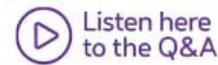




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**Presenter:** Dominique Leroy  
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**Operator:** Good day, ladies and gentlemen, this is Premiere Global Services, we are about to begin. Good day and welcome to today's Belgacom 2014 Q1 Results conference call. For your information, this conference is being recorded. At this time I would like to turn the conference over to Nancy Goossens, head of investor relations. Please go ahead.

**Nancy Goossens:** Thank you and good afternoon to you all. I trust that everybody has received the press release this morning on our first quarter results and I also hope you have been able to go through it in detail. So we keep the normal format of our conference call, meaning that we will spend as much time as possible on the Q&A. We will start with an introduction of our CEO Dominique but before getting to that, let me just quickly introduce to you the people that are here around the table for Belgacom. So besides Dominique Leroy, our CEO, we have also Ray Stewart here, the CFO. We have Bart Van Den Meersche for the business segment, Geert Standaert for the network and wholesale department, Daniel Kurgan is here from BICS, CEO of BICS, and then last but not least we have also somebody new around this table, our new head of the consumer business unit Philip Vandervoort. I think he joined us now about one month ago I think, six weeks. Six weeks. So I guess this is for him mainly a good learning experience of what he might be facing for the next round of results and that Dominique will take the main questions for CBU. So with this I'd like to pass on the word to Dominique. Please go ahead.

**Dominique Leroy:** Yes, good afternoon, everyone, and welcome to Belgacom's first quarter conference call. My colleagues and myself will answer your questions in a moment but before opening the line, allow me a few minutes to give you the main takeaways from the published results this morning.

First of all, I believe we have closed another strong commercial quarter for both our fixed and mobile business. TV was a very good quarter with +30,000 new TV subscriptions. This led to a



slight increase in our TV market share in all regions of the country. We also continued to add fixed internet customers (+16,000) in the first quarter. Part of the good performance is thanks to Scarlet, which proves our multibrand strategy approach is working. We continued to have good growth in our mobile postpaid customer base, adding 123,000 mobile postpaid cards in the first quarter. More than half of these are voice cards and paying data cards. This means that we could again slightly increase our market shares in spite of a challenging market. The prepaid market is shrinking and we too saw a decline of 68,000 mobile prepaid cards. Quite a big part of this was linked to the MobiSud MVNO. If we look at our own Proximus brand, the decline was again smaller so continuing the trend improvement we have seen in previous quarters.

Our convergence strategy proved once more to be a tremendous support. This is especially becoming clear in our new household reporting. As you may have seen in our press release of this morning, we have a new reporting for the consumer business unit. In this report we step away from the traditional reporting for individual products and instead we focus on metrics that measure our success in convergence. What matters is the numbers of households that have one or more Belgacom services or plays as we call them, the revenue-generating unit per household, and the average revenue per household.

A few key conclusions from the first quarter household reports are the following. The percentage of households taking both fixed and mobile services or what we call “convergent” households is growing by 3.9 percent points to 49.2% of all households in our customer base. We have households up the value chain with the number of quad-play households growing by +16% versus last year, so to a segment that typically has very low churn levels and higher ARPU. We also see that the RGU is progressing well for all types of households and the average revenue per household increased by 3.3% to €51.90.

If we turn to the Belgacom Group financials for the first quarter, I want to highlight a few elements. The reported Belgacom Group revenues ended 6.6% lower than last year. This was for a large part driven by the lower voice volumes for BICS. Excluding BICS, Belgacom’s core revenue was 3.9% lower from the previous year or even –3% when correcting for the €11 million capital gain we had in the first quarter of 2013.



Zooming in on mobile service revenue, we see we are making good progress. The trends for both the consumer and enterprise business units improved significantly compared to what we reported in the previous quarter. Service revenue ended 6% lower in the first quarter of this year; this was still nearly –12% in the last quarter of 2013. The Belgacom Group EBITDA was also 6.6% lower than for the same period of 2013. The year-on-year variance was, however, impacted by some once-off effects. If we exclude these, the EBITDA ended 5% lower than last year. So for EBITDA too, we see a good improvement from the prior quarter which was showing a –8.3% EBITDA decline on a like-for-like basis.

On capex, we invested €179 million in the first quarter. This is somewhat lower than last year but mainly due to timing of content renewal for our TV product. If you look at capex for network and IT, we increased in line with our previously announced strategy Invest Transform Grow. The free cash flow as you have seen for the first quarter was rather strong at €119 million.

So in summary, I believe we had a good start of the year, especially from a commercial point of view. We see encouraging trends in the mobile service revenue, and convergence increasingly supports our business. This all leads to a financial performance which is in line with our expectations so we can therefore reiterate our 2014 full year outlook.

With this I think it's time to turn to your questions. Please can you open the line for the Q&A?

Operator: Thank you. If you would like to ask a question at this time, please press the star or asterisk key followed by the digit 1 on your telephone. Please ensure that the mute function on your telephone is switched off to allow your signal to reach our equipment. If you find that your question has already been answered, you may remove yourself from the queue by pressing \*2. Again, please press \*1 to ask a question. That's \*1 on your telephone keypad to ask a question. We will take our first question from Emmanuel Carlier of ING.

