



**Company:** Belgacom  
**Conference Title:** 2012 Half Year Results  
**Presenter:** Nancy Goossens  
**Date:** Friday 27<sup>th</sup> July 2012

**Operator:** Good morning ladies and gentlemen and welcome to today's Belgacom 2012 Half Year 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 madam.

**Nancy Goossens:** Hi everyone and good morning, welcome to this conference call. I have here around the table almost the full management committee actually of Belgacom, so we have the CEO Didier Bellens; Ray is here, the CFO; Gert Standaert who is now running the Network and the IT segment; for the first time we have also Dominique Leroy around the table, she is running the Consumer segment; and we have Daniel Kurgan, he runs BICS and I think that in a minute Bart van der Meersche should join us as well for the Business Unit. They will all be very happy to take your questions later on but before that we will open the line for Q&A and I will pass on the word to Didier Bellens, the CEO.

**Didier Bellens:** Thank you Nancy. Good morning and welcome to our conference call. I take it that you have seen our results so I'm not going to repeat that to you, but there are a few things as usual that I think are important to take away from our second quarter results. I believe that our performance over the last quarter shows that we are a resilient company and that our strategy is the right one in this market. Our reported numbers were influenced by some one-off items but if you adjust for those the group revenue was slightly up versus last year.

The main take-aways, the first one is BICS, our International Carrier Services, it's clearly doing very well. BICS showed solid revenue growth and also a good growth in direct margin compared to last year. The two customer segments, CBU first, we see a continued growth in TV revenue thanks to a solid growing customer base and that customer growth in fixed internet is still showing a strong improvement over last year. Our results also reflect the successful launch of Internet Everywhere. This internet offer we launched mid-April is a



perfect reflection of our strategy. We combine fixed with mobile data in one single subscription and this has clearly boosted the demand for mobile data cards.

In the Enterprise segment we see that ICT is showing an organic growth of 6%. This is a great result, especially seeing the economic climate we operate in. Bart is joining us, morning Bart. I have been told that traffic was terrible in Brussels.

So to conclude there are quite a few things that show we are doing well. We are therefore pleased to announce that we reiterate our full year guidance which does not take into account the one-off accounting adjustment following the new telecom law. I can imagine you still have some questions so let's use the rest of the time for Q&A.

Operator: Thank you. If you'd 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. Please speak slowly when asking your question today. Again please press \*1 to ask a question. We will pause for a moment to allow everyone to signal.

We will take our first question from Andy Parnis from UBS. Please go ahead sir, your line is now open.

Andy Parnis: Morning, hi guys. I've got two questions. The first one is just on revenue. You have guided to -1% or around a -1% decline for the full year. The run rate in the first half of the year was +0.5%. Could you give us a bit more detail on where you expect the revenue pressure to come in the second half of the year? Then second question was on mobile. Could you just give detail on what you're seeing at the minute in terms of subsidies in the market? France Telecom mentioned on their call yesterday that Mobistar is certainly beginning to introduce subsidies. Is this something you're looking to do or are already doing on any of your handsets?

Didier Bellens: Dominique?



Dominique Leroy: Yes, good morning everyone. Concerning your question on mobile because I think that's the most important one, what we see today is that indeed as we have anticipated already a long time ago, the mobile standalone market is coming more and more under pressure and that's why I think the convergence strategy that we have already pursued for a few years is really the right one. We see that not more than 20% of our new packs are packs with mobile and that's for us an important way to make value, also combining mobile and fixed. Concerning the aggression of the markets we are not wanting to start any more aggression in the markets as Belgacom. On the other side if we see that the market becomes more aggressive we of course will respond accordingly. We have a few advantages on the mobile which is our very good network where we have also announced that we will continue to invest in our network also in 4G. We have a very good service, we have funds, we have also different offers for different profiles of our customers and I think with all that that we are well placed in the market to take on the increased competition.

