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Presenter: Didier Bellens

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Operator: Please stand by. This is Premiere Global Services, we are about to begin. Good afternoon, ladies and gentlemen, and welcome to today's Belgacom 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: Thank you and good afternoon to you all and I guess good morning to the participants from the United States. I trust that everybody has received the press release on our results and that you had the chance to go through the numbers, so we will keep our usual format, meaning that we'll start with an opening statement, this time split between our CEO Didier Bellens and CFO Ray Stewart, and then we will dedicate as much as possible the remaining time to answer your questions. So now just to quickly introduce the people from Belgacom around the table here, so besides Didier and Ray, we have also Dominique, Dominique Leroy running the consumer segment. We have Bart, Bart Van Den Meersche for the business segment. Geert Standaert is here for the network and wholesale department; Bruno Chauvat responsible for the strategy and content of the Company, and also Daniel Kurgan for BICS, the International Carrier Services. And I guess with this, I'll pass the word on to Didier. Please go ahead.

Didier Bellens: Thank you, Nancy. Welcome to this conference to announce our 2013 half year results, and we are going to talk, let's say my colleagues and myself, about let's say the details, the financials but also the operational results.

I would like first to make a statement. Although the economic climate remains difficult, and the competition, Belgacom is still in line with its forecast and annual guidance, so I think it's very important, that I am sure you read let's say all our papers we sent this morning early, and you have understood that we are still reiterating our guidance which is, I guess let's say, the most important thing.

Now I would like to talk a bit about what people have called "mobile disruption" and to come back to that because that was a major event that has happened since October of last year. So let's go back to the origin of mobile disruption. There were two things. The first was the new telecom law, so imposed by European Directive, and it has been a bit tougher in Belgium than in other countries but the principle was telecom law is European Directive and you'll remember the telecom law reduces the duration of contracts to a maximum of six months. So that's the key. So that allows an increase of the churn basically.

Now having said that, if you just allow the increase of the churn, you still need to increase the churn. And what has happened in Belgium is this famous MVNO contract between Mobistar and Telenet – we don't know the contract but apparently the conditions were extremely favourable for Telenet – and Telenet has developed, let's say, its KING/KONG offer. And with the KING/KONG offer, all of a sudden you had a real churn, so probably some of our customers but also Mobistar, and these customers were just moving from one operator to another operator. And while you are doing that, not only you are losing customers but let's say the ARPU is just going down. So we can understand that and we've measured that. But at the level of Belgacom, we've been extremely lucky and professional. Lucky means that we do have indeed the best mobile network in Belgium and some of our customers who went to Telenet in the first time or Mobistar, they discovered that there was an important different in quality of networks and then they came back to us. At the same time, it's very clear that our marketing teams did a very, very good job, so we've not decided to decrease the prices to get back customers. So we were not involved in the price war. What we've done was much more, let's say, focused on mobile customer acquisition. So first quarter was stop bleeding. Stop bleeding was, let's say, retention. We wanted to decrease the churn rate and we've done it with targeted marketing approach to our customers. And of the first quarter, we were again really very close to the churn rate we had before the telecom law and before the Mobistar MVNO. So that was the success of first quarter.

Second quarter, the target was easy. The target was increase the number of customers. To do that of course we need to have marketing efforts, so spending, and we decided that it's better for Belgacom to spend indeed and to invest money in marketing to get more customers. You've seen that by the end of let's say the first half of the year, we gained 189,000 mobile customers, which is really an achievement, and Dominique will increase later more about how she did it, because to do it, I would say we can have, let's say, strategic ideas that's what we want. And now what has been important is she did it at the same time in CBU, the margin remains flat compared to last year, which means that she used other marketing budget to be even better first to retain customers and then to acquire customers. And we've also used, let's say, tactically some joint offer, so service plus handset or tablets, but very, very focused and very focused because we don't want to have joint offers becoming a kind of standard in Belgium because that just costs too much. So we are very cautious. We want to maintain our margin and at the same time our objective is still, let's say, to improve EBITDA, EBITDA margin and total revenue by the way. So 189,000 postpaid cards for the first six months; this is really a success, without negative financial impact at the level of CBU, small financial impact on the margin of EBU but I think that long term it's better to invest in marketing and to get back customers. I hope that we all agree with that.