Emmanuel Carlier: Yes, hi, good afternoon, I have one quite general question. So the last couple of months, there is a lot of talk about potential cable/telco consolidation in the Belgian market and I would like to hear your view. Do you believe that this would result in market repair or do you, by contrast, believe that this – if Telenet for example would be combined with Mobistar and the



cable company in the south that this could intensify competition in the southern part of Belgium? Thank you.

Dominique Leroy: So referring to cable consolidation, I think this will probably happen. There are two scenarios – either Telenet and VOO going together, or Altice/Numericable going into VOO. From all perspectives, if VOO is bought or partly some external capital is coming into VOO, we rather think it will be a positive element for our business as VOO currently is losing quite a lot of money and has a quite aggressive commercial politics. I think if they get into some more investor relations capital investments, they probably will have to go to a more price-accretive strategy and delivering some more results. So in that sense, we think it will ease the competitive pressure on the market and be positive for Belgacom.

Emmanuel Carlier: And then if something would happen on mobile?

Dominique Leroy: I think on mobile we already, I think, we have a very strong convergence strategy. We also have a really strong strategy on mobile leadership that we really try to keep. That's one of the reasons why we also have increased our investments for 2014 and the years to come. So I think in that sense, as Telenet and VOO have already an MVNO and a very favourable MVNO contract with Mobistar, if a consolidation would happen there it's probably the same that I said to VOO; they will not only have new acquired customers but also a whole base of existing customers where normally if you have some aggressive pricing initiatives, it hurts a bit more when you had a strong customer part. So in that sense, I think the same way as on the cable consolidation, it would probably ease some competitive pressure on the markets and further restore some market value.

Emmanuel Carlier: Okay, thank you.

Operator: Our next question comes from Ruben Devos of KBC Securities.

Ruben Devos: Yes, good afternoon, Ruben Devos from KBC Securities. Thank you for taking our questions. I've got two questions from my side, the first one related to the TV proposition. As you said, you've had quite encouraging net adds in terms of TV customers, I believe coming in at



30,000, but going forward how do you see your television proposition evolving? Do you think the recent launch of your subscription VoD offering will accelerate the uptake of net adds? And then yes, if you look at Telenet and their success with Rex and Rio with 104,000 half year, do you believe you can attain similar levels as pricing is not an issue? And my second question, it's really to cost efficiencies, yes, you've made quite some progress on the front of cost efficiencies given stable EBITDAs and the top line erosion. Over the past year you've cut headcount by 222 and the last quarter HR expenses both in EBU and CBU have declined. Do you believe there's room for structurally further HR costs—decline, sorry? Thank you.

Dominique Leroy: It was difficult to understand but I think your first question was related to our customer, TV customer evolution and the fact would it be sustainable to continue to increase ARPU.

Ruben Devos: Yes. Yes.

Dominique Leroy: I think, the TV customers I think, I mean we have had some very good results in the first quarter. I think it's also thanks to our dual strategy where we have a TV, high-end TV offer under the Belgacom and a more aggressive TV offer on the Scarlet, and it's the first time that the combination of those is coming really onto the market and it increased the acquisitions. So in that sense, I think it will be probably sustainable to get some continued acquisition on the TV. I'm not saying it will be every quarter to the level of the 30,000 we have had in the first quarter but we think we can continue to increase our TV customer base with both brands. And I think also a good sign is that we have been able to increase the TV market share both in the north and in the south. On the other end, I think that we try to do in terms of strategy, we really, we have currently a TV offer where VoD is relatively small in terms of revenue. We have recently launched some new products like the Movies and Series Pass, like the TV replay offer, like a few other parts like the Cinephile Pass, the Kids Pass. So we are now, I think, really investing more in providing our customers with new TV products that are indeed enhancing the value of our TV part, which is quite a substantial part because we have about 1.5 million TV subscribers and we have let's say a threefold strategy: an acquisition strategy both on the Scarlet/Belgacom brand and a value-enhancing strategy by creating new products so that people can use the Belgacom TV as a basis also to view video, to buy passes, to look at the TV in a replay mode. So I think



that's clearly the role we have always set for ourselves, being a strong TV content aggregator and providing our customers with choices in different linear channels, in videos and in other type of products. So I'm rather positive that TV segments will continue to provide growth for the CBU business.

Your second question I think was on efficiency and HR cost, so it's clear that we have put a plan forward which we call Fit for Growth, where the purpose is indeed to decrease our cost base and to reconnect with growth with a commitment that we will go for growth in 2016. I think we are still confident that we can deliver upon this plan and if you see some reductions on HR and non-HR expenses in the first quarter, I think it's already the first sign of these – or the transformation of the company. And I think we need to continue to do that, to go further with this efficiency. We have had some positive agreement also with our unions very recently to be able to continue on that track. So I think we need, of course, clearly to continue to reduce our cost base and that's something we will certainly continue to do for 2014 but also for the years to come.