Ray Stewart: Part of your question on the revenue guidance, I guess at this point in time because of some of the things that Dominique had mentioned to you, we prefer to leave the guidance where it is in total both at the revenue and EBITDA level. We will see at the end of the third quarter, we will have a better sense of what's going on in the competitive dynamics and if it needs to be updated then, we can do it.

Andy Parnis: Thanks. Can I just ask a quick follow-up? On the mobile, can you just clarify, are you currently subsidising any of your handsets or any of the high end smartphones at the moment? Thanks.

Dominique Leroy: Currently we don't have any subsidisation. We have had some offerings of smartphones that were new together with internet and things like that, but it's not what you can call really subsidisation. If the market goes into subsidisation we are ready but it's not our intention to start with subsidisation.

Andy Parnis: Ok, very clear. Thank you.

Operator: We will now move to our next question from Dimitri Kallianiotis from Citi. Please go ahead.



Dimitri Kallianiotis: Hello, thank you very much for taking the questions. I have got three questions. The first one is on the dividend, I just want to confirm that you are still planning to pay a flat dividend or at least a flat dividend compared to this year and also to get your view on some of your peers have obviously made some pretty strong cuts to dividend. How do you position yourselves compared to that especially considering you've got a very high yield? Second question is on the new telecoms law. What sort of impact do you expect on churn? Should we forecast a strong increase or not? My last point is on the more positive noise coming from Brussels in terms of regulation especially in terms of it being technology neutral. Shall we expect you to continue especially in terms of pushing VDSL and not investing in fibre to the home or would you basically change anything in terms of your fibre strategy? Thank you very much.

Didier Bellens: I will start with dividend and Ray may follow inventory so we can do it together. Usually we don't talk about dividends at this period of the year. It was part of the discussion we've had at the time of guidance and obviously we will talk later this year about dividends then more specifically next year. We have given a commitment about the dividend we are going to pay this year and that's clear. Now we should not talk about the dividend we are going to pay for 2013 and 2014, that's a bit early. Having said that when we look at what's going on in the market what I can say is that we at Belgacom are in very good shape for different reasons. The first one is that as you'll see our business is very strong. We are generating nice EBITDA and revenue is again slightly growing which is positive, that was one of our commitments. Regarding the development long term, everybody is now talking about let's say capex, massive investment in capex especially our friends in the north, so KPN are now investing in capex. In the past they were the champions of cutting costs and not investing. Today they have changed strategy. We have had a very consistent strategy over the years. We have invested on a regular basis and therefore also we are in great shape in terms of networks, fixed and mobile platforms and that's the reason why we are let's say probably more optimistic for the future but we should not commit to any dividend for the future today. Regarding the new telecom law, well, there is a one-off impact during the first six months. It's of course a shame. Having said that, the impact, it's a one-off. We don't expect to lose all our customers in the future obviously which means that part of this negative one-off will come back normally in the future automatically for those customers

not leaving Belgacom and staying for a period longer than the famous six months. What is also a shame is that the Belgian regulator has prompted for a period of six months while in Europe we can go to a longer period, so we don't understand why Belgium has to be more regulated than other countries for some elements, and indeed what Brussels has decided in terms of regulation is positive, I think that the European Commission understands now that if they really want in all the European countries but also in Belgium let's say the best networks, higher capex investment, we need to have the right return on investment and therefore we take that as a positive and of course it will have an impact also on Belgium.

Dimitri Kallianiotis: Thank you very much.

Operator: We'll now move to our next question from Nico Melsens from KBC Securities. Please go ahead sir.

Nico Melsens: Hi, good morning everybody, Nico Melsens here with KBC in Brussels. I've got a question on ICT actually where you showed a good performance in the second quarter with very nice organic sales growth. Could you talk a bit more about what exactly is driving that growth? How are clients behaving and keeping in mind the decisions that we have gotten here and there about weakening macro conditions, has that had an impact in the course of the second quarter? Have you see that clients became more prudent towards the end of the quarter or was there no change in market conditions? Thank you.

Didier Bellens: Thank you very much. Bart.

