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Presenter: Didier Bellens
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Operator: Good afternoon, ladies and gentlemen, and welcome to today's Belgacom 2013 Q1 Results conference call. For your information today's 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: Good afternoon to you all and thank you for joining us on this conference call. I trust that everybody has received the press release this morning on our results and had the chance to go through the details. So as usual, we will dedicate the largest part of this conference call to the Q&A. So let me just quickly introduce you the people that around—we have here around the table at Belgacom to answer your questions. So we have the CEO, Didier Bellens. We have Ray Stewart, CFO. Dominique Leroy, the head of the consumer segment. We have Bart Van Den Meersche, running the business segment. Geert Standaert is here; he runs the network and responsible for wholesale. Bruno Chauvat is here for the strategy and content, and Daniel Kurgan is here for BICS, the International Carrier Services. So they will all be happy to take your questions in a minute but before getting to that, I'll pass the word on to Didier Bellens for an opening statement. Thank you.

Didier Bellens: Thank you, Nancy. So welcome to this conference call on Belgacom's first quarter results, and I would like to give you just a short comment from my side before we go to your questions.

So the first one, and it's an important one, we have ended the first quarter of this year with stable Group revenue and EBITDA 6.1% lower than this last year. With these financial results being in line with our expectations, we reiterate our outlook for the full year. The first quarter result is reflecting the financial impact from the changed mobile markets we have discussed, well, a few months ago, probably in February when we met during our roadshow. And this for both the consumer and the business segment. We believe that it's important to maintain a solid



mobile market share. In that view, I am very pleased that we announced today a clear improvement in our operational results for mobile postpaid. As you know, the new telecom law effective since October last year significantly increased the volatility on the mobile market. This has caused an unseen customer rotation for all mobile players in this market, Belgacom too. So in October, customer churn peaking but it looks like the worst is behind us now, with churn levels coming down again since then. So we are not yet where we want to be but what we've seen is that the peak, the peak we've seen let's say end of last year, is probably over. Over the first three months of this year, we saw this positive trend accelerating and structurally turning the balance back to positive for mobile postpaid.

So I think this comment is very important. When we discussed in February in different countries, we said number one, we had the telecom law; number two, we wanted not to react straight away. We wanted to see the consequences of the telecom law and not to overreact in the markets. But we had, let's say, plans to react over a longer-term period and it has been working quite well. So I give you a few examples of what we've done.

First of all, we have repriced our mobile offers in December to bring them to a much more competitive level. We have launched retention actions. So of course that costs money, that's for sure, but let's say what we have to decide at our level is where do we invest money and what kind of investment, return on investments do we have. So the Management Committee came to the conclusion that, number one, it was not necessary to overreact last year, so that was positive decision, I'm sure about that. And number two, it is now that let's say the market is—let's say has more clarity, we have to invest in retention. We have to invest in let's say rebuilding our previous position in the mobile market. That means indeed investment but with high return in investments. So that's what we are doing and if you have a question later, Dominique will surely answer all these questions.

The first thing we had to do—that was our objective during the first quarter—was to put an end to the bleeding of our customer base. We've lost some customers. You've seen that, let's say after the fourth quarter of last year, and our objective was really, let's say, we've put an objective quarter-after-quarter. First quarter this year, we wanted to put an end to the bleeding, and it has been successful. So in both, let's say, segments—residential but also let's



say enterprise where we gained back customers during this period. Of course when we put an end to bleeding there is costs, a short-term cost to put an end for bleeding. We think it's, let's say, a good use of our financial capacities first to put an end to bleeding and then to rebuild.

So second, we have to rebuild. As I have told you, as the best mobile network provider in Belgium, have done—so we are considered in Belgium as the best mobile provider with the best quality. And what we see is we regain, let's say, customers coming back from competitors, coming back because of the quality of our network is just better. And so finally, our strongest asset in this market is our convergence strategy. So let's say if we just keep in mind our strategy without investing as crazy in this market, we have been able to rebuild our position in the market.

I think that you will have questions to Bart and Dominique about the trends. Of course we see the trends in the first quarter; you see the trends also in the first quarter. Let's say we have also a vision about the trends in the second quarter in terms of operational results, and I guess that my colleagues can discuss that with you. So mobile for us was indeed very important for the two business units.

Now regarding SDE, and SDE let's say there is not a lot in my notes, SDE did extremely well investing in the three areas we were discussing with you in February—mobile network, fixed network and simplification—at the right cost. So SDE is doing quite well.