So let's say, to be very clear, we decided to have let's say three objectives; two are already done, maybe not completed, so it's reduce the churn and increase the number of customers. And then today let's say EBU and CBU are working on increasing the ARPU, And ARPU, what's our strategy there is selling more services to the customers, not only to get let's say the same revenues from the customers but eventually to get just more out of the customers.

What are we going to do for the next six months? It's easy. Our strategy has been working quite well so we just go on with our strategy. We'll remain extremely focused on our strategy, forget about price war. We are not going to start a price war. We have not done that up to now and we don't believe it's the right way to create value for all the stakeholders.

So having said that, if I try to say a word on cost, we are living in a market that has been attacked by regulation and by people who are believing that indeed the prices have to go down. Fine. That means, to be very clear, that if we go in this direction, the value of the mobile market or the value of the telecom market in Belgium is indeed decreasing. So we don't accept that. So that's the first statement I want to make.

The second statement is if indeed, let's say, the market is decreasing, we have to align our costs to a decreasing market, and Ray will tell you that we are indeed decreasing the cost of the company, the cost base. We decided that the human resource costs next year have to be flat compared to 2013. That's a financial effort of, let's say, between €50-60 million to keep these costs flat because as you may remember, we have inflation, we have other type of automatic increase. So automatic increase, they are legal so we cannot plug that, but we have to find other ways to reduce the costs eventually to be more efficient, and that's the reason why we are investing in two programs, simplification and customer satisfaction, and there it's about investing in IT, not only in IT because simplification as you know is much more than IT, but let's say we have to find a way to decrease the cost of this company because we've seen during the last months that the market size has decreased. So we just adapt it and I think that everybody, not only you but also let's say unions, can understand that.

So one word about BICS – Daniel is here so he will talk eventually more about BICS later if you have questions – well, that's our international traffic subsidiary, it's among the top three worldwide apparently, Daniel, now? So I just want to tell you it's doing extremely well, revenues increasing by 4.8%, no surprise. BICS is involved in developing countries with high growth where they're happy with that and at the same time, it is profitable because your EBITDA is also increasing by double digits as far as I remember, Daniel. So we are happy with that.

So in summary, all three units – enterprise so Belgium, CBU Belgium, and international – the three are doing well. And if at the same time we contain the costs, by definition let's say we are then able to disclose the kind of results we are disclosing for the first six months of this year, market share increasing most probably in mobile, or mobile-only competitors being into trouble, and we are doing well at the level of operational results and financial results. And with these financial results, we'll go on investing for the long term in capex, so especially networks, to keep this superiority in the quality of our networks. That's a major differentiator and then also invest in IT for the future. So that's my introduction, Ray.

Ray Stewart: Okay, I will spend just a couple of minutes on the financials. Hopefully everybody's had the opportunity to go through our press release so I'll just keep it to a couple of key points. For the second quarter, as you've seen on the revenue side, we reported for the Group a 1.7% decline and our Group EBITDA ended 1.9% lower. Now of course this includes the impact of the one-off accounting adjustments that were reported in the second quarter of 2012, so that on a comparable basis, the Group revenue was about 2.5% lower and EBITDA was about 9% lower.

Besides the impact from regulation, our financial results shows clearly the impact from the mobile disruption that Didier mentioned earlier, and the customers that we lost in the fourth quarter of 2012. As Didier said, we've reviewed our mobile pricing in December last year, simplified our offering as of April 1st, and I think this shows in the mobile revenue from the consumer segment as well as in the business segment because of some of the spill over effect on the SOHO and SME customers. The decline in mobile revenue, however, remained fairly in line with what we've seen in the first quarter. This is because we have been growing, as was mentioned earlier by Didier, the mobile postpaid customers again, and also we reviewed our mobile pricing by giving customers more value rather than simply cutting prices. So often our customers choose to take the same monthly commitment as before, so basically they spend the same amount; they just get more for that money. And then also, new customers we gain via the tactical handset subsidies often take actually a higher monthly commitment. All in all, this helped to contain so far the revenue and the ARPU dilution that we've had from the mobile disruption.