Ruben Devos: Okay, thank you and then a small follow-up question that's related to prepaid. Yes, clearly all the operators, all the trends across the market, prepaid market is definitely shrinking. I understand that customers are moving towards postpaid because of lower pricing and more conclusive bundles but nonetheless, what level do you believe your prepaid customer base could be stabilising at?

Dominique Leroy: Yes, I think on prepaid you've said it, that the market is indeed shrinking. If you look at the figures of our first quarter, I think there is 24,000 prepaid customer declines coming from our MVNO MobiSud, which has done almost no promotion in the first quarter and it's a very volatile business. So if you look at the underlying Proximus prepaid, we are still in a decline but the decline is really reducing every quarter and I think in the long run, the market of prepaid will come to a stabilisation knowing that we have launched new products like Pay&Go Max formula, which are a bit different type of formula on the prepaid market which is almost like a postpaid with a bundle of minutes, SMS and data but where you have full control on your pricing. So I think we'll continue to see some decline on the prepaid markets but it will stabilise in the long



run and I think we have some good and differentiated products where we can still play a role on the prepaid markets.

Ruben Devos: Okay, thank you.

Operator: Our next question comes from Ulrich Rathe of Jefferies.

Ulrich Rathe: Thank you, three questions please, the first one just a clarification for us non-Belgians. What is the news on wage indexation currently, how's the situation? When will that happen? Is this already decided and what are your expectations? More fundamentally, the mobile net adds were quite strong, as you say, this quarter. I was just wondering whether you can shed some light on the associated acquisition costs. Could you just break that down maybe between CBU and EBU and tell us how they trended year-on-year? And then my final question is on the restructuring costs, I understand they were rather minor, the restructuring and the rebranding costs which you have guided at €20 million for the year I believe. They were relatively minor this quarter. Is this actually the phasing you expected or does this suggest that your restructuring program is tracking slightly behind plans for some reason? Thank you.

Ray Stewart: So on the wage indexation, we're not expecting any this year so it should be zero. On the transformation project, it's in line with what our expectations were. We always felt it would be a build-up throughout the year and we thought we'd have more money spent in the second half than the first half, so it's pretty much on track. So there's really no issue there. Then the mobile?

Dominique Leroy: Yes, for the mobile I will answer for CBU and I'll hand it over to Bart Van Den Meersche for the EBU business. I think we have had strong acquisition on net adds. We do not disclose acquisition costs but I think what you see in the figures, it's – our good net adds is a combination of lower churn thanks to strong retention activities where the churn level has really been reduced, certainly on the postpaid, to a very decent level, and also good acquisition. And on top of that, I would like to say to more positive and high-value acquisition level. I mean if you look not only at the first quarter but mainly also at the forecasts for the second quarter, since the launch of our Smart 50 plans we see that we have a higher take-up of mobile customers in



the higher-end plans. We have now an exclusivity of the Samsung S5 launch on the Belgian market, which is also driving some strong high-end acquisitions, and of course you probably know that we have made a deal with Apple where we will sell the iPhone from the summer and that should also help to drive not only the number of customers but also the value of the customers we attract. But I'll hand it over to Bart for the EBU part.

**Bart Van Den Meersche:** Yes, and for EBU, as you have seen, we have indeed a very strong quarter in terms of mobile net adds. That is, of course here we see that our strategy of convergence is paying off – convergence and servicing, and that's for the other, on the other side we have the network quality. That is definitely an element that is playing, and especially in the enterprise market. So we have a very good quarter and indeed that has an impact for this quarter on the sales acquisition costs because, I mean if you have those net adds, it's linked to a number of commissions also in that context.

**Ulrich Rathe:** If you don't disclose it, could you maybe, could I rephrase the question if you don't want to comment on the actual cost level? Are the good net adds also related to maybe a lower competitive intensity in the area of subsidies. It looks as if Mobistar had good margins this quarter. Is this simply a bit of a lull that you're benefiting from or would you say it is more related to actually a ramp in acquisition activities on your side?

**Bart Van Den Meersche:** It's a combination of elements here. So because if in my case, I look into the SME market and I look into the corporate market, in the SME market we have lots of success with the Bizz Packs. We have some, we have done some targeted joint offerings also in the first quarter which were successful but – and then we have our Smart 50 pack that is very successful also. In the corporate market we have done a number of major win-backs so you might have seen that we did, for instance, the win-back of BNP Fortis. We did a number of other important win-backs. So it's a combination of both those elements.

**Ulrich Rathe:** Thank you.

**Dominique Leroy:** And just perhaps to add on the CBU side, I mean I don't think we have had some particularly strong promotions in Q1. I think the whole market has been less promotionally



driven. You also see it in our costs for the CBU business, the costs of the CBU is rather lower in Q1 than it was last quarter. So I think what you really see there is the strength of our mobile network, the strength of our servicing offer and the strength of our brands. So I think in that sense, we are quite happy of the net adds figures we were able to have in Q1 because they are not related to strong promotional activity but much more to underlying strength of the business.

Ulrich Rathe: Thanks very much.

Operator: We will now take our next question from Nawar Cristini of Nomura.