Regarding BICS, our third business unit, I would say BICS is performing extremely well, above expectation, and the only question we may have or you may have, because we know and we are confident, you may have is is it going to be the same during the rest of the year. So we believe the answer is yes, but you may definitely challenge Daniel about that. So we are very optimistic about this evolution of BICS and the evolution of let's say the value of BICS, but Daniel can talk about that.

So let's say first quarter, in conclusion, is in line with our expectation. It's in line with our guidance. Based on let's say what we've seen in the markets, within Belgacom but also at the level of the competition, and you've seen the results of our competitors in the Belgian markets,



we are optimistic about let's say the full year and therefore we can reiterate our guidance for the full year.

So thank you, and I would like to open, let's say, the floor for questions.

Operator: 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 your question has already been answered, you may remove yourself from the queue by pressing *2. Again, please press *1 to ask a question. We will now take our first question from Michael Bishop of Barclays. Please go ahead.

Michael Bishop: Thanks, good afternoon, three questions please. Firstly, on the mobile base, could you give us an indication of what percentage of the base has now repriced onto the lower tariffs, I guess over the last sort of six to nine months, and perhaps then from December, onto the lower price points? And then secondly, the line loss ticked up, driven by higher sort of enterprise losses. Could you just talk us through that a little bit more and whether you expect that to be a trend that continues during the year? And then thirdly, you talked a lot about reinvestment to protect share but is there any other cost-cutting measures that you could or are looking to implement perhaps this year and next year? Thanks.

Didier Bellens: Okay, so mobile base repricing, Dominique?

Dominique Leroy: Yes, good afternoon, everyone. Dominique here from the CBU business speaking. On the mobile, we—I have no precise figures to tell you but I can tell you that we have repriced largely more than half of our customer base.

Didier Bellens: Line losses for EBU?

Bart Van Den Meersche: Yes, in terms of the line loss, it's due to a number of elements: rationalisation of lines, stop lines for instance, fax lines moved to voice over IP, moved to mobile-only. And then also there is an element of economic cease, so you know, the economic

situation is not favourable. In Belgium we've had now, the last months we have each month I would say a record number of bankruptcies. That also has an impact on those lines. What is important is that there is no churn to competition, so it's cease of lines but it's not that these neither are churning to competition.

Didier Bellens: Okay, are you happy with the answer?

Michael Bishop: Yes. Perhaps could I get the answer in terms of the mobile repricing on the consumer side as well?

Didier Bellens: Line loss.

Michael Bishop: No, sorry, just for the mobile repricing on the consumer side.

Didier Bellens: Yes, she—I think Dominique answered already but she may repeat.

Dominique Leroy: Yes, so I mean on the mobile repricing, we have repriced more than half of our customer base, if that's what...

Michael Bishop: Okay, perfect. So that's just on consumer, not on the overall base including enterprise?

Dominique Leroy: No, no, that was—sorry, that was on the consumer base, yes.

Michael Bishop: Yes. Okay, no, just clarifying. Thanks very much.

Didier Bellens: Okay, then regarding the costs, I think that control of costs has been very good during the first quarter of the year, which means that it's promising for the full year. And let's say we have put in place a lot of let's say process whereby people, if they want to hire let's say new people from outside, they have to come to the Management Committee, which means the process is a bit complicated. Usually, let's say, people don't like to come to the Management Committee to increase the costs. So let's say, what we want is definitely to align the evolution of the cost with the evolution not only of the revenues but also the evolution of the margin and



the EBITDA. So it's clear that if—I just give you an example. We have the ICT business within EBU, with a lower margin than in other business. If let's say we want to increase headcount in ICT, we have to take into account the margin of this business and the cost of the people. So we definitely don't accept, at the level of Belgacom Group, let's say, loss-making businesses. So all that is completely cut and out of questions. So let's say there is a real pressure, and that's really top-down, so that's the reason why I say the answer is top-down, we control the costs and we strongly believe there is still some possibilities at the level of cost of goods sold where there is some flexibility, at the level of let's say human resource there is definitely some possibilities too. We have legal obligations of course like indexation, which is let's say a negative for us, but at the same time, let's say, we have agreements also with the unions regarding more flexibility and we have to work on flexibilities and eventually to decrease the headcount to compensate the negative impact of the indexation. So our very strong willingness is to go onto attack HR costs and other costs where we have been successful after what we have explained to you in February, and that was let's say doing this project where we are working with an offsite consultant and that was promising, and that has been relatively successful during the first quarter. We are still, let's say, working with these guys and they come with great ideas. So as long as, let's say, they are successful, we can pay for these guys, right. So that's the idea. The idea is really let's cut the costs that are still, let's say, a possibility and we don't want to see revenues flattish and the costs increasing. But on top of that, we don't want to see let's say margin going down and the other costs increasing. So that has to be very, very clear and within the Management Committee it is very clear.

