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**Presenter:** Didier Bellens  
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**Operator:** Good afternoon ladies and gentlemen and welcome to today's Belgacom 2011 Half Year Results Conference Call. For your information this conference is being recorded. At this time I'd like to turn the call over to Nancy Goossens, Head of Investor Relations. Please go ahead.

**Nancy Goossens:** Thank you. Good afternoon everybody and welcome to this conference call. I have here around the table our CEO, Didier Bellens and some members of the management committee including our CFO Ray Stewart, Michel Georgis, Bart Van Den Meersche and Scott Alcott. They will be taking your questions as soon as we open the line for the Q&A. So we are keeping our usual format meaning we'll start with a short comment of the CEO and then we'll use the rest of the time for your questions. So with this I'd like to pass the word on to Didier Bellens.

**Didier Bellens:** Thank you Nancy. Good afternoon and welcome to our conference call on our Second Quarter 2011 Results. As usual I'd like to give you some highlights on our results before we go to the Q&A. I'm sure you have all seen the full press release so I won't go in detail. In general I think we can be pleased with the results of our core business. We saw a slight improvement in the Enterprise segment but especially the Consumer segment did better in second quarter. As you remember from our first quarter earnings release we announced that we would step up our commercial actions and that we would further enhance our customer servicing. In the course of the past months we have indeed taken several initiatives to support our goal which is to stabilise and eventually reverse the downward trend we experienced in market share over the last years.

Now I realise it's still early but still we view the customer uptake in the second quarter as a positive and encouraging sign of the effect that some of our actions are having. For example we improved the sales of our mobile products through the controlled and indirect distribution



channels which led to a sound net mobile customer growth. Our segmented marketing approach as well is showing some first positive results. In the second quarter the erosion of the fixed voice line slowed down thanks to the success of the pack including fixed, voice and TV which we actively oriented towards our senior customers. We saw also a promising take up of our newly launched converged pack that combine fixed and mobile internet with the Samsung Galaxy tablet. Last but not least we had a good quarter for Belgacom TV, this thanks to a very solid gross customer gain while churn levels were at this stage not significantly impacted by the loss of exclusivity on the Belgian football broadcasting rights. To give you an idea before the announcement of the granting of broadcasting licenses we had about 70,000 football customers, I would say only 70,000 football customers. Since then about 2,500 of our football customers decided to cancel their Belgacom TV. It's of course still early since the decision and the new football season only started this week so the churn levels in the coming two months will give us a better idea on the real impact.

So these are the up-front comments I wanted to make. I'm sure you still have some questions for us so we will open the line for the Q&A. Thank you.

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 you're your question has already been answered you may remove yourself from the queue by pressing \*2. Again please press \*1 to ask a question. We will pause for a moment to allow everyone an opportunity to signal.

We will take our first question from Luis Prota from Morgan Stanley. Please go ahead.

Luis Prota: Yes, good afternoon, I have two questions. The first one is on the football rights. You have mentioned 70,000 customers; in the press release you're saying 70,000 customers with football subscriptions but I guess that you have many more which were watching football on a pay-per-view basis. So I wondered whether you could provide us with a total number of customers watching football and what's the ARPU from football, the average ARPU from football



from those customers would be useful as well. The second question is on the competitive environment, both fixed and mobile whether you can give us an update on whether the environment remains pretty much the same or you have seen new offers and new promotions from VOO in fixed telephony and Mobistar and Base in mobile telephony? Thank you.

Didier Bellens: Michel running CBU, will answer those two questions.