Nawar Cristini: Good afternoon, Nawar Cristini from Nomura. I've got two questions please, firstly a question on the EBITDA guidance. If we exclude building sales and accounting changes, the EBITDA decline rate was -5% this quarter versus the full year guidance of -3% to -4%. So of course the easier comps would help for the rest of the year, but it looks like the -3% to -4% doesn't give you lots of margin of manoeuvre for any step-up of competitive pressure in the market. So I would be interested to hear your thoughts on this. Secondly on mobile KPIs, the momentum is still solid there of course but I'm just wondering to which extent have you benefited from Mobistar's indirect distribution issues and how should we think about the rest of the year as Mobistar is sorting out those issues? Thank you very much.

Ray Stewart: So I'll – Ray Stewart – I'll start with the guidance issue. You know, the results for the first quarter were pretty much in line with our expectations so we didn't have any real surprises definitely on the negative side. So when we look at the way the business will develop for the next three quarters, we're still confident that we can achieve our guidance. Is it automatic slam-dunk? No. I mean if there's big negative surprises on the competition front or pricing front then we'll have to deal with those. But we still, the management team here still feel fairly confident in the EBITDA guidance that we've got here.

Dominique Leroy: Yes, and on the mobile KPIs and the distribution, I think it's true that Mobistar had suffered from some issue in distribution. I'm not sure they have recovered yet fully. I think they have stopped bleeding and losing some distribution but I think what is the key element is that

Proximus as a brand and Belgacom as a company, we have really always kept a very strong distribution network both with our own shops, with our call centre that are also selling quite a lot both in the mobile and fixed area, with some indirect partners that are still happy to work with us because we are still, I think, trying to find a good way to leverage our indirect partners and also the e-business. So we are building on the full scheme of our distribution channels and I think in there, we have always been very fair players towards our indirect partners and I think we have kept the confidence and I think we will also keep their confidence and collaboration for the months to come. So it could be that we have benefited a bit from what happened in pockets but I think we have a strong distribution network that will continue to deliver strong value for Belgacom.

Nawar Cristini: Okay, that's very helpful. Thank you very much.

Operator: Our next question comes from Marc Hesselinck of ABN Amro. Please go ahead; your line is open.

Marc Hesselinck: Yes, hi, I've got three questions. Firstly, you already touched upon it in other answers but on the mobile markets going forward in the – and market share now a little bit more stabilising, do you expect that to continue in the coming quarters and if so, do you expect that also your mobile service revenues will start to stabilise? Currently the ARPU trends are still down. Can you, do you think that that will change? And second question is on the fixed consumer business. It seems that growth is levelling off a little bit there. Could you explain if that is indeed the case, it is – from my numbers it's really the voice that's a little bit more negative now in this quarter. Is that a trend and what can you say about that? And then finally it's on the – you mention in the press release that also HR expenses are broadly down because of higher capitalisation of these expenses. Obviously that's included also in your capex guidance but can you explain a little bit what's the magnitude of this cost and what it will be for the remainder of the year?

Dominique Leroy: First I'll start on the mobile trend for CBU and then we can look at EBU. I think what you see is indeed the mobile trend has improved. I think we are now around –6% or –7% for CBU versus –13%, –14% in the last quarter. I think what we see is that the biggest part of the



repricing happened last year in the first quarter. There is still some repricing that happened in Q2, mainly on some new acquisitions. So I think in terms of trends, I would foresee rather a stabilisation of the trend we had seen in Q1 because there are still some effects of some repricing, some acquisition at lower cost. I don't think we plan to improve much further the current trend for the coming quarter. We have currently 76% of our mobile postpaid basis that has been repriced; we will continue to see some improvement of that for the coming quarter but I think we should be rather stable versus the first quarter. So I would rather be prudent on extrapolating the mobile trends and not seeing big improvements. I think the market is still stabilised but we still need to be vigilant about what happens in the markets.

**Bart Van Den Meersche:** Yes, and then for EBU you also see a positive trend. So you'll see for instance that we are at -4.7% against -8.7% in the previous quarter, and now what is important and it's a little bit different against what Dominique was just saying for CBU, in terms of the repricing, the repricing is done at a different pace in EBU than it's done in CBU so where most of the repricing in CBU was done in the first quarter, we are in a repricing that was more spread over the year and that will still have an impact for the rest of the year but in line with our expectations.

**Dominique Leroy:** So on the fixed consumer business, I think we are still very happy of our fixed business. It's continuing to grow. I think we see that more and more people are taking up triple-play and quad-play bundles in our pricing so you see an increase in terms of value. It's true that the voice business, people – also thanks to the abundance we give on the mobile pricing – people are more and more often using their mobile voice instead of the fixed voice. So we see a lowering of the volume of the units of traffic, both mobile – fixed-to-mobile and fixed-to-fixed, whereby I think indeed this is kind of a structural trend where the fixed voice revenue are a bit under pressure due to lower usage of fixed voice. But overall, we are still seeing growth on our fixed revenue thanks to increase of TV and broadband.

**Ray Stewart:** On the capitalisation, it was around €6 million in the first quarter and about half of that was HR-related.