Operator: We will now take our next question from Thomas Deschepper of KBC Securities. Please go ahead.

Thomas Deschepper: Good afternoon, everyone. Thank you for taking the questions. I have two questions. First one, I wonder whether you could give some more colour on how working capital has impacted the free cash flow for this quarter. What is it exactly, is it income tax payables, is it the increase in trade receivables? Just some more colour on that would be very much appreciated. And my second question is on net adds. I am wondering whether the free Internet Everywhere SIM cards you give away with the broadband, or to broadband customers,



are they included in the reported net adds for the quarter? And if it's like that, could you provide the numbers excluding them? Thank you very much.

Didier Bellens: So the first question is for Ray.

Ray Stewart: Okay, on the working capital, the two items that you mentioned are the ones year-over-year that have a negative impact. So we had an income tax payment in the first quarter of this year that we didn't have last year. Basically, I don't control when the government sends me the bills for our income taxes. I can assure you I don't try to pay them early, so when we receive the bill so we pay. So we had a bill in the first quarter that we didn't have in the first quarter of last year, but nothing unusual about that. The accounts receivables in the first quarter increased from the end of the year. There are several different reasons for that but one, you know, I can tell you that it's really, we cannot say today, which is the good news, that it's economy-driven or bad debt-driven or anything like that. I think part of it is our success in convergence and selling the packs and so on that we get a huge number of new calls now into our call centre, billing questions and clarifications, which means normally if you receive your bill and you have an issue or a question, you get that clarified before you pay. So it's something we are working on as part of our whole simplification effort in the company, that the whole billing will be part of that because not only will it improve the working capital side and the receivables but it also will improve customer satisfaction so that the customers will be more satisfied in understanding of the bills. So it's something we're monitoring and hopefully we'll see some improvement later on this year.

Didier Bellens: Okay, the second question is really for Dominique.

Dominique Leroy: Yes, so concerning your questions, it's indeed so that our posted net adds include the mobile internet we sell with the packs. We have never given the split between the mobile internet and the other customers. The only thing I can say is that the positive net adds we have in postpaid would still remain positive without the mobile internet net adds.

Thomas Deschepper: Okay, that's very clear. Thank you.



Operator: We will now take our next question from Emmanuel Carlier of ING. Please go ahead.

Emmanuel Carlier: Yes, hi, good afternoon, two questions from my side. The first one is on the EBITDA performance. So Q1 EBITDA was in line with the expectations but it included a positive capital gain. So the question here is do you believe that you could still reach the guidance if you would exclude the capital gain? I know that it is always included in your guidance, but just to give you some—it would just be good to, yes, to get some comments on that, and also if you expect further capital gains in 2013 because, if I understood well, you are trying to sell some buildings also in the coming quarters. And then secondly is on the mobile side. So a lot of your competitors have further improved their offers, and I think the offer mainly of Base is pretty attractive, especially on the high end. So do you believe that your product offering at the high end is still competitive enough to continue to gain net adds on the postpaid and potentially also on the prepaid? Thank you.

Didier Bellens: The first question is clearly for Ray. Thank you for this question.

Ray Stewart: So our guidance for the year did include some capital gains on building sales that we started at the beginning of the year. I mean, I would have to tell you, guidance is challenging enough to provide for the year without trying to break into different categories so I'm not even going to attempt. But at a high level, I can tell you what we've put on the market for this year. So basically, because of the—we used to call it our "Move to All IP" program; now we call it the mantra of simplification and so on. So basically it's that over time we're going to be getting rid of the PSTN and switches over time so that we don't need as much technical space in all the buildings that we have in Belgium, and so we'll be moving these technical equipment out, and so we've put approximately 15-16 buildings on the market for sale this year. If I was lucky enough—it would be luck—to say I would sell every one of those buildings this year, the cash we would get in would be somewhere around €75 million. The capital gain would be somewhere between let's say €40-€50 million. But I can assure you in our guidance we did not assume that we would be 100% successful in selling all of these buildings. So that's just a fact. So if we're able to sell all 15 buildings and realise that, then we will improve on the guidance. So it did not include that. So those are the facts as they are.