Michel Georgis: Regarding the football I think that Didier disclosed the 70k. It's clear that we have also some pay-per-view customers; that's also one of the reasons why despite the loss of the exclusivity in June we were able to stabilise our TV ARPU for the quarter. Difficult to mention you exact numbers because of course you know also that in the TV package the people had a free game per weekend. So again at this stage the only comment I would like to make is high level, end of June we see a limited impact and of course with the start of the season tonight the fact that our customers still have the opportunity to leave us until end of August without penalty, I want to be careful at this stage and we will have a better view I would say in September about the churn rate but it's clear that we do everything we can to retain our current customers and then to acquire new ones. I think that's also important to mention that we have been also extremely clear in terms of intention regarding content rights. We lost indeed the exclusivity of the football but the idea is to invest in other content because this means that we will lose some foot customers. We have the ambition to win other customers also via other types of content that we believe is a key differentiator in our TV business. So that's the first answer to your question. The second one, it's clear that we are in a very competitive market. I would say the competition is tougher in the south of the country where we see that VOO is quite aggressive despite I would say a second year with a lot of losses. But ok, despite that we were able to deliver with probably the exception of fixed Internet quite solid operational drivers. Regarding mobile I would comment that you see that it's rather tough for Mobistar to be credible in the TV business. Otherwise again I think that the three mobile operators are focusing on post-paid and there clearly in the second quarter I think that we had the most important share of net adds of the post-paid business.

Luis Prota: Ok, thank you.



Operator: We'll take our next question from Andy Parnis from UBS. Please go ahead.

Andy Parnis: Hi guys, it's Andy Parnis at UBS, two questions. The first question was just on some of the operational trends, obviously we saw some quite good improvement in the line loss and in mobile adds. I just wondered what was the exit rate coming out of Q2 i.e. were you seeing sort of a monthly sequential improvement going through Q2 and I guess coming into July? Then just the second question was on the buyback, so far the EBITDA remains quite low, below one times. Do you have any plans to accelerate that in the second half of this year as you're getting closer towards the 50 million cap? Thanks.

Didier Bellens: Ok. The first question is for Michel and the second for Ray.

Michel Georgis: So again I would say that the strong commercial drivers for the second quarter is a combination of I would say three things. I would summarise we have been better in terms of acquisitions. We have been also rather good in terms of retention because our churn rate was decreasing in all the lines of product; and the third element, it's a question of excellence in execution. If I can highlight a few of the successful things we did in the second quarter, I would highlight a quite successful member activity in mobile. The facts mentioned by Didier that we are able to sell more of a mobile products within our control channels was certainly also important for fixed line and TV, the quite successful combination of fixed line plus TV segment, that actions we boost also a little bit our advertising spendings to be at parity in terms of share of voice in the south of the country in the second quarter, also the launch of tablets combining the fixed internet and mobile. Internet was certainly also a good driver to boost mainly at this stage, our mobile internet customers.

Ray Stewart: On the second piece on the share buyback, we will probably start the next phase probably in September.

Andy Parnis: Ok, thank you.



Operator: We will take our next question from Marc Hesselink from RBS. Please go ahead.

Marc Hesselink: Three questions from my side. Looking at net adds, strong in digital TV. You mentioned in the press release partly due to the offer together with fixed line. What is the potential for this type of promotion here because it seems that this is typically a small group of people that are not willing to step over to the triple play products, so what's the potential here and is that indeed is the largest driver behind the very strong digital TV adds in the quarter? Secondly if you're looking at broadband not only you to do with also other net adds, it's clearly slowing in Belgium. Are we getting closer to a point that there is not a lot of upside anymore from a very large upside in the broadband net adds markets? Then finally looking at regulations now that you are having the regulations are going to be implemented probably like with what's designed in the first phase, what are your thoughts about that one?

Michel Georgis: I can answer the two first ones. Regarding digital TV it's clear that the start and I would say the first booming trend of digital TV sales, what's linked to mainly the combination of internet and TV, it's clear that we still have there some potential in terms of penetration of the digital TV within the fixed internet customers. What we started is clearly to try to boost the penetration of TV on the fixed line. You saw that we have roughly 2 million fixed line customers and we clearly saw that a quite important one in the mid-year I would say the 55 plus and the 65 plus where the penetration of the TV was rather low. So we started an action with quite a lot education; also a good service because the TV was installed for free and it's also the start of what we call segmented actions where we go more for really face-to-face and one-to-one contacts with those customers then I believe that the potential there is rather important. It's for sure, some think that we will continue besides I would say traditional action and I will certainly not forget what I mentioned in terms of content, additional content, that's for sure will also help us to keep our current numbers.

Didier Bellens: Broadband Michel?