Bart van der Meersche: Good morning everyone. Two questions in terms of the ICT growth. As you have seen we have indeed achieved an underlying growth if we exclude divestments of 6% in the second quarter which is a very good result which expresses all the different elements in our ICT portfolio so we don't publish different categories. What we can say is that we are driving those growth areas which are well known growth areas like Cloud Computing and others that allow us to have this growth overall in our ICT environment. Now the economic situation, it's clear how the uncertainty on the financial markets is reflecting also on the business because the business has become more prudent and therefore are more cost conscious and that is something that we see, so if you see for



instance in the mobile voice you'll see there's clearly pressure on price and price competition. In terms of order intakes, we don't see yet a major impact in terms of order intakes. We see that especially the financial sector is still prudent but it's not so that we have a big change for the time being, but it's clear that we follow the economic environment very carefully and that there is some prudence in there.

Nico Melsens: Ok. Thanks very much for taking the question.

Operator: We'll now move to our next question from Michael Bishop from Barclays. Please go ahead.

Michael Bishop: Good morning, just two questions please. Firstly on the free cash flow, obviously you're tracking below 2011 levels and then typically Q4 is always seasonally quite weak, so I'm just trying to get a sense of where you think a reasonable free cash flow level for the year is, because clearly consensus is assuming that's slightly less than the dividend payout, so I'd like to get your thoughts on how you sort of weigh up free cash flow versus the dividend payout? Then secondly it seems like there has been limited improvement in line loss sequentially, so I was just wondering, obviously we know the Telenet results but how are you seeing the competition in the south from VOO? Thanks.

Ray Stewart: First we don't forecast or give guidance on the free cash flow for the year, so we won't start now. We can talk about some of the items if you look at year over year for the reduced let's say free cash flow if we look at the second quarter and fairly straightforward. You have the lower...even excluding the non-recurring one-off you had the lower EBITDA from the business which has an impact on the cash. We spent a higher amount for capex in the second quarter and then also we had an increase of about 10 million on working capital and a bit piece of that was higher inventory levels. One of the things to keep in mind, at the end of last year several other people involved in the television business, you had the flooding issues in Thailand so that our inventory levels on television, modems, set-top boxes etc were extremely low. As a matter of a fact we were operating on a day to day basis for a while so that after that we had to build our inventory levels back up which we've done.

Didier Bellens: Dominique?

Dominique Leroy: Concerning your question on the competition in the south and mainly VOO I recall, I think what we see is that Belgacom today has still a very strong position in the south of the country with high market share. That our competitiveness has increased with our latest offer where we have launched Internet Everywhere which has offered to the consumer the possibility to use WiFi, phone and 3G networks without any price increases. What I would also say is that if you look at the financials of VOO you will see that the acquisition or aggressive acquisition politics is not really paying off because it's now the third year in a row where they record quite heavy losses and that's not something we are going through. We want to create value. We want to increase our revenue and make sure that we keep the company very profitable.

Michael Bishop: Thanks very much, that's very clear.

Operator: We will now move to our next question from Ulrich Rathe from Jefferies. Please go ahead.

Ulrich Rathe: Thank you very much, I have two questions please. The first one is again on the competitive impact of the six month limit. I am just wondering to what extent you have looked...there's only one other market I think where you have six month limits and that's Denmark. In Denmark all the operators blame in particular that six month limit on the very difficult trading environment, so I was wondering, I assume you will have studied the differences between your market and Denmark and some of course come to mind. What do you think are the key differences why you are relatively relaxed about the competitive impact compared to the very, very challenging conditions that this particular regulation has caused in Denmark? My second question is with regards to the ICS business, again your answer why the growth was so strong makes perfect sense. I was just wondering what actually changed between the first quarter where you had underlying ICT growth of 1% I believe and the second quarter where you accelerated there to 6% and I was just wondering what changed that and what ultimately is the right run rate? Is there any particular reason why it accelerated by five percentage points in terms of trend between the first and second quarter? Thank you.

Didier Bellens: Ray will speak on Denmark and then Dominique...