But also, because we are an integrated convergence operator, the other big positive we've had is, you know, we get help on our financials from our fixed products. The customers that we've been adding over the past year for TV and broadband are contributing to the revenue today, and this while our price changes over the past month have somewhat increased the ARPUs. To preserve our EBITDA in light of the current pressure on mobile, we have also done great efforts so far in managing our cost base, in part offsetting the commercial push in mobile and as Didier said, it's not going to stop. We'll continue the push on the cost base for the second half of this year and then in the next year.

To conclude with the achievements so far, we are fully on track to meet our expectations for the year, and so we are confident in reiterating the guidance that we have provided – so revenue to be down 1-2% and EBITDA down 4-6%. And I think, Nancy, with that we can go to questions.

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

Operator: Absolutely. Ladies and gentlemen, if you would like to ask a question over the audio, please press *1 on your telephone keypad at this time. That's *1 on your telephone keypad to ask a question. We'll now take our first question from Emmanuel Carlier from ING. Please go ahead; your line is open.

Emmanuel Carlier: Hi, good afternoon, three questions from my side. The first question – so the underlying EBITDA was down some 9% in the first half of the year. Could you maybe make some comments on how you expect this trend to go in the second half? Do you expect some nice improvement already? And maybe related to that, how do you see the subscriber acquisition costs in the second half of the year? Then secondly, your guidance includes some capital gains on the sale of buildings. You have guided that this will be some €40-50 million, but part will be booked in 2013, part will be booked in 2014. Could you maybe so far give your best guess on how the capital gains will be booked, what part 2013, what part 2014? And then some small questions. Could you maybe disclose of the level of the handset subsidies? And lastly, there was also a provisional reversal within the HR expenses. Could you maybe just disclose that number? Thank you.

Ray Stewart: Yes, well the SAC I'll take that. But on the EBITDA trend, so I think you implied in your question, we do see improvement in terms of the year-over-year decline at the EBITDA level to be better, let's say, in the third and fourth quarters. So that's the first one.

On the capital gains, not sure. I mean we do have some in there; it's not, I mean at the level you talked about, for sure, that's not what we're looking for in 2013, to be clear on that. Probably if we do have them, they probably will more likely show up in the fourth quarter rather than the third quarter.

And I guess your last question referred to the HR provision on the options. We're not disclosing the total publicly but I can assure you it's not that substantial. So it really doesn't significantly or dramatically impact the results.

And the SAC question in the second half?

Operator: We will now take our next question from Thomas Deschepper from KBC Securities.

Thomas Deschepper: Hi guys and ladies of course, it's Thomas here with KBC Securities in Brussels. Three questions if I may. Basically. And correct me if I'm wrong, but the release did not really contain any statements on the back book migration. I was wondering if you could maybe provide some more colour on that. Secondly, does your guidance which you probably reality-checked this quarter include the possible repricing further down the line and in the second half of via let's say Telenet or something? That was a something that the Mobistar management was – well, included in their guidance. And third and final question pertains to free cash flow, so maybe a question for Ray. You said earlier that you took the working capital hit for, amongst others, the handset subsidies in the first quarter and that the low free cash flow now, which is a relatively softer due to a lower EBITDA and tax timing differences, could you provide us some more granularity, let's say, on these taxes and working capital issues? Thanks.

Ray Stewart: So I'll start with the last one, yes. Yes, I mean the taxes, so there's no change in the income tax expense, let's be clear on that. So it isn't like any laws have changed it and so forth, it's just simply, you know, it's whenever I get the tax bill, I pay it. And now that the governments let's say are, let's say short of money, they're getting more efficient about sending me the tax bill. So it's just a matter of timing. So nothing fundamentally has changed in our income tax rate or in the income tax laws; it's just whenever the tax authorities send me the bill, we pay it. So there's nothing changing there.

And on the back book repricing I guess, Dominique?

Operator: We will now take our next question from Michael Bishop from Barclays.

Nancy Goossens: Sorry, I think that, yes, Dominique is still answering the previous question so maybe – I'm not sure that you're hearing her.

Dominique Leroy: I'm changing seats because…

Thomas Deschepper: Oh, she's not – ah yes, okay.

Dominique Leroy: Do you hear me now?

Thomas Deschepper: Yes, you're clear now.