Didier Bellens: Dominique?

Dominique Leroy: Yes, so concerning the mobile competitive offer, I think you have seen that we have also reviewed our price in April, on the 1st April under the Proximus brand. It's true that since then we have seen some repricing of mainly Base. If you are referring to the high ends, I think what you need to compare is that also we have a very interesting offer on the high end which is unlimited voice and SMS for €55 on our Easy price plan, which you can have at €45 if you take it into a pack, which is very competitive to the Base offer. And on our Smart tariff, we have an unlimited offer, voice, SMS with 5 GB at €65, which you can also have as €55 in a pack. So I think in that sense I think our offer is still competitive. Our strategy is very much linked to convergence, so for us it's quite important that you also look at the price not only on the mobile-only side but also on the convergence side, and I think compared to Base, we should not only compare on prices but we should also compare on network quality, on service, on distribution that we offer with our brands. And I think if you include all that, our offer still remains very competitive on the market.

Didier Bellens: Thank you, Dominique.

Emmanuel Carlier: Maybe one additional question. So in the opening remarks you also mentioned that you've seen some customers of competitors, so probably Mobistar and Telenet and Base, moving back to Belgacom, to Proximus, because of the quality of the network. Is there something you could quantify a little bit more because to me it seems like this impact was not that important? So yes, could you maybe give some additional comments on that? Thank you.

Dominique Leroy: Yes, so I think the comment refers to the fact that there is of course a lot of volatility on the market. There are lots of port-outs and port-ins. If you analyse the port-in we have from competition to all networks, it has really increased significantly in the last months. And when we say that a lot of people come back for the network quality, we have done some research, some surveys on people coming back to our network and the main argument for people coming back was indeed the experience they have with the Proximus network versus some of our competitive networks.



Bart Van Den Meersche: I can add to that for the enterprise environment where the quality of service is even more important and as Dominique mentioned, we are indeed convinced that our offerings are competitive, if you take it as a whole. I mean price is not only the only component; it's especially also the service. Each time I could say for enterprise, almost each time that we do a win-back, it's almost each time for reasons of the service, of the quality of the service and the quality of the network.

Emmanuel Carlier: Thank you.

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

Dimitri Kallianiotis: Oh hello, thank you. I've got three questions please, the first two on mobile. The first one was regarding the sustainability of the improvement we've seen in Q1 in mobile which you've mentioned. I just wanted to ask you if you could share your thoughts in terms of, going forward, if you expect postpaid net adds to remain positive for the coming quarters and also if—in terms of prepaid, we've seen prepaid is getting worse. I guess there's more people moving from prepaid to postpaid. I wanted just to get your view on prepaid, if you think we could see some improvement there, and if overall we could expect overall subscriber numbers in mobile to be, to turn positive. And regarding April, you mentioned your new plans. Can you tell us if you've seen any big changes in terms of mobile number portability since you yourself and your competitors have launched new plans? And my other question is actually on fixed. Fixed seems to be holding up very well, or relatively well. We don't seem to see any impact from this new offer from Base. I just wanted to check with you if you share that view or if you think we may see more impact from that new operator in fixed later on. Thank you.

Didier Bellens: I'm afraid it's for you.

Dominique Leroy: Yes, so I think on the forecast, I think I can answer your two first questions in one go, which is indeed if you look at the forecast, we have been, we are quite positive on the further acquisition of our postpaid offer. If we look our figures of April, the new price positioning we have put on the market together with promotions we have linked to devices have enabled us to really regain significant number of postpaid customers. I think also on your



questions concerning the prepaid, I would say it's not so much that we see a lot of prepaid customers moving to postpaid. If you look at the net balance prepaid/postpaid, it's almost zero. What we see is that we have less acquisition on the prepaid and we have more people ending, not renewing the contract at the end of the one-year validity of the card. So for the time being, we don't see major evolutions on prepaid but we see a very positive evolution on postpaid linked to our new tariffs and our new promotional offer on, mainly in April. We will see for the future with the new offer of the competition what it will give, but the first signal of the markets and of our figures are quite positive for us.