Ray Stewart: Dominique will talk to you about what we're going to be doing to try to limit the churn because of the new law, but keep in mind, I agree with your assessment of the mobile market in Denmark, it's not very attractive, but that's not only due to the six month issue. It was also with all those MVNOs that were introduced and forced upon the operators in Denmark. I think that had more of a value destructive impact than the six months, so I guess I think it's more than just the six months, I think it was the impact from all the MVNOs but I will let Dominique talk about how we think we'll limit the churn.

Dominique Leroy: Concerning the new telco law, I think we have already anticipated in our promotional activities the introduction of the new telco law, so you will probably have seen that since the beginning of the year we are now spreading our acquisition and promotions over the time, giving advantages over periods mainly of 20 months. We are also investing more in retention, so shifting our investment and rebalancing our investments between acquisition and retention and that's mainly to reduce the risk on churn and what you also have seen is that we have anticipated the law by adding all our offer standards and promotional offers as from July without engagements and reinforcing our advantages on network quality, services and offerings. That's how we think we will be able to limit very much the impact of the new law. I think on fixed the impact will be relatively low and on mobile we had anticipated through promotional re-phasing of activities, rebalancing acquisition retention and focusing on our key advantages as an excellent network provider.

Bart van der Meersche: Yes, then for the question on ICT and the difference in between Q1 and Q2, I could say it's mainly a seasonality effect because indeed in Q1 we had a growth of 1% where we have in Q2 now a growth of 6%. You might remember that we had a very strong fourth quarter in 2011. Now ICT typically is a business where at the end of the year budgets are used and then traditionally the first quarter is a little bit slower and that is mainly what we saw here next to a number of growth areas that we continue working on and improving quarter over quarter.

Ulrich Rathe: So if I may follow up on that, how shall I think about the right sort of run rate for the business given the business backdrop? Is it more the H1 average of 3% or is it really now



that this very strong growth you're processing in the second quarter is really a sustainable rate given the business trends and the order intake?

Bart van der Meersche: As you know our guidance is on the total group and that's the one that we maintain. We don't disclose guidance on the different components.

Ulrich Rathe: Thank you.

Operator: We'll now move to our next question from Luis Prota from Morgan Stanley. Please go ahead.

Luis Prota: Yes, thank you. On this topic of churn etc, could you please provide us with your percentage of mobile revenues which is going to subscriber acquisition costs and retention costs please? Secondly on your shareholder returns you still have pending this €100 million either through buybacks or dividends, have you made up your mind on whether dividends or buybacks is best at this point in time? Thank you.

Didier Bellens: Second question, the answer is not yet and for the churn it's for Dominique.

Dominique Leroy: I think you asked a very precise question which normally we never disclose, so we don't disclose acquisition costs in terms of revenue, so I will not answer this question.

Luis Prota: Thank you.

Operator: We'll move to the next question from Marc Hesselink from ABN AMRO. Please go ahead.

Marc Hesselink: Yes, three questions. Firstly looking at the competitive landscape, if you strip out the effect of the telecom still I think that the revenue loss and ARPU decline are accelerating. What's the competitive landscape? Is it really intensifying or is it choices from your own side? Then the second one from Internet Everywhere, it really helps your post-paid net adds. Was it better than expected and what do you expect going forward? Was it really the start of the promotion that drove it or is it structural strong product? Then thirdly looking at

the ICS, Internet Carrier Services because margin improved, is that also something then structural and what changed there in the competitive dynamics?

Dominique Leroy: Concerning your mobile evolution, what I can say is that when you see the evolution in the reported figures, you see it is influenced quite a lot with one-offs and regulation; and if you take that out or underlying evolution is around -5.8% which is I think a good evolution coming mainly off two elements. We see – and that’s nothing new – that we are losing some voice centric customers, but in terms of usage we maintain good usage. We had a dip in the month of April which was a one-off phenomenon but it went up again in the month of May and June. Concerning Internet everywhere we really think it’s a structural evolution where people are really looking more and more at how they use mobile and certainly with the increased penetration of smartphones and tablets, we see now that smartphone penetration in Belgium has reached 28% and that overall sales, more than 40% of our mobile phone sales are now through smartphones. That evolution will really enable us to use Internet Everywhere as a key weapon to offer consumers the full freedom of accessing the content and their internet at home, on the move and also through our fund offer through a very attractive offer which is Internet Everywhere. For us it’s really the best expression of our convergent strategy which can really be used and seen by customers who have smartphones and tablets.

