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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 morning ladies and gentlemen and welcome to today's Belgacom 2011 Q3 Results Conference Call. For your information this 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. Good morning everybody and welcome to this conference call. We are keeping the same format that most of you already know by now, so our CEO Didier Bellens will start with a short comment on the results and then we will open the line for your questions. Actually Belgacom's Management Committee is obviously also present on this conference call so we have Didier Bellens, the CEO; we have our CFO Ray Stewart; we have the Head of the Consumer Business Unit Michel Georgis; as well as the Head of the Enterprise Segment Bart Van Den Meersche. We have also Scott Alcott running the Network IT and Wholesale Department; and also Bruno Chauvat, the Head of Strategy and Content. They will all be happy to take your questions but first I will pass the word on to our CEO Didier Bellens for his opening statement. Thank you. Please go ahead.

Didier Bellens: Thank you Nancy. Good morning and welcome to our Third Quarter Results Conference Call. Let me say just a few words on the results before my colleagues and I will use the rest of the time to answer your questions. I would like to start with the fact that we are obviously pleased with the good operational results of the group. As you could read in our press release of this morning we continued to book solid customer gains in the third quarter. You may remember that earlier this year we announced that we would step up our commercial actions and that we would further enhance our customer servicing in order to strengthen our market position. I am pleased that the encouraging first results we saw of this approach in the previous quarter have continued.

In Mobile for instance we added 59,000 post paid customers which is even slightly better than in the last quarter. Belgacom TV did very well especially taking into account we are no longer holding the exclusive broadcasting rights on Belgian First Division football. This proves that Belgacom's football offer remains attractive. As you probably know we are still broadcasting 180 matches per year since we paid only €1 million for these rights, we decided to offer our football content for free. It's clear that customers well appreciated our gesture and of course it was a great decision marketing team. All in all the number of former football subscribers that churned remained limited to 8,100 customers which is much better than what we expected. However because some of the churn TV customers were multi-play customers of fixed internet and fixed voice, the operational results were negatively impacted. Moreover it offset the continued positive effects we were seeing from our segmented marketing approach and our continued focus on conversions. We continue to believe that conversions is the right long term strategy. This is also confirmed by the ongoing take-up of converged products by our customers. Not only did we cross the 1 million mark for conversion packs, we also saw an increased interest in combining fixed with mobile services. This is encouraging since we are very well positioned to play the convergence card. It's clear that we will continue to focus our marketing actions on conversions for the remainder of the year and even after.

A last point I wanted to raise is the financial outlook for the end of 2011 which we have slightly adjusted. With now having a better view of the impact of football on customer churn, it's clear that the contained churn will result in a lower than expected negative impact on our EBITDA. Therefore we review our EBITDA estimate upwards to a full year group EBITDA decline between 3% and 4%. For the group revenue we slightly lowered our full year expectations to a decline of about 3% but since a significant amount of this revenue decline is low margin this has minor impacts on the EBITDA.

So these are the up front comments I wanted to make and now I suggest that we go straight away to the Q&A. Thank you.

Operator: Thank you. If you'd like to ask a question at this time please press star or the 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. Once your question has been asked please mute yourself. We will now pause for just a moment to allow everybody an opportunity to signal.

We will take our first question from James Britton of Nomura. Please go ahead.

James Britton: Good morning, can I ask two questions please? First of all do you expect some ongoing churn of the 70,000 customers who took stock subscriptions before you lost the rights as they then roll off their fixed contract period with Belgacom or do you expect the churn to be fully capped out now? Second question, can you clarify the level of subsidy you invested in your Galaxy Tab devices that you were pushing to some of your conversion packs since the middle of the year? How much does that impact Q3 profits? Thanks.

Didier Bellens: Ok. I will try the first question and the second question is for Michel. For the first question, for the churn, you know just like in any other countries let's say the football season starts in August, so normally people decide to churn before the start of the season. So we strongly believe that let's say with all what has been done in terms of marketing with the fact that we have 180 matches per year and not the worst ones, so we can have let's say some weekends the best matches also with the top clubs, even with the number one club ranked in Belgium, I believe that we are very well positioned to limit the churn of the real soccer customers, so that's for your first question. Regarding the subsidies on the Galaxy Tab, I would just like to introduce Michel. The bundle with the Galaxy, combining fixed and mobile, has been a huge success. But regarding the subsidy...