Michel Georgis: Broadband, I would say that it's a weak quarter. First of all the second quarter as you know is always rather weak, the lowest in the year. What I see is that we grow in the north and



we suffer more in the south of the country. For the future, I hope that the actions with the tablets that mainly in the second quarter were boosting our mobile internet customers, will help us also to boost our fixed internet customers. I hope also that in the future Scarlet can also help us to boost a bit our total group broadband customers.

Ray Stewart: Maybe just one follow-up on the broadband. Keep in mind we've talked many times before on what we think the ultimate penetration rate could be in Belgium and our belief it can get very high in Belgium, 80-90% of the households, because over time as the penetration of the smart phones and these tablets continue to accelerate, it becomes obvious to get the full functionality of these devices you need Wi-Fi at home, let's say and at your office. So I think anybody that is going to have these devices in the future it's almost going to be a must that they'll have a broadband connection at their home.

Michel Georgis: Then I would add that the partnership we signed with Fon is of course something very important.

Didier Bellens: So, you see that regarding broadband and growth potential, we see the real growth potential and indeed Belgacom TV for a lot of reasons is doing extremely well. Regarding regulation you may remember that in the past we had two main points of attention. The first one was the end of the asymmetry of the termination rate. It has been solved last year and we consider it was a great success of 2010. The impact of end of the asymmetry in termination rates was of course a decrease of the termination rate itself, that's hurting everybody at the level of the revenue and the decrease of the asymmetry is hurting our competitors, Base and Mobistar and decrease obviously our cost of goods sold. So you see now in the P&L and in the operational result of the three players, Proximus, Mobistar and Base, the effect of this regulatory success for Belgacom, Base and Mobistar had let's say some difficult time now that we stopped subsidising our friends, and indeed we have put in place in the Belgium market a real transparent competitive market at the level of mobile business. We try to do exactly the same for the fixed business and so we've been asking for a level playing field with the cable operators and for the first time this year we had positive signs and decisions coming from regulators. It's not necessarily the end of the game because our colleagues didn't fight against



the decision taken up to now so I cannot say it's done and it definitely creates news, but it's a very good sign and I think that what we do is we try to improve the transparency of the markets. We try to improve the competition in the market and at the end of the day I'm very convinced that the market is always right and is winning. So we are going to win the case of level playing field the same way we've won in the past the case of end of asymmetry of termination rates. So my only message there is the other can try to gesticulate but at the end we are going to win.

Marc Hesselink: Ok, thank you.

Operator: We'll take our next question from Nico Melsens from KBC Securities. Please go ahead.

Nico Melsens: Hi, good afternoon everybody. I would just like to come back to the Belgacom TV numbers. You did publish indeed very good growth numbers whereas most of your competitors published fairly weak additions in TV. I was just wondering, is there a difference that you see in the dynamics between the north and the south of the country? Could it be that in certain areas the penetration of digital TV for example is already higher having an impact on the growth rates in digital TV or are you basically seeing the same growth rates in areas with the same number of customer additions in the north and in the south? Thank you.

Michel Georgis: Indeed when you look after the digital TV penetration it's slightly higher in the north, it's a little bit above 60% while it's around 55% I think in the south of the country. In terms of split I would say it's rather well-balanced between north and south.

Nico Melsens: Ok, thank you.

Operator: We will take our next question from Allan Nichols from Morningstar. Please go ahead.

Allan Nichols: Hi, thanks for taking my questions, a couple of things. You talked about in the press release that the cable regulators have now stated that the cable operators have to open up their networks. Is that a final deal or can that be appealed? Does it need approval by anyone besides



the regulators? With Telenet receiving the fourth wireless licence do you expect that to increase wireless competition from them versus them being just an MVNO? Thank you.

Didier Bellens: Regarding the cable regulations I would say indeed there is a decision but as you know you can always try to go to court against a decision and that's where let's say I was just saying we have a very positive sign, so there is a positive decision in our favour, but let's say our competitors can always try to go to court and to reverse a decision which is always more complicated than to have a positive decision of course. Is it final? I don't know. What I know is at the very end we're going to win because it is the logic of a competitive market. Regarding your second point that was...

Ray Stewart: Mobile license that Telenet has, the competition.