Concerning your question on fixed, it's true that today we don't see impact of the Snow offer on our own figures. For the time being, the fixed evolution is still positive and is mainly moved by our convergent offer and some gain on internet and on television where we offer very good content. We are now focusing also on the promotional activity on the TV Everywhere product, which is for us also a very good expression of our convergence strategy, where you can watch, outside of your home, most of the channels you can already watch at home today. So for us, fixed is still a very positive story, pursued by convergence and with more and more services where this convergence becomes reality for the customers in their day-to-day life.

Dimitri Kallianiotis: Thank you.

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

Ulrich Rathe: Yes, thanks very much, I have three questions. The first one is on the regulation, I suppose for Dominique. I was wondering whether you could talk about the anticipated impact of both the cable regulation and the multicast regulation on your own business. I was wondering about that. The second question regards BICS. This was yet another quarter of surprisingly strong revenues. I think this has beaten expectations for six quarters in a row. I'm just wondering, is there anything in the first quarter that you would consider non-sustainable or is this really now a trend that we should start putting our numbers at a higher rate? And the last question is for Ray. So the first quarter came in at minus 6%, guidance was minus 4% to minus 6% for EBITDA. What factors might improve in the remainder of the year that would make you very confident on the full-year guidance, given that you're now at the bottom end? Thank you.

Daniel Kurgan: Good afternoon. So regarding the BICS performance, I would like to remind you two things, first that if you look at our numbers, we had our voice business that has been very, very strong and even if an increasing part of that voice business is contracted for the mid/long term, there is still a piece which is volatile and the traffic mix can change fast. We believe that the fundamentals are good but we cannot make any forward-looking statement on revenue evolution. So that's one point. The other point is that there is still a strong seasonality in the business and yes, if you look at Q1 last year, this has been a very strong quarter and the seasonality effect remains very important as well. I think these are the main elements to answer the question.

Didier Bellens: Thank you. Dominique on regulation and then, you know, you start and I may support you.

Dominique Leroy: Yes, so concerning regulation, I mean what is now on the table is indeed an opening of the cable but for Belgacom it means only the opening of the analogue TV part of the cable, so not the full opening. So in that sense, for us, our objective is always to have a level playing field with cable and we would like to see much more opening also on the digital television and the internet. If you only look at analogue, we will review the offer which is not now on the table but it's a first offer and we will see in the futures what we can do with it and how we will use it. I think it's a bit too early to give too much information on what we will do with this analogue opening offer which is currently on the table.

Didier Bellens: We have to be very clear about that. We are willing to have a level playing field with cable operators, which means that we have to review let's say in which area we are regulated as Belgacom, and level playing field means that either they are regulated or we are no longer regulated. So our network is open to cable operators for everything, which means that we want their network to be open to Belgacom for broadband and any use, not just for let's say analogue TV. Analogue TV is a product of the past, so why should we as Belgacom, as an innovator, invest in a product of the past? So that doesn't make any sense. So let's say if that's the decision, fine. That's not going to make any change to the Belgian market and to the competition in the Belgian market. We'll remain as we are, between cable and Belgacom, but let's say most probably we



are not going to be interested in let's say this cable opening, and that's what we also hear from some of our other competitors like Mobistar. Base, as you know, they were very happy to make a deal with our wholesale unit even if it was a commercial deal and not a wholesale deal. That means that let's say everybody in the Belgian market is more interested in making deals with Belgacom than to wait until let's say the opening of the cable is happening. So there is a structural issue there and the authorities have to think about this structural issue and their consequences. What we want is very clear. It's, let's say, level playing field. It just means that the way we are treated, the others have to be treated and vice versa. So easy to understand, let's say, for normal people. Eventually for these guys, it seems to be a bit more complex, but let's say that's my vision about regulation. Now if—it's a pity if cable is not fully opened, we'll have in Belgium two networks, even in areas where that just economically doesn't make any sense. And that means that eventually we are not going to invest in these areas. So last point, Ray, guidance?

Ray Stewart: So I think, you know, Didier and Dominique and Bart have talked about the actions that we're taking, let's say in the first quarter and the first half, and which early indications in April are starting to have a positive effect, and this costs money and investment but we think we'll start seeing the returns in the second half of the year. So that's why we're still optimistic that things will improve in the second half of the year versus the first half. Also the regulatory impact is less in the second half of the year than we had in the first half of the year. So much more of a negative impact in the first half than the second half. And then for everything, I think that Bart and Dominique have been talking about, we think that in the second half we're going to continue to be more effective against competition. So that's why we still reiterate that we think we can hit our guidance for the year.