Dominique Leroy: I change, I had to change seat, my micro was not functioning. So concerning the back book migration, end of June for the residential market, we are around 60% of our customer base has been, having been repriced to our new tariffs. Concerning the second part of the year, we, as Didier said, our focus is very much on quality, on convergence and not so much on price. So we have no intention to fight on price. The only thing we will focus a bit more, we have a second brand which is the Scarlet brand, which can answer the price-sensitive customers.

Thomas Deschepper: So you could be speeding up or let's say accelerate your back book migration, or am I mistaken?

Dominique Leroy: No, I think the biggest part of the back book migration has been done because we have first targeted the high-risk customers, and I think for – that's also what you see in Q2. We have done a lot of retention and repricing in the first quarter of the year, very much targeted at customers that were sensitive to price, and in the second quarter there has been some repricing but with less impact because the biggest one has happened already in Q4 and Q1, and we have been able to focus much more on acquisition and also through some smart acquisition programmes like tactical handset, we have also been able to acquire customers on higher commitment. So I think you can say that even if there are repricing to be, to happen in the second half, it will have a very small impact on ARPU as currently we are giving, trying to keep the ARPU and giving more content, more abundant offer for the same amount.

Thomas Deschepper: Okay, clear. And on my second question regarding the repricing by a possible – or the possible repricing by competitors in the second half, do you include that in your guidance? Did you reality-check that, or how do you see that evolving?

Dominique Leroy: But I think currently, there has been quite a strong repricing also of Base in April and this is still quite an aggressive price in the market but today I think we can, through our quality and through our convergence offers, sustain the price difference versus the market price. And to be honest, I don't think that this will further reprice and we will see an adjusting function of what our competitors are doing. We are not currently focusing or forecasting a price reduction for our own brands.

Thomas Deschepper: Okay, very clear. Thanks, Ray and Dominique.

Operator: Our next question comes from Michael Bishop from Barclays. Please go ahead; your line is open.

Michael Bishop: Thank you, three questions please. The first one, the postpaid adds were very strong and you cite in the release that you actually added a lot of voice cards. Could you just explain that dynamic a bit more because obviously as you've repriced and simplified the tariffs, a lot of them include data. So could you just give us an indication on where the marginal recovery in postpaid adds is and why? And the second question is some of the fixed line KPIs – line loss, broadband, TV – were a bit weaker in the second quarter. Is there a risk I guess that you have to focus more marketing back in the second half on the fixed line to try to reaccelerate the RGU growth there? And then finally just on the – picking up on the points on brand segmentation, could you just give us an idea of the dynamics of the Scarlet brand around mobile? Is that brand growing quickly? Thanks.

Dominique Leroy: Concerning postpaid acquisition, we have indeed mentioned that the big majority, more than two-thirds of our acquisition in the second quarter are voice customers with comparatives to data, and when we mean data, it's data cards. So it's mobile internet cards which are mainly active in tablets or in laptops. So in that sense, the postpaid acquisition we report are the sum of what we call the normal smartphone cards and also mobile internet cards. So that explains why we have made that comment.

Concerning fixed line, it's true that in Q2 we are a bit weaker. I would nuance that because in phone lines, our decline has been contained quite heavily. Internet was a bit weaker and on TV, if you look at the first TV subscription, it's in line with Q1 but we have done some cleaning of old set-top box, very old Tilgin set-top box that we have taken out of the market. And so that's why on the multiple set-top TV, we have a weaker number, but the Q2 acquisition number of the first TV were in line with Q1. But to answer your question properly, it is true that our focus in the second half of the year will be a bit more on fixed versus heavier focus on mobile on the first half of the year.

Concerning your third question in brand segmentation, I mean what you see when a market becomes mature, you really see much more segmentation starting to happen in the markets and we have reactivated the Scarlet brand for mainly two reasons, to protect our Proximus and Belgacom to have to reprice downwards if the markets move further downwards with one aggressive competitor, and we can then respond to this aggressive offer through our Scarlet brand, which is, you have to say, it's a no-frill brand so very little service but just a mainstream telco offer at a low price where with Proximus and Belgacom, the strategy is to go to added value brands with more services, with better network, better servicing, other type of products. So that's how we want to work with the segmentation. Scarlet will remain a small brand but depending on how fast the price seekers segment in the market will grow, I think we have then a strong weapon to face that segment.