Marc Hesselinck: So one follow-up on the last one, that's also the trend you're going to see in the remaining quarters?

Ray Stewart: Yes, I would be reasonable, yes, to assume that.

Marc Hesselinck: Okay, clear, thank you.

Operator: Our next question comes from Guy Peddy of Macquarie.

Guy Peddy: Yes, hi team. I wanted to give it a bit of a flavour of any early trends from what's going on with regard to the take-up of 4G, usage of 4G, what that's meant for your network and how you're thinking about your network rollout. Because I know you've got big plans for your network but I'm just interested to see whether there's any early indications to what actually the consumer's doing. Thank you.

Geert Standaert: Yes, so this is Geert. With respect to 4G, maybe first of all we're of course in full rollout. The Q1 results that are done by an independent company, Commsquare, and they're driving 6,000 km in Belgium, have just come in. I can tell you that with respect to the 4G network that it's reconfirmed that we have the best 4G network. We have an outdoor coverage that is now reaching 66%. We have the best first operators as well on 4G in Brussels and also on the speed, we have highest download speed and upload speed. To give you an idea on those 6,000 km in average on 4G, our download speed was at 25 Mbps and our upload was at 17 Mbps. So if you look at that overall, we can state that Proximus has best 4G network and that through combination of highest speed and best coverage.

Now with respect to the take-off of 4G customers on our network, we see that this is going in very good direction. On the level of consumption there, it is such that so far that consumption, we are now in an average consumption of about 300 MB per month for mobile users. That was in our case the same for the 4G network. But you have to mind that it's only recently that also Apple users will be running on our 4G network and there we expect that then as well average volumes will increase.

Guy Peddy: Great, thank you.

Operator: Our next question comes from Stefaan Genoe of Petercam.

Stefaan Genoe: Yes, good afternoon and thank you for taking my questions. I've got three questions actually, first on Scarlet. Could you give us an indication on the net adds in fixed and in mobile that are coming from the Scarlet brand on the good net adds we've seen in CBU? Secondly on the cost trend, I think HR numbers have come down more aggressively in the last couple of quarters. Could we see an accelerated decline actually in the cost trend that we've seen in the first quarter in the upcoming quarters? And then finally, if you look at your new reporting on the x-play reporting, if I look at the annualised full churn rates, it's declining quite strongly in dual-play and triple-play and increasing slightly in quadruple-play, albeit it from low numbers. Could you indicate the reason behind this trend and perhaps also indicate how the churn in mobile is evolving in Q1? Thank you.

Ray Stewart: Yes, on the HR side I guess we wouldn't change, you know, the guidance and the commitment that we've given, you know, to the market and that we've said our goal this year is to keep our HR resource costs flat, and I guess we're not ready to get more aggressive than that at this particular time.

Dominique Leroy: And for your two other questions, on Scarlet we don't disclose figures on Scarlet at this stage so I will not give you an answer on that one.

On the reporting of the x-play, I think the decline you see in churn is really, I think, related to some good retention activities we have done in Q1 2014. We have redirected some of our money and our resources from retention in mobile to retention in fixed, and that's why I think you've seen some reducing churn in the fixed area. On the mobile we are currently running for postpaid in Q1 at 14.2% on CBU and I think even below 11% for EBU. So in that sense, I think we have – they're very stable figures and we have now turned some of the money to churn reduction on the fixed side by service improvement, product experience improvement and also retention activity. And still, I mean it's very low, I mean we are at 2% so I think it's – you know, I think the more people we'll have on quad-play, the more these figures will slightly move but I



think you've seen in this reporting all the value of having more RGU and quad-play customers, it's really creating value but also mainly increasing loyalty of the customers and that's really the most important element of the convergence strategy that we have been pursuing now for some years.

Stefaan Genoe: Okay, perhaps a brief follow-on on the Scarlet numbers. I understand you can't give the exact numbers but do you see, I would say, higher strength of net adds coming from Scarlet compared to previous quarters? I would say so at a lower frills brand.

Dominique Leroy: Yes, what we see indeed at Scarlet is a strong take-up on net adds and on both sides, both on the mobile postpaid side, on the three Red Hot and Chili tariffs we have but also on the Trio offer in the triple-play. I think both offers are quite successful in the market. It remains a small company so it will not impact all our financials but we see indeed some good traction from some customer segments for the low-end brands, yes.

Stefaan Genoe: All right, thank you.

Operator: Our next question comes from Jakub Dubaniewicz of NewStreet Research.

Jakub Dubaniewicz: Hi, thank you for taking the question. I would like to come back to your TV growth prospects. From what I can see is that you have 1.225 million TV households and 1.25 million of residential broadband customers, so penetration 98%, and on my estimates also 22% of your TV households already signed up for multiple set-top boxes. How much capacity do you think there is in Belgium for additional set-top boxes? I think that market must be probably, must be limited – there must be a limit at some point. So that's my first question and the second question about your broadband speeds, I was wondering if you have any recent uptake on what is your coverage, what percentage of households can be served with speeds above let's say 50 Mbps. Thank you.