Didier Bellens: Yes, competition of mobile licence instead of being an MVNO. Honestly I think it's difficult to assess that. First we are very interested to see how they are going to build their network and what they are going to do regarding this point. You may remember when we discussed Mobistar becoming a distributor of TV we had the same message to you, it was really how are they going to do that and that may cost lot of money and now you see for Mobistar the result of TV distribution and there let's say I don't underestimate the capacities of Telenet to succeed in wireless but they have to fix the question on which network, how to do it, how long does it take to build a network and how much does it cost? So there there are a lot of question marks, but definitely with four players the market will be if they succeed more competitive. You've seen that in some other European markets once you have a very competitive market with four players, after having four players you go back to three because you have consolidation. So we'll see what's going on. The only thing I see is that our brand Proximus is increasing, is doing well and that we are in a very good position compared with our two other competitors Base and Mobistar which is in line with what we've explained to you and that's due to our marketing and sales efforts and also to the success on regulations.

Allan Nichols: Thank you.



Operator: We'll take our next question from Siddy Jobe from Bank Degroof. Please go ahead.

Siddy Jobe: Good afternoon, two questions from my side. First of all could you provide us somewhat more information on the settlement of the litigation with respect to SDE division? Second question, now that you also have the obligation to open up your multicast or to have a multicast functionality offering for alternative operators could you indicate whether that triggers additional costs for Belgacom on the technical side? As you guys already have somewhat experience with a regulated wholesale offering could you perhaps give us somewhat more colour on what kind of obligations are imposed on Belgacom and in the future on the cable operators? Then a third question, could you provide us with the percentage of sales from international carrier services that is dollar denominated? Thank you.

Didier Bellens: The multicasts for Scott and BICS of course for Daniel Kurgan, the CEO of BICS.

Ray Stewart: The litigation case was one that we settled out of court and as part of the settlement there's a non-disclosure associated with that so if I disclose it I'd be in risk of having to reverse this reversal of provision., so we can't really talk about it in any detail.

Scott Alcott: On the multicasts, first we speak about something that's likely to occur next year, probably at the earliest mid-next year so I don't anticipate it to be related to results of this year. It's also clear in regulated offers like this that where there can be costs, the cost model is taken into consideration for the regulatory pricing translation, if Mobistar is the buyer of that regulated service they're a payer. We should be able to retain a small margin on those services as we do with other regulated offers. Now what we speak about this is essentially a transport offer. You asked what was involved and I think the cable guys will tend to say things are impossible. Belgacom has always been in open network that always makes it possible for other competitors to use our assets and we believe the same should be true of cable and that it technically can be true. This is a pure transport service. It means that we collect the signal for a multicast at a head end and we aggregate it and we sent it down the line and we transport it. It's a traditional network management delivery and transmission service which we can do and we intend to follow the regulatory pricing and have a small margin and get our costs back. We



expect that cable should comply as well. I should say of course we will comply with the spirit and the letter of regulation. Last comment on that, we've been making commercial offers and intentions with Mobistar, we've been very willing to sit down to talk about commercial offers with them for quite some time in advance of a regulated mandate so we've been willing to do this because there could be good business in providing it and we don't exclude that Mobistar may pay us a premium to manage things for them instead of them picking up a regulated offer and having to incur other expenses on their own which is more of a commercial wholesale arrangement which we do very typically.

Daniel Kurgan: Good afternoon. Your question on BICS, so revenue, up to 40% of the revenue is in US dollars. Just to remind you if you take the average dollar rate of Q2 last year was 1.26 and Q2 this year was 1.46 so it makes a big difference and you need to know as well that a big chunk of our cost of sales is also in dollars, the same 40%, so the margin impact is of course much, much lower. It's like the MTR or prices are also totally driven by the MTR evolution because we charge MTR plus our margin to our customers and that's exactly the same trend. It's impacting the revenue but much less the margin and you can see in our operational numbers that the volumes keep going very steadily and outgrowing the market.

Siddy Jobe: Ok, thank you.