Michael Bishop: Thank you.

Operator: Our next question comes from Dimitri Kallianiotis from Citigroup. Please go ahead; your line is now open.

Dimitri Kallianotis: Good afternoon. Thank you for taking the questions. The first question is I know it's a bit – it's more for the Board of Directors, but I wanted to ask Didier what we should think in terms of a good reassurance on the dividend. I mean we had one of your peers who quite surprisingly cut the dividend to zero on Monday. Obviously their operating trends are much worse than yours but I wanted to ask you if we should expect still the dividend to be flat assuming that you hit your guidance this year or if you see any reasons why the dividend should potentially be cut for this year. My second question is with respect to just the answer from Dominique on TV. I just wanted to ask you if we should expect the TV net adds to slow down structurally because the market seems to be very mature or if you think there is a lot of growth there. My last question is for Ray on the cost-cutting, which is doing very, very well. We have a sort of opex reducing about 2% per year, year-on-year. What does your, how much – what sort of run rate of cost savings can you achieve, especially with respect to the simplification program you've mentioned? Thank you.

Didier Bellens: I'll start with the dividend, and I would like to refer to what I've said in February I guess during the roadshow. We decided it to pay the €1.68 as say the 2012 dividend, the balance and then I said, but you know, regarding the interim dividend, we as management, we have to go back to the main board in October. And we thought at this time that let's say our guidance was a very, let's say – how should I say…

Ray Stewart: Challenging.

Didier Bellens: Challenging guidance and I said well, you know, if we are in line with our guidance, our job to go to the main board will be relatively easier. If we are above guidance of course, our job will be very easy to talk about interim dividend. Now if we are below guidance, our job will be difficult. So when I look at the situation as of today, we are in line with guidance. We are not really above guidance. I would say we are in line with guidance. We are very happy about the way the company and our colleagues have reacted in this very difficult situation and especially if you compare Belgacom to our peers in Europe and then in Belgium, I'm very happy to see that we've done extremely well and it's promising also to see that we can gain customers and maintain our margin. So let's say I really think we've done a great job.

So let's say, what can we hope as a dividend? I guess without a new surprise, we should not expect a decrease in dividends. And today I don't see a surprise, but we may be surprised by definition, and some people are, create a price war, we don't want to get into a price war. And I guess that some of our competitors, they would also like to be more rational but we will see.

So we started, let's say probably even for us the year better than expected, so we are in great shape. We still have a great balance sheet. We can react to the markets. We can go on investing in the market for marketing, but also for capex. So we really are in great shape. So if we are in this situation in October, let's say we'll go relaxed to the Board to discuss about shareholder remuneration. Now, at which level I don't know when you refer stable dividend, I don't know to which dividends you refer. In my mind, I've always – Ray, maybe I'm wrong – the €1.68 and the interim dividend of €0.50, which is let's say the normalised interim dividend, I really think that if we can maintain the dividend at this level, that's good news for all the shareholders and at the same time, we can maintain let's say a real long-term strategy for long-term investments of capex. So if we can do both then we are really in a great shape.

That's the first question. TV, that's definitely for Dominique. So is the market maturing?

Dominique Leroy: Well, it's true that the TV market is maturing. We currently have a penetration of 77% of digital TV, so what will be important is to keep a strong market share in the acquisition but the absolute number will probably indeed be lower than it used to be in the past.

Didier Bellens: Thank you, Dominique, and cost-cutting is of course Ray.

Ray Stewart: Yes, as Didier had said earlier, our target, as you know, here in Belgium the wages go up automatically with the inflation or index rate. So our target, for next year anyway – I won't go beyond that – would be to, at a maximum, to keep that flat. So in other words, we would do cost-cutting measures to offset the inflationary impacts we have because then we might be able to get what we've talked about for years, if the business can keep the direct margin flat and we can keep the expenses flat, then we have a chance on finally stabilising the EBITDA. So that's kind of what we're after.

So we'll be doing a lot of different cost-cutting measures so I'll never say never but as I've mentioned before, it's very unlikely you would see us, as part of that, come out with some massive early retirement plan because they're very expensive, number one. Number two, we've talked to you before that in a few years we start hitting a fairly high retirement rate so it's foolish for us to pay these people to leave early when at some point in the near future, they would be retiring anyway. So that's the plan, and it'll be a lot of different initiatives and efforts that will allow us to get there but that will be the target for next year anyway.