Dominique Leroy: So on the TV, it's always a bit disturbing but in our reporting we report in the broadband only the residential customers and on TV we report under the CBU fixed both the residential and the EBU customers. So in that sense, it's important to know that fixed rates of

television on broadband for residential business is 76%, so we still have some good upsell possibility, but also on the SoHo SME customers in EBU the take-up rate of TV there is even much lower. So I think there is still some good potential to upsell television but also a potential to acquire new TV customers. So in that sense, you need to know that in the reporting indeed that the TV is both CBU and EBU.

Jakub Dubaniewicz: Okay, makes sense.

Geert Standaert: Yes, then with respect to the speed question, so to date as such, thanks to technology that we introduced then in the past, that we increased our average speed. So our average speed is running now at 37 Mbps. But what are we doing right now? We are rolling out the technology that is called vectoring and vectoring technology will allow us to further boost those speeds. So yes, our intention is to cover 80% of the population with this vectoring technology. We have started in the first segment which is a segment of 60%, this is the segment that is closest to our optical nodes, so within 400 metres' reach of our optical nodes. And there we're doing the rollout as we speak and we see there that 98% of those customers is getting a stable high-quality speed at 70 Mbps. So rollout will, is on track as we speak and first, the first scope is within the 400 metres, then we'll expand to the 80%. Our belief is that also for that part which is beyond the 400 metres of our optical nodes, we would be able to reach speeds of minimum 50 Mbps.

Jakub Dubaniewicz: Okay, so that 60% is the first stage of the vectoring rollout which is now underway?

Geert Standaert: That is exact. That is exact and there 98% of the lines is running at 70 Mbps.

Jakub Dubaniewicz: Makes sense, thank you.

Operator: Our next question comes from Bart Jooris of Bank Degroof.

Bart Jooris: Yes, good afternoon, thank you for taking my questions and Dominique, may I congratulate you on winning your award yesterday evening. Some follow-up questions, Dominique, you mentioned that you are so cautious in the evolution of mobile. Do you feel

anything from the King Supersize offer that was launched in March? Geert, a question on the 4G network you mentioned the outdoor coverage. Can you also mention the indoor coverage or even, to make our life a little bit easier, could you send us the results of the Commsquare report? And when do you think you will have Brussels completely covered? Regarding 4G, neither Base, Mobistar nor Telenet state that they want to impose a tiered tariff regarding 4G speed as you communicated for the second half of the year. How confident are you that you can still do that in the second half? And then to have an idea of the current potential, which percentage of your client base has 4G-enabled handsets and do you plan to up mobile subsidisation now that you have the exclusivity of the S5 and are able to sell the iPhone 5 and 5S from this summer on?

Dominique Leroy: Okay, so first perhaps on the mobile trends, I think currently we don't see a lot of impact of the King Supersize. We think that the King Supersize is very much an upsell strategy from Telenet and not so much an acquisition strategy. On the other hand, I think we have had ourselves quite strong tools in terms of acquisition with our new Smart 50, with the exclusivity of the Galaxy S5. So for the time being, we don't feel much impact of the King Supersize but that's, I am cautious because you never know what will happen in the mobile market. But so far, we don't expect to have to adapt or price in to react to that. We continue our own strategy with our pricing strategy, with some tactical joint offer as we have done, and we successfully change our mobile pricing to that respect.

Geert Standaert: Then your second question was on making your life easy and that of course we will surely do. So we will share those Commsquare results and these will be as well published, part of those results, on our website but through Investor Relations we can send this to you. With respect to the outdoor coverage, I stated that we are at 66% outdoor. On the indoor, according to our 600 km drive testings, we're actually at 46%.

Then with respect to Brussels, there you know that we have the health regulation. I can tell you there now as of the 15<sup>th</sup> May we will be able to introduce our permits now according to the new health regulation which is at 6V per metre. Now there is a kind of limit with respect to the numbers of permits that can be handled; we expect that this will be a total of about 20 sites per month. If you know that we have about our sites, about 250 sites in Brussels, you can see that it

will take us some months to come to a full 4G deployment in Brussels. But by the end of this year, we will have already an outdoor coverage that I expect to be between the 80% and the 90%.

There you had as well a question with respect to the 4G-capable devices if I understand well.

Bart Jooris: Yes.

Geert Standaert: So there we see a very decent uptake. We are above, what I can tell you is that we are above the 400,000 customers that are on a 4G-capable device but the percentage of increase is there going very well and according to our expectations. There was still a question on the tiered speed.

Dominique Leroy: I think the number of 4G-enabled device on the network, we don't disclose more information as Geert has said. I think what, in terms of penetration, we have seen that on the market figures it's around now 38% smartphone penetration which are the GfK figures. We currently are a bit above 40% of smartphones on our network and what we see that currently in our sales, one-third of the smartphone sales we have are smartphones that are 4G-enabled. So the take-up rate of 4G is quite high, is increasing fast and so in that sense we are confident that we will have more and more users using 4G. And of course for us, the most important element is that when people will use more 4G, our intention is of course that they will use more data consumptions and that in the end will be able to further get some traction and increase in our mobile service revenue thanks to data usage. So that's currently I think we are happy with a very strong increase we have had on smartphone penetration on our network, also high-end smartphones with now the iPhone enabled 4G and the recent Samsung S5. So I think in that sense our strategy is very much pursue increased penetration of smartphones, pursue increased penetration of high-end smartphones to make sure that people are able to increase the data traffic.