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

Dimitri Kallianiotis: Good afternoon, thank you for taking the questions, I've got three please. The first one I just wanted to know regarding your content offer in TV. You said that you won the Spanish rights, I just wanted to get your view on how realistic it is that you will be able to improve this content with Premier League or other sports? I don't know if you can give us any details of anything that is coming up for renewal relatively soon. My second question was on the subsidies again. Obviously Telenet is still doing it. Mobistar is doing something which is clearly slightly different but they're basically sort of leasing kind of proposition. I just wanted to get your view if you think that's something that could work as well for you? My last question



was just going back to the International Carrier business. I just wanted to know excluding the impact of the dollar, do you see an improvement in this market going forward? Thank you.

Didier Bellens: The TV content, maybe Bruno Chauvat responsible for Strategy and Content, so Bruno? BICS will be by definition Daniel. The second question I didn't get...it's Michel.

Bruno Chauvat: As far as the content offer is concerned you noticed that we acquired the rights for the Portuguese and Spanish League. We consider that these are attractive leagues and that's the reason why we wanted to let's say broaden our offering in football. When we launch the TV, Belgacom TV six years ago we used football in a creative way but also other ways to market TV channels. We would like to do the same in investing in various form of contents and we have announced as far as it is let's say secured the new deal but also new ways to market content. So there's definitely a way to make sure that we will be able to target several segments and several types of people who could be interested in not only football but other types of content.

Michel Georgis: Regarding your question regarding subsidisation and the joint offer price, I think that we stick there to what we mentioned in the past. We are open to do this type of joint offer and I think that the good example is what we did in Q2, where we had the combination of fixed Internet and mobile Internet, Wi-Fi and there there was a tablet, but it's clear that we know exactly the risk of value destruction linked to massive subsidisation, that's something that we don't want to do and we stick to what we mentioned in the past. So yes, we do it in the context of conversion offers where we see that there is value creation for the group.

Daniel Kurgan: On the carrier business I remind you that we've got two big benefits, one being the voice, the other one being data and especially mobile data. The voice market remains very tough because it's very fragmented, it is not growing any more due to P2P and things like that. With the fragmentation the competition is extremely tough but we've not seen it worsening quarter-over-quarter. The good thing for us is that the data business keeps growing very steadily and still shows a good outlook. So that answers the question with two very different businesses and two different dynamics today.



Operator: We'll take our next question from Stuart Gordon from Berenberg Bank. Please go ahead.

Stuart Gordon: Yes, good afternoon. I just wanted to make one clarification on the outlook. It was just to check that the EBITDA outlook was indeed including the positive of effect that I was reading this correctly. Secondly just off the back of that it would appear as if you're going to be hitting this EBITDA guidance as a significant deterioration in the EBITDA generation in the second half of the year that strikes me that it's more than just football. Now given the positive operational trends and the lowering of MTR impact in the second half, I was just wondering if you could give us a little bit of a guidance as to why you think second half is going to be so weak on a relative basis to the first half? Thanks.

Ray Stewart: If you exclude the litigation settlements that we had in there then you'll see that our EBITDA actually in the first half is down somewhere around let's say 2.8% or something like that year-over-year so if you take that and couple it with whatever assumption you want to make on football, you could definitely get to the guidance range. We've said that we think hopefully that we could be at the lower end of the guidance, closer to the minus 4 than the minus 5. So I don't think there's any anticipation on our side anyway that the EBITDA falls off a cliff in the second half.

Stuart Gordon: Ok. It just strikes me that it's is -2.8 in the first half then even to get to the better end at -4 you are closer to -6 in the second half, that seems to be quite a material change.

Ray Stewart: Well, you can do whatever assumption you want to make on the football and the ARPU, the hit we would have there and then we also then had a indexation on the salaries recently.

Stuart Gordon: Ok, fair enough. Thank you.

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



Stéphane Beyazian: Yes, good afternoon. I just would like to follow up on the question regarding subsidies and I wonder if it was possible to have some idea of where the subscriber acquisition costs are in the second quarter versus the second quarter of last year? I think the bottom line is we've seen perhaps better margins or slightly better margins for all operators in Q2 versus the first quarter and I was wondering whether there has been some relief actually despite all the noises we hear about the iPhone etc in terms of subscriber acquisition cost in the second quarter? My second question is regarding mobile data. We've seen some acceleration in mobile data in the consumer segment in the second quarter. I was wondering whether you could comment on that? What are the two, three key products which have been driving that improvement or is there any change in the accounting policy of mobile data versus voice that we should be aware? Thank you.