Didier Bellens: Bart, for mobile competition?

Bart van der Meersche: It’s indeed that we see mobile competition impact because if you see our figures we have an impact (1) of the new telco law, that is one impact. Then we have in our environment, in the professional environment we have some one-off corrections but next to that we have our price competition. You have seen that we have an important growth of mobile cards so we actually had a growth of 36,000 cards in the second quarter. Now in those cards it’s clear that you see some that come in with ARPUs that are a bit lower than what we had before and that is due to price competition.

Didier Bellens: Thank you Bart. Daniel will talk about BICS.

Daniel Kurgan: Good morning. On your question on gross margin, the reason is due to several factors. On one hand of course a big piece of our business is in US dollars and with the US dollar stronger it's helping us. If you compare Q2 of this year, the average US dollar at \$1.27 versus last year \$1.45, you can see it makes a big difference. On our voice business we've managed to improve our traffic mix to for instance Africa where we can get better margin, so when we've been good at protecting the margins versus just increasing the volumes and on the other side our data business keeps growing and on top of that we've got a good seasonality effect, so our voice data mix keeps moving in the right direction. Now is it structural? We are working on it.

Marc Hesselink: Ok, thank you.

Operator: We will now move to our next question from Stefan Genoe from Petercam. Please go ahead.

Stefan Genoe: Yes, good morning, Stefan Genoe from Petercam. First on the consumer business, the minutes of use declined by 1.7%. Can you indicate if you're seeing there a change in customer behaviour or is it more kind of a cyclical impact that you are seeing? Related to that could you give us your view on the new mobile offer that was launched by Telenet yesterday? Second question, the FTEs I believe they increased for the first time quarter on quarter since quite a long time. Can you give some colour on that, what we do? Do we have to expect in the coming quarters, the coming years and why the increase this quarter? Then perhaps the last detailed question, you mentioned the post-paid net adds in the business unit increased by 36k. To what extent is this related to the machine to machine cards? Thank you.

Didier Bellens: The first question is for Dominique, the last one for Bart and I will try the FTE story.

Dominique Leroy: Concerning your question on minutes of use, it's true that we have seen -1.7 in Q2 2012. If you compare that to the evolution of 2011 it's a very good figure because there we were around 2-3% and as I already mentioned in a previous question the -1.7 were mainly affected by a low month of April and we see a much better evolution on the month of May and June. Concerning the Telenet offer I think it's an aggressive offer but it's also an



offer which is limited because it's only two price plans and we have in our offer many more possibilities to answer customer needs. We have a good offer with our generation for the use. We have Generation Connect which is a very aggressive offer on data which is available through our web, and we have all our other post-paid and prepaid offers so I think we have much better choices to answer the needs of our various customers and on top of that we have also our convergent strategy where we see that our triple play and quadruple play packs are really increasing heavily in the last periods and that's for us the strategy we want to pursue.

Bart van der Meersche: On the question of the 36k post-paid cards in the professional environment, as mentioned in our report these include mobile voice, mobile internet cards and machine to machine cards but we don't disclose the split of those.

Didier Bellens: On the FTE our policy is not changing which means that our goal is to decrease over time the FTE by a few hundred people year after year. You know that up to now we've had the plan and every first quarter we have a few hundred people leaving, so they are leaving usually at the beginning of the year and not let's say during the other quarter, so that explains some differences over the year. Otherwise no change. We want to go on decreasing let's say the head count. We employ directly and also the indirect people we are using. Ok?

Stefan Genoe: Ok, thank you.