Dimitri Kallianotis: Thank you very much.

Operator: We will now take our next question from Nawar Cristini from Nomura. Please go ahead; your line is open.

Nawar Cristini: Nawar Cristini from Nomura. Thank you for taking my questions. I have three please. I have two actually. Firstly, on consumer mobile where service revenue decline was pretty much in line with Q1 at –13% on our calculations. Despite the ongoing repricing and incremental pricing actions introduced in Q2, it was resisting pretty much well. So any colours on the drivers of this stabilisation would be useful. Secondly, how much of revenues is still generated from the out-of-bundle traffic? Thank you very much.

Dominique Leroy: Okay, concerning consumer mobile, it's true that when you look at the decrease on consumer mobile, you are at the same level. If you correct it a bit for the underlying regulation and telco law, you see a small further decrease in Q2 versus Q1 but not a significant one. So I think it's related to what I explained a bit earlier is that we have really concentrated our fourth quarter and first quarter action on retention. We have contacted around 1 million customer proactively to migrate them to other tariffs and while doing that of course, you try to secure very much your ARPU level. So there is a big difference when you do a controlled retention and migration action triggered by yourself than when you let the customer do it by itself. So that's the main difference and that's probably also a main difference we have with competitors because we have really been able to put into place a very strong machine with CMI and marketing activities to proactively retain our customers and put them on the right tariff level. So when you then look at the further repricing we have then in Q2, it's much less disruptive than the one we had in the beginning, because we have started to target the highest ARPU or the highest risk customer, and on top of that we are also trying in terms of our new customers to leverage there some activities to move them on a higher ARPU. So I think you can't explain it by just one element but it's a series of elements through smart retention activity, smart acquisition activity that has enabled us to stabilise the ARPU decline in Q2 versus Q1.

Concerning the out-of-bundle, that's indeed true that if you keep your customer on the same ARPU but you give is more abundance, we will probably see some decline of our out-of-bundle revenue and what I could say is today on the residential market, the out-of-bundle is between 10-20%.

Nawar Cristini: Thank you very much.

Operator: We will now take our next question from Vikram Karnany from UBS.

Vikram Karnany: Oh yes, thank you. Just going back to firstly on the EBU SMS revenue trend which continues to decline, and should we expect a similar rate going forward as a result of this regulated price caps in the EBU segment? And then coming back on the EBITDA guidance as well, you reported an EBITDA decline at the low end of the guidance in H1. I was wondering whether you were worried that because of the increase in mobile competition that you will need to further revisit your SSE strategy, as a result there will be more pressure at an EBITDA level in the second half.

Didier Bellens: So Ray, you'll take the EBITDA guidance?

Ray Stewart: Yes, I think the business has mentioned earlier, kind of what we're expecting and not expecting so you know, I can't predict totally what our competitors might or might not do. Dominique mentioned that we feel reasonably that Base is probably, seems to be fairly rational. Mobistar, I'm not sure. So clearly in our guidance, I think we're looking at continuing the business along the lines that Dominique has talked about. Now if, using a name, if Mobistar comes out and does some drastic pricing action, we would have to react somehow, some way, we'd try to do it intelligently, and it could have an impact. But, so that one's hard to build into any guidance or directions.

Vikram Karnany: Okay, and on that EBU SMS trend maybe?

Bart Van Den Meersche: Yes, on the EBU SMS trend, so the EBU SMS trend is actually influenced by three elements. So one, you have the capping of the SMS roaming rates that started on July 1st of last year. And then you have the fact that with the repricing and the revamping of our pricing also, and especially Bizz Packs, you have more and more all-included free SMSs or unlimited SMSs. That has an impact also. And then you have the usage, and you see that the usage is still going up but because of the first two elements, you see that the revenue overall goes down. So what's the trend now? As I said, the roaming started on July 1 so it will still continue in the second half but we expect it to be at a less rate I would say. And then the usage is depending on how the usage is going, but for the time being it's still increasing.

Vikram Karnany: Okay. That's quite helpful. Thank you.

Bart Van Den Meersche: You're welcome.

