we are very flexible people. We are not stubborn. We are ready to do share buyback, so the catalyst is, let's say, as Ray said previously, if we have a great 2011, we'll see, so we have our guidance. So you know our guidance, but of course we can—and if there is nothing, let's say in terms of M&A, of course we can then go back to the Board—that's the message we've always passed to you—and convince the Board to do the same exercise and you'll see that we are successful when we have a good case going to the Board with a project of share buyback. So I am not going to commit today but let's say it's very clear that with a good file, we can convince the Board.

Frédéric Doussard: Excellent, thank you.

Didier Bellens: At least we were successful this year.

Frédéric Doussard: Yes.

Didier Bellens: Okay?

Frédéric Doussard: Yes, thank you very much.

Didier Bellens: Thank you very much.

Nancy Goossens: Okay, I think with this we can conclude the conference call, so thank you all for calling in and for participating. If there are any follow-up questions you can obviously call us, Ann/or myself, and I wish you all a very good weekend. Thank you.

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