Didier Bellens: Michel, this is also for you.

Michel Georgis: Yes, so regarding your first question I can only confirm that we stick to what we mentioned in the previous quarters; and regarding iPhone at this stage I don't see a high impact of the launch of the iPhone Telenet offer with subsidisation so I think that also the Belgian consumer is realising that in one or another ways paying that. So I think that for the time being everybody is ready but we don't do it because we are quite conscious of the risk of value destruction and so that's probably the reason why I would say that the three big operators are not entering the game of subsidisation. Regarding your second question indeed we have strong results in terms of mobile data. It's a combination of I would say different elements but again it's part of a strategy of conversion where compared to I would say our peers or also some questions we got in the past about don't you think that mobile internet will cannibalise fixed internet, we always mention that we see a lot of complementarity between fixed Wi-Fi and mobile internet and that's probably also part of the results of that. It's clear when I see in terms of growth of customers using mobile data. If I take the stick, the USB stick as well as what is now getting more and more popular: the use of internet on your smart phone, I see an increase of roughly 100% if I compare the first half of this year compared to a year ago. So we have also launched new tariff plans make this data part of our business more attractive, more accessible for the customer, we have the best network. So it's a combination of different things but again,



you mentioned iPhone where we have quite a lot of those iPhones that we don't distribute on our network. It's a combination of different elements that make this quite successful.

Stéphane Beyazian: Sorry, the 100% you just mentioned is the increase in traffic or the increase in...

Michel Georgis: It's the increase in terms of customers, if I take the mobile Internet customers and the customers that take data tariff plans when they use their smart phones to surf on Internet. So I will not give the numbers but I would say that we have a 100% increase if you compare the same period of this year, the first half versus the same period of last year.

Stéphane Beyazian: Thank you.

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

Paul Sidney: Thank you, just two questions please. I was wondering if you could update us in terms of what you are seeing in terms of the economic impact on your business, both consumer and enterprise in terms of what you've seen in the first half? Just a slight follow-on from that, how you think the macro environment will impact your ability put through future price increases? The second question is the Q1 results, you said that you would focus on more converged offers, we've seen the tablet offer but can we expect more from you going forward in terms of more mainstream conversion offers perhaps to including your mainstream mobile products? Thank you.

Didier Bellens: Maybe Bart.

Bart Van Den Meersche: Ok, thank you Didier, I'm glad I can answer the question finally! So in terms of the economic impact what we see clearly is after the difficult period of 2008, 2009 is that customers are where initially they were very focused on costs, they are again very focused on growth. So that offers opportunities for those who can help those customers in achieving that growth. So what we expect is that in the environments where we have the opportunity to grow like we have of course mobile data, we have Cloud Computing and we have the solutions



on top, if we develop the right solutions for those clients we will indeed have the opportunity to grow and that's why we are focusing so much on those different growth areas. That is why we have done what we're doing. A lot of investments are also in terms of Cloud Computing and we have created also separate entity that is called B-Cloud. Just to give you an idea, the activities that we have put together in this B-Cloud entity which are data centre services, which are hosting housing, which are Cloud applications, they had a growth of 22% in the first half compared to the second half of last year. So that is a little bit what I have as an comment in that context.

Didier Bellens: Michel?

Michel Georgis: I would say that you see of course the customer being more and more price conscious but this is not specifically something new in the second quarter so we have to deliver quality, what I think we do and I think it's also why we start to put servicing as a top priority in the group because again I believe that the customer is ready to pay a little premium if we can offer him I would say peace of mind, so that's our strategy. It's clear that the time, the economics are tough for everybody so that the customer is counting more and more and we have to deliver him value for money. So regarding your second question again we continue to see the different lines of products. Again I would like to insist on the fact that our strategy is of course to push conversion and to sell more per household. We are now close to 30% of our customers that have three or four services of the group. It's of course in that direction that we want to go, sell more and at the end to increase the ARPU per household. Of course we look at different lines of products but again you have to see also in the philosophy of more and more having the content used on the different devices and that's also why we recently launched TV Everywhere, the fact that the content is watchable on the different device space, part of the strategy of anytime, anywhere of our group.