Ulrich Rathe: Thanks very much.

Didier Bellens: Okay, thank you, Ray.

Operator: We will now take our next question from Luis Prota of Morgan Stanley. Please go ahead.



Luis Prota: Hi, just thank you, I have two questions please. First is on shareholder returns policy which, if I am right, it was distributing most of the free cash flow. But what I don't remember exactly, I don't know whether you could remind us whether one-off payments like spectrum this year are taken into account and are cash flow that would be available for shareholders or that is considered as a one-off and you are looking at underlying free cash flow for that. And the second question is on these stocks, on potential sale of public stakes in Belgium; whether you think that Belgacom's stake could be sold partially, maybe cut down to just above 50%, what are the alternatives there, if you have heard anything, and what could be the implications for Belgacom's shareholders? Thank you.

Didier Bellens: So Ray, do you want to start with the first?

Ray Stewart: Sure. So number one, the shareholder return, yes, on a general level we said normally we would—which is agreed by our board—return the free cash flow to the shareholders. And I think you've seen historically some years, if we've had exceptional items, we're willing to consider those and return more. So we have used the balance sheet in the past in those cases. And I think the guidance for the item you mentioned, I think the guidance for this year on capex and so forth, we've been clear, doesn't include the spectrum issues. So if that came up, we could consider that exceptional but that would be a discussion that the Management Committee would have to have with our Board of Directors. On the government sale, Didier.

Didier Bellens: Maybe you have more information than we have, you know, on that. So honestly, we don't know exactly where they stand. Their position is probably still the same. If they sell obviously, let's say, and if they sell, they are talking about selling let's say 2% or 3% of their capital and to stay above 50%, so 2% or 3%, that doesn't represent a lot. They may consider doing that for reducing the total debts of the state. But let's say it's so immaterial that that doesn't make a lot of sense. And by doing that, they will also reduce in the future the income because they will get less dividends, and less dividend means a recurrent higher deficit of the state. So I just don't know what they may consider to do. Some reasonable people at the level of let's say the authorities are saying there are other assets where they have no impact, other assets outside of Belgium, and it makes more sense to sell these assets than to sell a strategic



asset in Belgium. But that's what I hear in the market, but you as a banker, especially Morgan Stanley, you have always been very close to the Belgian state, you'll probably have more insight.

Luis Prota: I don't know. Thank you very much.

Operator: We will now take our next question from Marc Hesselinck of ABN Amro. Please go ahead.

Marc Hesselinck: Yes, thank you, a few follow-up questions on the mobile side. Could you indicate how much of your gross net adds, of your gross adds are coming from converged offers? So is that the real improvement there for the postpaid net adds? And then secondly also on the convergence, you've probably given also a large part of the discounts you reported in mobile. Is that also the main reason of your—the drop in the ARPU on mobile? And then thirdly, could you say something more on the rollout of your 4G and what you see the initial—the uptake there?

Didier Bellens: Who wants to take this one? It's a good one. So thank you for your question, by the way. So Bart, do you want to take the good questions?

Bart Van Den Meersche : Okay, I also need to take good questions but I think one what I can say for the convergence, so it's indeed so that we have more and more success with our convergence packs, for instance our packs in the enterprise environment have been growing by 10% this quarter and even the biz packs, to the new revamped biz packs have grown by 35%. So the packs are indeed a success. Now this is part of the reason of the—I mean in that context we could say it has an impact on the ARPU because when the customer has a global pack, in total he has a better offering but that is not the only reason for the ARPU decline. There are different reasons for the ARPU decline which are regulation of course is an important impact. You have the pricing plans due to the competition that we have had in the market. But those are the elements linked to that, but also that a number of customers, high churn—high-value customers have churned within that, I would say, mobile turmoil. So that's for the convergence.

And also the convergence packs, so the 4G rollout, maybe Geert?



Geert Standaert: Yes, with respect to the 4G rollout, I can tell you that in Q1 we have further extended our population coverage on 4G. By the end of Q2, we should have 11 major cities in Belgium fully covered with 4G, and what we want to do as well is that the complete coastline by end of Q2 will as well be covered. So that will be 4G available for all the people that want to spend their holidays at the Belgian coast. We will not at this stage disclose our target figures with respect to population coverage, as we believe that is still of some commercial value to us.

Didier Bellens: Okay.

Marc Hesselinck: Okay, thank you.