Operator: We will now take our next question from Guy Peddy from Macquarie. Please go ahead; your line is open.

Guy Peddy: Yes, hi team, hope all is well. Just wanted to follow up on a couple of things. Firstly Dominique, when you talked about a greater focus in the second half on the fixed line side, can I assume that is just the normal seasonal practice given football, etc. and so therefore there's nothing untoward there? And then a second question to Ray, suggesting that obviously you're going to see more of an EBITDA relative improvement year-on-year in the second half. Could you just talk about the difference in drivers between the first half and the second half that give you that confidence that obviously the margin decline will lower? Thank you.

Dominique Leroy: So concerning fixed line focus, I think you are right that it's always a kind of seasonal focus so it's true, but it's also a bit more than that because we really think that convergence is the right strategy, so in that sense we will focus even more on convergence through fixed line versus then convergence through mobile, which was more the focus on the first half of the year. But part of it is certainly seasonal where, as you say, football and other elements, there is more focus on fixed line in the second half of the year.

Ray Stewart: And on the improvement on the EBITDA guidance it's, a lot of it is just math. I mean we started having the impact in the second half last year from the mobile disruption so on a year-over-year comparison, it gets easier in the third and fourth quarter than it was in the first half.

Guy Peddy: Brilliant, thanks.

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

Ulrich Rathe: Yes, thanks very much. First of all on roaming I was wondering whether you have any sense of what is the likelihood and the impact of roaming regulation beyond the currently sort of fixed rules might be and the specifically, could you give us a number for the remaining roaming exposure at Belgacom now? The second question is with regards to the carrier services strategy in the second half, the top line is a bit volatile even if you try to correct for the FX exposure. I'm just wondering – and obviously you can control that to some extent with pricing. I'm just wondering what strategy fundamentally are you choosing into the second half of the year with regards to trying to stimulate top line there possibly at the expense of margin or vice versa, you know so we have a sense of how to forecast this in a time of volatility. And my last question regards Telenet. Do you have any signs, for example in your wholesale business in conversations you might have a Telenet about them thinking about a proper mobile network launch? I suppose they would need some of your network if they wanted to launch that, and do you see any of that happening? Thank you.

Daniel Kurgan: Good afternoon. This is Daniel. I'm going to answer the carrier service question. Well, our strategy is pretty simple. I mean, we are in an intermediation business, which is not top line-driven. It's quite easy to drop the price and collect minutes on the wholesale market but that doesn't really create value. So we work on really margin management and towards margin much more than top line and our prices are very much influenced by also regulatory evolution and mobile termination rates evolution and things that we don't really control because we make intermediation margin on top of that. So our strategy is more to keep pushing new products on the market, on the messaging space, on the roaming, MTR, and towards the new segments that we are addressing being OTT, being MVNO, and to further push sales into regions where we still enjoy further growth being for instance Americas, part of Asia and Africa. That's how we want to keep developing the activity but not with a top line price.

Ray Stewart: On the roaming, I guess I'll just repeat what we've said publicly at meetings, where we've said that the roaming represents somewhere around 10% of the mobile revenues. And I have no idea what Europe's going to do.

Geert Standaert: And then maybe with regards to your question on Telenet and mobile build-out, I can only tell you that we have received no requests so far from Telenet on that one.

Ulrich Rathe: Thank you very much. That's very helpful.

Operator: Our next question comes from Usman Ghazi from Berenberg. Please go ahead; your line is open.

Usman Ghazi: Hello, gentlemen. Thank you for taking my questions. I don't know if I misheard but when you were talking about the big cost-cutting measures for 2014, you mentioned a figure of €50-60 million. Is that a restructuring charge that you're telling us that you might need to take or are you just saying that that is the indexation effect that you're going to try to offset? If you could clarify that please? In terms of us – second question was in terms of us thinking about SAC, given the success that you've had in the second quarter, should we anticipate that you keep SAC at high levels throughout the rest of the year and go for market share, or is the idea that mobile activities will be less of a focus versus fixed in the second half of the year? Related to that, I wanted to ask if you are seeing any impact from the Whop and Whoppa tariffs that Telenet did or has that had no impact? And then my final question, sorry, was on the taxes. Are we to assume that you are not going to pay any cash tax now in the second half of the year because all of the cash taxes payable for this year were frontend-loaded? Thanks.