Michel Georgis: Maybe to answer precisely your question on the subsidisation, let me split it between I would say the seven inches and the ten inches. The total price is €39.99, so it internet converts that the customer pays €32.92 and then the customer pays €7.07 on top of the internet comfort to get the tablets. So this means that the customer has paid if we take the contract of two years

€140 VAT included, so that's roughly I would say the remaining part is paid by Belgacom. I would say that for this tablet it's roughly 50-50 between the customer and Belgacom in terms of subsidisation. If we do the same exercise for the 10-inch tablet that is offered to the market at €49.99, there the customer is paying €17.07. This means that over the 24 month period he will pay €339 so I would say there roughly that the customer is paying roughly 70% of the total amount of the subsidisation remaining parties for Belgacom.

James Britton: Thanks. If I could just follow-up, can you just clarify how many you have sold then in the third quarter?

Michel Georgis: I would say high level, 12k.

James Britton: Thank you very much.

Didier Bellens: Ok, thank you.

Operator: Our next question is from Dimitri Kallianiotis from Citi. Please go ahead.

Dimitri Kallianiotis: Hello, good morning. Thanks for taking my question. My first question is just regarding the potential price increases in TV and in broadband. Obviously we saw Telenet increasing prices and I was wondering if you think you will be in a position to do so especially as you had a double indexation in perit costs during this quarter? My second question is for Scott, it's just on the...you've said that you were improving the VDSL2 with vectoring and guaranteeing speed of 50 megs by 2014. I just wanted to ask you what sort of speed to you have now on your VDSL network and if you expect the speed to increase by the end of next year? I just wanted to know if before 2014 we should expect an improvement in your network speed? Thank you.

Didier Bellens: Ok. I'm sure that on the second question Scott will be again very, very clear because everybody is talking about internet speed and things like that, but you have really all your arguments Scott about our network.

Scott Alcott: Thank you. You're referring to the announcement that we made at the Broadband World Forum. We will be the first again, as we were first in Europe with fibre to the curb and VDSL, we'll be first again with systems level vectoring which is kind of noise cancellation, it will help us upgrade our speed and remain the leader and the reference in telecom for bit-rate on copper. I hope you notice that there was an avalanche of announcements about copper not dead and boosting bit-rates on copper, so we continue to take a lead position there because we think we have an advantage to cable because of the non-shared nature, the point to point guaranteed bit rate, the upstream advantage and the ability for us to have over the top content which is difficult for cable. Current speed, I want to mention two things. We're offering 30 megabit now but that is really performing higher and higher as far as the customer is concerned because we also just rolled out a new compression capability on high def video. We reduced the bit rate that you need to bring the same picture by 30% and so that is making a 30 megabit line feel like a 40 megabit yesterday. So that's just one example of we're doing two things: compression while we upgrade the bit rate for the customer. This is a continuous effort so it's not wait until 2014. We step up our profiles, we add compression, we add network based PBR to offload the line and so this is a lot of technical stuff that says the customer is getting faster lines and they're compressing their content so they can get more on that faster line and we continue to walk that up. Whatever innovation comes we will be the first to deploy it and the fastest with the most speed in the market.

Didier Bellens: Good. I hope it's very, very clear we are in great shape and compared with telcos worldwide, obviously in markets in Belgium compared to cable operators also. Now Michel, the first question, price increase?

Michel Georgis: Yes. Regarding price indexation, you remember that in the past we did several price indexations in the course of the year. What we have decided and we adapt all terms and conditions in that sense, is to do indexation if market competition environment allows it in the context of the start of the year and in line with the inflation. What we did at the start of this year, where we implemented a price increase on 1st Jan for fixed products and on 21st Jan for mobile products. So that's the only thing I can tell you and we try to do it in line with inflation, so that's the best I can say at this stage.



Didier Bellens: Thank you Michel.

Dimitri Kallianiotis: Thank you.

Operator: The next question comes from Stephane Beyazian from Raymond James. Please go ahead.

Stephane Beyazian: Yes, hello, thank you for the question. I just want to come back on let's say the increase in the marketing spending in the consumer division in the third quarter. Can I just be clear that the increase in the cost of materials that you report is entirely due to a higher marketing spending and therefore could you just elaborate a little bit on which product aside the Galaxy Tab you have been partly pushing in the quarter? Going forward should we see the third quarter as let's say a rather exceptional quarter because you won't have to be visible in the market at that time or are you actually encouraged by the good net adds you've done in the quarter to continue to step up the marketing efforts? Thank you.