Operator: We will now move to our next question from Guy Peddy from Macquarie. Please go ahead.

Guy Peddy: Good morning team. I just wanted to understand a little bit more about the Internet Everywhere product and whether that is substituting other products that you've had out previously or is it just evolving and whether the margins of that type of product are discernibly different from any of your other broadband products? Thank you.

Dominique Leroy: Internet Everywhere, what we see is that it appeals to...in the first phase it was appealing to our current base because it was one of the first times that we made an



offer available to our current bases, but what we see is that as time evolves it really attracts very much new customers and that we really think that's something which is really appealing in the market. Concerning margin, these are figures we of course cannot disclose.

Operator: As a reminder ladies and gentlemen if you wish to ask a question please press \*1. We'll move to our next question from Stuart Gordon from Berenberg. Please go ahead.

Stuart Gordon: Good morning. I've got two questions for you. I think your tax losses have now been utilised domestically and I appreciate there will be timing differences between what we see in the P&L and what we see in the cash flow, but I was wondering if you could tell us what your cash tax cost was in the first half, what we can expect for 2012 and what we could expect for 2013? Secondly obviously we've seen quite significant roaming cuts and I know that you're looking at around about 21 million of an impact in the second half of the year. Could you give us a split between voice and data on that and also what assumptions do you make on elasticity in these numbers or is it based on a like for like usage? Thank you.

Ray Stewart: On the tax side we paid approximately 105 million in the first half which was about a 15 million difference from the first half of last year.

Bart van der Meersche: Coming back to your question on roaming, did you ask for the split of the impact of the roaming?

Stuart Gordon: Yes, between voice and data if possible.

Bart van der Meersche: We are not disclosing any more information than is in the report.

Stuart Gordon: Ok. Could you even tell us whether it was like for like usage that you based this number on or factoring in any elasticity?

Ray Stewart: No, there's no elasticity factored into that.

Stuart Gordon: Ok, thank you. Sorry, on the cash tax, what could we expect for the full year and then for next year?



Ray Stewart: We're not forecasting that at this time. The only thing I will tell you is that in the past, so I guess the best advice I can give you for your models is I think the last time we were out, we were saying probably our effective tax rate would be somewhere around 26%, 27% and so far we would stick to that.

Stuart Gordon: Ok, thank you very much.

Operator: We will now move to our next question from Paul Sidney from Credit Suisse. Please go ahead.

Paul Sidney: Thank you very much. Just two questions please. Could you update us on where Belgacom is in making available a wholesale TV product? Secondly, I know you don't disclose these numbers but would it be fair to assume that the vast majority of your consumer wireline customers are already out of their initial contract period? Thank you very much.

Geert Standaert: With respect to the wholesale TV, that was a kind of BIPT consultation. We have answered that request and we are awaiting now the final conclusions of BIPT. In the meanwhile we have in the past already been in discussion with all those operators with respect to a TV service offering. We now are waiting but we are preparing to bring that offering on the market and we will respect the regulatory timings.

Ray Stewart: On your second question, it's like Dominique had told you earlier, we see most of the impact in terms of the change mainly on the mobile side, very little on the fixed side, so your assumption would be correct.

Paul Sidney: That's very clear. Thank you very much.

Operator: We will now move to our next question from Sassou Ritimaki from Bank of America. Please go ahead.

Sassou Ritimaki: Good morning, a few issues actually. Firstly you mentioned the smartphone penetration of about 28% at the moment. Do you see any pressure to accelerate the penetration rate amongst your clients to drive your revenue mix? Then secondly as mobile voice becomes inevitably cheaper, at what point in time do you expect to see mounting pressure on your fixed line voice business? Then finally if you can add a few thoughts on the cost development because at the moment you seem to be in a situation where both HR and non-HR costs are rising while you've got a kind of flattish top line development, that's not really a good thing for profitability. Thanks.

Didier Bellens: We will start with Dominique again, and then costs, Ray.