Didier Bellens: Okay, thank. So there are four questions. So I'll take the first one, Dominique will take the two second ones and then the taxes is for Ray.

So the first one, the €50-60 million, it's very simple. If we don't do anything, and I guess that Ray explained this, if we don't do anything at the level of the cost of human resource because of indexation and some other automatic increase in cost, the cost of human resource increase by indeed an amount of between €50-60 million year-over-year. And we have decided, supported by the Board of Directors, that we should keep this cost flat because it's increasing quicker than our total revenue. So if we want to keep the HR costs flat, we have to compensate the automotive increase by a reduction in other HR costs. So it's as easy as that. And so we have to find between €50-60 million cost decrease in HR, which is a lot, to keep these costs flat. Am I clear?

Usman Ghazi: So you're going to keep these costs flat without the need for any restructuring charge?

Didier Bellens: No…

Ray Stewart: I mentioned earlier that it's, at least today – I won't say never – we are not planning on any massive early retirement plan or restructuring charge. So what Didier's talking about is we would reduce cost, a lot of different projects, to allow that to happen without any huge – so we're not talking about a €50-60 million restructuring charge. These are real cost reductions that we would try to implement without any major restructuring charge.

And on the taxes, right now our expectations would be in the second half of the year, they would be minimal payments.

Usman Ghazi: Okay.

Dominique Leroy: So concerning your questions on the SAC, I would not foresee major changes in SAC in the second half versus the first half. We have no intention to go to structural subsidies. We have said that we would only use some tactical handset subsidies, so I don't see any big reason why we should change fundamentally the SAC level in the second part of the year.

Concerning the Telenet Whop and Whoppa, it's very soon to see any significant impact on that. I would say the only thing I welcome on that is that for the first time, Telenet is including the cable cost or the cable prices in its offer, which make the price comparisons for consumer a bit more transparent.

Usman Ghazi: Okay, thank you.

Nancy Goossens: Maybe one last question.

Operator: Okay, we'll take our last question then from Sasu Ristimäki from Merrill Lynch.

Sasu-Petri Ristimäki: Thank you. I actually have three questions, hopefully brief ones. First, a lot of markets in Europe have now moved to data-led pricing in mobile with basically unlimited voice and SMS included. How and when do you see this happening in Belgium? Secondly, can you just remind us about the status of your fixed line network and if cable still offers a kind of material broadband speed advantage? And then finally, number three, do you have any new thoughts about the upcoming spectrum auction? Thank you.

Geert Standaert: Yes, first of all maybe to begin with the spectrum, so we are expecting effectively and auction. Now the only thing that I can say is that we are studying the file but that at this moment we have taken no decision yet on this point. Then with respect to the investments that we did in the first half, in fact, they were split over three big domains, our mobile domain, the fixed domain and then, as Didier stated already before on our simplification programmes, in network and in IT. What we did in first half 2013 on the fixed network is that we had activated something that we've developed in-house, what we call dynamic line management. By doing this, we could increase our download speeds on our broadband networks to up to 50 Mb. To give you a bit more of an idea, where before our average speed on our VDSL network was about a round of the 24 Mb per second, we could increase this with dynamic line management to a 34 Mb average performance. At the other hand, we are preparing for what we call factoring and there I can tell you, okay, this is a technology project that is at cutting edge of technology. We are a bit leading the scenery here. I can tell you there that the technical programme is still on track to start delivering vectoring as of the first quarter next year.

Dominique Leroy: Perhaps concerning your first questions and the prices, I mean it's true that what you see in a lot of countries is that we have flat price on voice, SMS and tiering on data. I really think it's too early to do that in Belgium because the smartphone penetration is only around 35% and in that sense, I think keeping a tiering on voice for also non-smartphone products and having a tiering on voice and data for smartphone is the right strategy for Belgium and I think we have to wait for a much higher smartphone penetration before we can only go for data tiering.

Sasu-Petri Ristimäki: Okay, great. Thank you for that.

Nancy Goossens: All right, I think we can conclude the call with that. Thank very much to join us on this call. If you would have any follow-up questions, you can obviously contact the investor relations team. Thank you all, and I wish you all a good weekend. Goodbye.

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