Paul Sidney: Sorry, just a follow-up, in terms of the price increases do you think given the economic environment I think we have seen one of your competitors putting up prices from October, is that something you think can continue to be a feature of the Belgian market both on the fixed and mobile? Thank you.



Didier Bellens: It's clear that of course we have to see that in the competitive environment what we try also to see as a good benchmark in the index and to see if we can continue to increase our price in line with the inflation rate, but that's again case-by-case and we don't promise anything at this stage.

Paul Sidney: Ok, thank you very much.

Operator: We'll take our next question from Alexandre Iatrides from Oddo. Please go ahead.

Alexandre Iatrides: Hello. I just have a question concerning the fourth mobile license. Telenet objective is to share the spectrum they acquired with an existing mobile operator. Would you consider negotiating with them to share your network and if yes, have you begun some discussions?

Didier Bellens: Scott?

Scott Alcott: First we can't help but notice that Telenet's frequently asking to access our network while never offering to open theirs and it gets back to the level of playing field issue that Didier mentioned. In spite of the new regulation that says they should open cable there's a footnote which is that is not to be opened towards Belgacom. It's not shown in the other direction by the way. Our network on the fixed side is open and we've continued to have discussions with all other players who are interested in MVNO. As far as Telenet is concerned here we never say never and we're always open to discussion on good terms and conditions but our sense is that we have the best network in Belgium and I remind you we don't have a mobile strategy, we have a conversion strategy and we see the asset of fixed and mobile together as something that is not easily broken and unbundled and sold to the market, so if they wanted to share frequency with us in exchange for access to our mobile, again we'll have that discussion but primarily we see that we have the best network and we shouldn't make that available cheaply or easily especially in an environment where it's asymmetric in terms of the openness of the networks.



Operator: We'll take our last question from Michael Bishop from Barclays Capital. Please go ahead.

Michael Bishop: Hi, just two quick questions. Firstly just could you give us your thoughts on working capital movements in the second half? Then just looking at your KPI spreadsheet it seems that you've restated some of the MOUs to exclude data cards. I was just wondering what's behind that and if you could explain sort of where the MOUs used to come from data cards? Thanks.

Ray Stewart: I assume your first question had to do on the cash flow, the second quarter, is that what you're referring to?

Michael Bishop: Yes, I was just referring to the fact there was a bit of an outflow so I was hoping if you could just shed a bit of light from where you see working capital going in the second half in terms of the cash flow?

Ray Stewart: Well, I never forecast working capital flows on a quarterly basis so I guess I won't make a forecast number. What I can tell you that looking let's say year-over-year some of the things that impacted the cash flow year-over-year was the fact that we had higher income tax payments in this half versus last year because keep in mind and we talked about it last year the fact that we were able to use our tax loss carry forwards last year so that had a big impact. The BICS consolidation from last year had a big positive impact and then finally the other thing that impacted was the litigation reversals we talked about before, those were an accounting one and not cash.

Michael Bishop: Ok, great. Then just on the MOUs, I was just very confused by the restatements.

Michel Georgis: Yes, indeed we changed slightly our definition. In fact now in our MOU we exclude all the data packs so you have only the voice customers in those numbers, while in the past there was a little bit I would say pollution coming from the data packs. Today it's clean and what you see in those MOUs are clearly purely the mobile voice part, so if you compare, you have to



compare now what we report roughly 107 minutes of use compared to 110 in Q2 2010, so 107 this quarter compared to 110 in Q2 last year. Is that clear?

Michael Bishop: Yes, thank you very much.

Operator: As there are no further questions in the queue that will conclude today's question and answer session and I'd now like to turn the call back over to Nancy Goossens for any additional or closing remarks.

Nancy Goossens: Ok, thank you all for participating and I wish you a good weekend. If you have any follow up questions you can of course address them to the IR team. Thank you, bye.

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