Dominique Leroy: I'm not sure I understood fully your first question but the second one, I think you asked about the impact of mobile voice evolution on fixed line. I think there what I can say on fixed line is that with our new offer Happy Time XL we have an offer which is very attractive and which gives again relevance to our fixed line and you see that where last year the decrease on the number of lines was around 30,000 a month, we are now around 20,000 and that we see the usage increasing quite a lot, so it means that customers are really appreciating our offer, are using their fixed lines more and less customers are stopping their fixed line.

Ray Stewart: Just to follow up, remember what Dominique said earlier on the smartphone penetration is that we want and will have the penetration rates go up over time but we try to do it intelligently and profitably. So you're not going to see us, have us start any kind of heavy subsidy war to increase the smartphone penetration, but over time it will increase. I would just remind you back if you look at the evolution of the 2G telephone penetration in Belgium, we always lagged the rest of Europe a little bit because we didn't do what I would call crazy subsidy efforts, but over time we reached the same penetration levels and so we're convinced that'll happen on the smartphone side. On your question on cost control, yes, it's a big issue for us. We have a major project going on that we've talked to you about a couple of times before where hopefully in the next 2-3 years we will start seeing benefits from this huge effort we have going on company-wide. It won't be so much in 2012 since that's the early stages of it but we would expect in 2013 and 2014 to start seeing some impact on the cost control side.



Sassou Ritimaki: Ok, thank you.

Operator: We will now move to our next question from Charles Verle from Deutsche Bank. Please go ahead.

Charles Verle: Yes, good morning. Just one question on your EBITDA guidance. I just want to reconcile what you're putting in the press release on page 9. On Q2 2012 on a comparable basis you're mentioning -8.6%. That doesn't take into account the 34 million adjustment and with what you mentioned on page 6 and the top of the page where you're saying that the comparable EBITDA declines 4.7% with €471 million in Q2. Is that because of the M&A or the positive one-off in 2011? Is that the difference? If so going from -3% to -8.6% from Q1 to Q2, so effectively leading to -5.9% in H1; and keeping your guidance between -5% and -6%, does that suggest an improvement or at the very worst a stabilisation of EBITDA in H2? Thank you very much.

Ray Stewart: The simple answer is yes. You said it correctly at the end of all your comments there, that's what we would expect.

Charles Verle: Ok, thank you.

Operator: We will now move to our next question. We have a follow-up question from Stefan Genoe from Petercam. Please go ahead.

Stefan Genoe: Yes, perhaps one little follow-on. In CBU you mentioned that in April, that was a weak month. Is there any specific reason whether related or offer related for this to be specifically weak compared to then the month of May and June? Thank you.

Dominique Leroy: It's very difficult to answer that question. We can make some hypothesis that this is related to the holiday periods and weather impacts but it's very difficult to give a fact-based answer to that.

Stefan Genoe: Ok, thank you.





Operator: We'll now move to our next follow-up question from Michael Bishop from Barclays.  
Please go ahead.

Michael Bishop: Hi guys. Just one quick follow-up: reading the press release you mentioned that the pre-paid customer growth in CBU was weak because you seem to have pulled back from promotions particularly on the MobiSud brand. When you look a lot of BASE's outperformance is pre-pay driven so I would quite like to get the thoughts on your strategy of pre-pay going forward?

Dominique Leroy: Your question was related to the prepaid evolution, so it's true that if you look at the mobile evolution, we have a very good evolution on postpaid and a weaker on prepaid. It's mainly an impact coming from our MobiSud subsidy where there has been a loss of prepaid customers on MobiSud impacting about more than half of the decrease in prepaid. So it's not a structural decline for the Belgacom-Proximus offer.

Nancy Goossens: Any follow-up questions?

Operator: As a reminder ladies and gentlemen if you do wish to ask a question at this time, as we have a further 10 minutes left, you may press \*1 on your telephone keypad.

Nancy Goossens: Ok. I guess there are no further questions so thank you all for participating. If you would have any follow-up questions after this call you can contact the Investor Relations team. Thank you and bye.

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