Geert Standaert: Maybe what I could add on the 4G part is that we are not only investing in extending our 4G coverage but we are doing that as well on 3G. So on 3G, what we did in Q1 is first of all we extended the population coverage as well on the 3G part but we have as well implemented what we call 3G+. So that enables you to get high speeds on the mobile, and there we have as well a coverage which is now beyond 80%. Also dual carriers is available. I know that our colleagues from Base made some statements earlier on that, but we have been rolling out dual carrier as well, and that allows you then to go to top speeds of 42 Mbps as well on the 3G network. We lately redid our drive testings, so each quarter we drive thousands of kilometres in Belgium where we compare the performance of our network versus the performance of others, and there I can confirm that our experience that we give to our customers is still the best experience on the mobile that you can get in Belgium.

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

Paul Sidney: Thank you very much. I just had two questions please. Firstly, given the April price changes in mobile CBU, it would be natural to assume that the CBU mobile service revenue growth worsens in Q2 versus Q1, which I calculate was about minus 13%. I was just wondering if you agree with that. And secondly on the dividend, is it simply—should we think about it fairly mechanically in that if you're on track to hit your guidance at the Q3 results, you will pay an interim dividend; if you're not, you won't? And also, is your full year dividend in respect of 2013 also dependent on hitting your guidance? Thank you.

Didier Bellens: Dominique.

Dominique Leroy: Yes, so on the April repricing, I think there are two effects. There is one effect indeed of repricing that will have its effect on the rest of the year and not only on April. And there is another effect on April which is our good growth gain and acquisition offer that has increased significantly the number of customers. So I don't think I could conclude that the revenue would worsen that much in Q2. It's true that the repricing will have its effect on our revenue, on the rest of 2013. What is true for Q2 is that of course our repricing, together with some more aggressivity on our promotional front and also on the advertising front, will probably impact a bit the EBITDA of the segments of CBU for Q2 because we have foreseen in Q2 to invest more in the markets. But that's for more customers, to make sure that we can indeed grow our acquisition in postpaid customers.

Didier Bellens: Okay, so that's part of our strategy. Dividends, let's say we had a lot of discussion in February about dividends and I think it's fair to say that we should not give a guidance on dividend and there are not a lot of companies giving guidance on dividends. We give guidance on revenues, EBITDA and capex. So obviously based on all that, you can come to an evaluation of our free cash flow, our capacity of paying a dividend, especially if you take into account the fact that we have a very strong balance sheet and all what we've explained about the use of our balance sheet, let's say medium term/long term. So if I compare the situation after the first quarter compared with what we said in February, we are obviously in a much more comfortable position today than in February because today what we see is that we are in line with our guidance. We've expressed that very clearly in our statement. We have a decrease of the EBITDA of 6.1% which is, let's say, in line with our guidance of minus 4% to minus 6%. Revenue is indeed flattish and let's say capex, of course there is seasonality. We are below guidance but we still think that we are going to be, let's say, within the guidance for the full year.

When I just think about the position today, three months after our roadshow, we are in a much better position than three months ago because we know more about the evolution of the market. We've taken the right steps in this, let's say, disruption of the mobile markets in Belgium. You see the results, and you should appreciate the results, taking into account let's say



the decrease in churn, the increase in the number of subscribers and the evolution—especially in the residential market—of the ARPU. And also you have to appreciate the very clear strategy we have in terms of let's say attacking the market during the last three quarters of the year. When I say “attack”, it's not, let's say, aggressive; it's just we have a strategy there to increase at the end of the day, let's say, our market share and the ARPU. So it's not a negative strategy to destroy the market and some of our competitors. You have seen that in Belgium. Some of our competitors in Belgium, they have just a strategy to destroy the value in the market. We have another strategy and we discovered a lot with some of you during the roadshows. I think it's the right strategy not to destroy value in the markets but to rebuild. That's what we are doing successfully in both of our units. At the same time, we are able to invest let's say—yes, massively I would say—in the capex, SDE, we have three main areas.