Bart Jooris: Okay, one follow-up question if I may regarding the pylon tax, could you put a timeframe regarding a decision on that? And if there would be no decision, at what point in time

would you be really required to actually pay those tax, because I understand you're still not taking provisions for this tax?

Ray Stewart: Yes, I mean to give you the final day, it's hard to say on the legal side when, you know, it could be final. Two things: we're not paying today those taxes; and we have an outside legal opinion that tells us we have more than a 50% probability of defending our case in court, so today we take no provision for that. But when it could be settled, I'm not sure.

Bart Jooris: But if it's not settled, Ray, when you should be required to pay because I don't think you can postpone paying indefinitely?

Dirk Lybaert: Yes, so Dirk, corporate affairs. So what we have to do before the end of June is to attack the decree imposing that tax and so if we don't have an agreement before end of June on that matter, we will attack. When we attack, in the meantime we're not obliged to pay so we are certainly not paying today. Such procedure can take a long time and so we will await the outcome of the procedure where we are very confident.

Bart Jooris: Okay, that's very clear, thank you.

Operator: Our next question comes from Joshua Mills of Goldman Sachs.

Joshua Mills: Hi there, thank you for taking the question. Just going back to the earlier comments and the view is clearly, you mentioned that you'd see longer-term cable consolidation. On that front, I wondered if you could provide a ballpark figure of what the cable penetration into broadband is in Wallonie versus Flanders because clearly one of the risks is a not-much-better-run business would be able to take share out of Belgacom there. The second question I had was just whether you'd seen any further take-up of 4G from the competitors and whether you do think that now, with the only company pricing 4G in the market, that is sustainable. And finally just on the upcoming launch of cable wholesale by Mobistar, clearly this is something which they're making a big point on. They say they come in as a loss leader for a period of time, and how do you think you'd be able to respond to that? Thank you very much.

Dominique Leroy: To be honest, the cable penetration by region, I don't know. I think globally on the Belgian market it's around 96% penetration so it's fairly high. So I don't think there will be major changes on that due to the competition setting. So in that...

Joshua Mills: Sorry, I may have misarticulated the question. What I meant was the market share of VOO in broadband versus say Telenet in Flanders at present.

Dominique Leroy: Oh okay, sorry. I don't think we disclose those figures. Let's say that we have a higher market share in the south than in the north on broadband. But we don't give detailed figures on regional market share.

Concerning 4G take-up, the competition, yes. If we – I mean we give currently also 4G in our bundle but the difference versus competition is that the download speeds of 4G we give will be a tiering speed download. So if you want to have the full benefit of 4G with the full high speed, you need to take a pricing plan above €40. If you are below the €40, you still have access to 4G but with a lower speed. So we really try to introduce – and that's something we want to do on more products – to introduce more speed tiering or an experience tiering to make sure that we are not only pricing on volume but also more and more pricing on service and on experience. So we will keep that because for us it's a strategic move.

On the cable wholesale offer of Mobistar, we have to wait with what they come. We have been able to read in all the communication that they want to come with an offer on the low side of the market with a reduced number of channels. So from what we know, it will be very much something where we will be able to compete with the Scarlet Trio offering. So anyhow, if they come at that low end of the market, our defence will mainly be with the Scarlet brand and we will not decrease the Belgacom offer to match the Mobistar offer.

Joshua Mills: Okay, thank you very much, just one follow-up. If you were to see greater competition through cable consolidation, particularly in the south of the country, do you believe that would in any way alter your own fibre rollout plans? Thank you very much.

Geert Standaert: With respect to fibres I can reconfirm that what we said some months ago. So now for all new zonings, all new zonings are done in fibre to the home, but to give you an idea, for Belgium this is about between 50 and 100 zonings where you have about 100 living units but that is done now. Also, what we have announced is that we are looking to introduce fibres there where we have renewal of our network infrastructure. What we are doing there this year is that we will be doing some technical small-scale trials and these are trials more to assess impact on processes, the technology and how to tackle this.

Operator: Our next question comes from Jakob Bluestone of Credit Suisse.

Jakob Bluestone: Hi there, I've got three questions please. First of all, could you share your thoughts on the outlook for fixed line pricing? Do you believe fixed prices can continue to rise? Secondly, do you see any other third parties taking wholesale cable offers up aside from Mobistar? And then finally just a clarification, you, in response to an earlier question, you talked about seeing a stabilisation in mobile service revenue trends. Just to understand, is that a stabilisation at the current level of a move towards stability, towards flat? Thank you.

Dominique Leroy: So first on your last question, it's a stabilisation on the current level so it's not stabilisation at zero level; it's a stabilisation on the current level.