And at the same time, we said listen, let's be very clear—and I think it was in the report made by the Board: number one, we have to pay the €1.68—well, it's right, Ray, it has been paid?—dividend, so the balance. And then if we are in line with our guidance, when we meet with the Board in the second half of the year, we'll discuss the interim dividend. And if we are in line with the guidance between minus 4% to minus 6%, we'll be in a position of discussing an interim dividend. So let's say, at the end of the first quarter, we are obviously in a better position because we just have a better vision. Now, let's say, we as a management team, we know that month after month, we have to look at each kind of objective, but at least the objective we as a management team we have, it is to reach a guidance of being between minus 4% to minus 6%. We have reiterated this guidance. It has been approved by the Audit Committee and the main Board of Belgacom. So that's the only thing I can tell you. So we feel very comfortable with that because we have all the support we may imagine to get within the company, and I hope that based on let's say the success our business units got during the first quarter, you feel also more comfortable because of these successes. And if you compare our success with the successes—no success of our competitors in Belgium, you may eventually feel more comfortable. We are strong, we have a strong balance sheet, we are gaining again market share and one of our objectives, Dominique, before the end of the year is also to improve again the ARPU. But that's what I can tell you. Now it's up to you to make up your mind.

Paul Sidney: That's great, thank you very much for your comments.



Operator: We will now take our next question from...

Nancy Goossens: I think we have time for one more question please.

Operator: We will now take our next question from David Wright of Deutsche Bank. Please go ahead.

David Wright: Oh actually, mine's been answered, but please do give that opportunity to someone else. Thank you.

Operator: Okay, thank you, sir. We will now take our final question from Sasu Ristimaki of Merrill Lynch. Please go ahead.

Sasu-Petri Ristimaki: Thanks. I had two quick questions hopefully. One is can you say a few words about the situation as regards handset subsidies in the market at the moment and how you see those affecting your own profitability. And then secondly, can you say a few words about the competitive situation in IPTV, and why do you think customers are coming to your offer? Is it mainly price-driven or do you think you've got a better convenience package, or is there a kind of content competition that's affecting choice as well? Thank you.

Bruno Chauvat: I think that the good results regarding IPTV are not new. These are the results of a continuing strategy to improve the customer experience and also to have a good content line-up. If we look at the introduction of the latest version of our Belgacom TV release that we did last year, it improved significantly the customer satisfaction. So it's one element. The other element is in terms of content strategy, we would like also to provide the traditional channels, TV channels, but also to have some local sports and we do it with the football, we do it not only with the Jupiler League but also with the Belgacom League, the Division Two. We do it also with basketball. So we would like to provide compelling content but without overpaying the TV channels and the exclusive content. We would like to find an equilibrium between the interests for our customer to have that local content next to the traditional blockbuster or the international content, but at a fair price. So I think that the three elements you were referring



to are part of that continuous growth, customer experience, appealing content and pricing which is fair.

Didier Bellens: The last question is subsidy, so maybe Dominique can—I'll make a short introduction because we talked a lot about subsidies during our last roadshow and we've taken the, let's say, feedback from you, which means the market, about subsidies. We at Belgacom in Belgium, we knew that in a lot of countries in Europe, subsidies have killed, let's say, destroyed a lot of values in telecom companies so we've never been extremely hot about subsidies. It's not a market for that. And again I repeat, in mobile we said we don't want to overreact and to destroy value in the market and especially value for Belgacom. Having said that, we've said that eventually we may use subsidies in some very specific cases, especially taking into account the new telecom law. If you have subsidies and if you have, let's say you sell handset together with let's say access, you have again a contract of 24 months with your customer, which is a plus. And that was interesting to test this experience to have still let's say a contract of 24 months even if the telecom law in Belgium allows you only maximum six months. So that's what we've done to test but on a very small scale. We don't want to kill the market. We don't want to just go for massive subsidies because it's going to kill the market. It's too costly. But we think that all the steps CBU has taken to increase its market share in the mobile market, all these steps have been extremely smart, not costing too much to the company and creating at the end of the day a value to the company. So Dominique.

Dominique Leroy: No, I don't have a lot to add to what Didier said. It's true that the Belgian market is not a subsidised market and it's absolutely not our intention to make the Belgian market a subsidised market. What we have indeed been testing is replacing some of our former discounts promotion by promotional activity where we give small discounts in the form of handset subsidies, where we have indeed a two-year contract with the customer and we will take, we will monitor the results of that and we will see in the future if we will do that again or not, depending on the results of these activities.

Didier Bellens: Dominique, thank you.



Nancy Goossens: Okay, thank you very much. I think with this we need to conclude the call. Thank you all. If you have any follow-up questions, you can obviously call the investor relations department, and I wish you all a good weekend. Goodbye.

Didier Bellens: Okay, thank you. Goodbye.

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