On the fixed line pricing, I think every year we have some indexation of our fixed line product. We have had some indexation this year on the 1<sup>st</sup> February, and our intention is to continue to have yearly indexation on our fixed line. So I think it's also something that is currently a market practice so we will not deviate from that.

On the third party wholesale cable offer, I look at Geert but we have no information on any other potential candidates to take the cable offer. Anyhow, people needed to pay an upfront fixed amount to join the cable opening and the only official party that paid that amount is Mobistar so I think so far there is no other party that has shown interest. It could of course change but so far we have no information on that.

Jakob Bluestone: Very clear, thank you.

Operator: Our next question comes from Usman Ghazi of Berenberg.

Usman Ghazi: Hello, thank you for taking my questions. I have three questions please. The first question is just on this question of Belgacom's high share in Wallonie versus Flanders. I just wanted to get an understanding of why you think you do have a high share in Wallonie versus Flanders. So that was the first question. The second question is just on prices in fixed, now we've seen VOO raise prices last week, Telenet raised them, Belgacom has done some modest pricing this year. I'm just wondering if there is any potential for you to revisit that midyear. Then my final question is just on, Dominique, you've had just over six months now as CEO. I was just wondering if you could share any insights as to what Belgacom can do better going forward, especially given the plans that you have in terms of rebranding, etc. in the second half of the year. Thank you.

Dominique Leroy: So why do we have a higher share in Wallonie versus Flanders? I think it's historical first of all, I think that's the main reason, and probably also it's linked to your last questions about branding. I think Telenet has always had a very strong branding and a strong Flemish perception in the north of the country where Belgacom has been more Belgian branding, which was not always that popular in Flanders. So that's probably the reason, about a historical difference in market share and a stronger, I think, brand perception and also service level of Telenet in the north certainly on an historic basis.

Yes, on pricing VOO has indeed recently increased prices. I think that's good news. That's probably also a sign that they want to increase the value of their company if they want to let new capital entering the company, that's very often what you do. So in that sense, we are watching that of course very clearly and if there are further up-pricing opportunity for us, we will of course take it. But for the time being, I think we will stick to the plan as it is now and we will continue to look at the opportunity for price increase and upselling both on our mobile and fixed products.

On the strategy, I think it's very much now making sure that we can implement the strategy of the Fit for Growth. It is indeed making sure that we have continued investments for the best



networks, both in our mobile and also deploying the fibre to the home on the fixed side, coming with new platforms on the IT side to be able to get growth from new products and services. It's about transforming the organisation, getting indeed the organisation even more customer-focused than it is today, simplifying our processes, our network, our structure, and it's indeed reinforcing the brand image of the company and mainly going to one brand, which is the Proximus brand. I think there the planning is on track with our expectations and you will see by the end of the year how we will come out with that. So there'll still be a surprise for you but I think it will be important and it will really make a very different boost and image perception of our brand when we will have done the rebranding, and it's part, it is part of our strategy.

Usman Ghazi: Thank you. Can I just follow up? On this branding exercise, does it not make sense to bring that forward given, you know, given all this noise around cable consolidation which is more likely than that to happen probably between July to October some time? Would it not be better to bring the rebranding forward ahead of any news on cable consolidation?

Dominique Leroy: I think what's important is that we keep to our strategy and that we do it properly, with a real added value for our customers. So I think for me it's about executing it right and sometimes accelerating it is not delivering better results. And even if cable is consolidating in September/October, they still need to get an agreement, to get their act together, to merge the companies. So even if there is a closing or an MOU after the summer, it will still take time before it is on the market. So I think our timing of the end of the year is still a good timing for the rebranding and will allow us to strengthen the company and our product offer before any consolidation.

Usman Ghazi: Great, thank you very much.

Nancy Goossens: I think with this our time is up for the questions or can we can have one more? Yes, if we have one more question we can then take the last one now.

Operator: We will take our last question then from Nicolas Cote-Colisson of HSBC.



Nicolas Cote-Colisson: Oh thanks, I'll be quick. First one is on your mobile pricing. Can you give us a feel on the proportion of plans going for the highest packages? Even if I understand that they are all getting the top speed until the end of August, as a promotion. And another quick question, new experts have been named regarding the longstanding litigation case with Mobistar. What can you tell us about the timetable and risks that could arise from this litigation please?

Dirk Lybaert: I can take the last question on the litigation between Belgacom, Base and Mobistar from, dating from 2004. As you know, recently new experts were appointed while we had revoked the former experts, so that means that the whole process needs to be done all over again. So this will still take years. Having a more precise timeline is difficult to say but this will continue for years.

Dominique Leroy: And on the various pricing plans on mobile, we don't disclose the various pricing plans on mobile. The only thing I can say is that we have a higher proportion of high-end acquisitions in the last months than we had in the past, thanks to our new tariff plans and our new joint offer, but we don't give any splits on that I'm afraid.

Nicolas Cote-Colisson: Okay, thank you.

Nancy Goossens: Okay, thank you. I think with this we can close the call. If you have any follow-up questions, you can obviously call Investor Relations and thank you again and I wish you a good weekend, bye bye.

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