Didier Bellens: Michel?

Michel Georgis: I would say that the increase in our COGS in the third quarter is mainly linked to the higher mobile acquisition costs linked to the higher device costs and linked to the member action that we did in the first quarter and that delivered quite a significant increase in terms of mainly post-paid net debt. It's quite clear to say that we want to find the right balance between commercial ambition and market share is of course important for us and we were pleased to see that for the third quarter we have increased in our mobile post-paid share of markets, so the idea is to continue that but in a disciplined way. For example mobile, the idea is clearly to grow more and more and part of the good result is linked to the fact that now we sell more and more of those mobile sales via our controlled channels, so mainly our Belgacom centres and the call centres, and so that's also something that we want to further push for the future.

Stephane Beyazian: Thank you. If I may is it just possible to know what is the percentage of your post-paid customers with smartphones today?

Michel Georgis: For the last quarter I think that we reached close to 25%. If I add the tablets on that we reached the 30% and again we are confident, it's for sure for us a priority to boost this ratio and we are quite confident that we will be able to do so when you also see the decrease of the price of those smartphones, by the way we will start very soon a campaign with a Samsung device that will be probably a very attractive device for the end of the year period.

Didier Bellens: So Michel, this device is sold at a very low price, the regular price and if you think about all the subsidies paid in other countries and you see now that the price of smartphones declined from €500 roughly to whatever, you see the tonnes of money lost in other countries with subsidisation. So I really think that in Belgium we have been very lucky not to have the subsidisation at the start and that we've not followed this trend. So we have not destroyed value. Michel is just saying that with this new wave of new handsets, very attractive at a decent price, we are going to be able to increase our percentage of smartphones and tablets.

Michel Georgis: Definitely.

Stephane Beyazian: Thank you.

Operator: The next question comes from Michael Bishop at Barclays Capital. Please go ahead.

Michael Bishop: Hi, good morning, a couple of questions if I may. Firstly you have mentioned in the press release there's quite a lot of increased competition in the EBU segment in mobile, so I was wondering if you could just elaborate on that a little bit more? Secondly given where the free cash flow is tracking, would you consider accelerating the buyback, i.e. doing it before the end of the full year rather than potentially half of it in next year? Then just a little point on capex – some of your competitors have been talking about local elections potentially interfering with planning permission in the first half of 2012, so do you see any issue there and any reason why you might bring capex into the fourth quarter of 2011? Thanks.

Didier Bellens: Ok, so I will take the third question. You know that regarding capex we have been lucky across the year to generate a very nice free cash flow and to invest on a regular basis in capex, so we are not playing with capex. Now we have to reduce for specific reasons, we move capex from one year to another year, so we stick to our guidance regarding capex and we are not playing with figures, so this one is very clear. EBU competition, that's for Bart and then free cash flow and share buyback, it's for Ray.

Bart Van Den Meersche: Mobile voice revenue evolution in EBU, you will see that there is indeed a decline. The decline is partially due to regulation and also partially due to price competition. Indeed we see important price competition sometimes a little bit increasing also specifically from Mobistar in this case where they sometimes go into price levels that even sometimes we cannot match because of regulation limits that we have to respect. So that is the only reason but it's not that much different from what we had before, so it's regulation and it's price competition going on in the market.

Ray Stewart: On the free cash flow it's fairly close in-line with what our expectations were so there's no real surprises there. A couple of things, the year over year relates to timing so no, probably not. I would still stick with the timing that we had originally planned for the share buyback.

Michael Bishop: Thanks.

Operator: Our next question comes from Marc Hesselink from RBS. Please go ahead.

Marc Hesselink: Yes, hello. Firstly in the mobile adds, now you're also signing up quite a number of prepaid customers as well, we've seen you be more aggressive in promotion. What are you going to do here? Is it really something that's going to continue? Additionally could you say something on the fixed side, the difference between the Walloon area and the Flanders area? How at the moment is the competition? Last one, you see in the mobile data sales you see the sales growth accelerating. Is that partly due to the convergence that you are pushing or is that just an underlying trend in the other businesses?

Didier Bellens: Michel?

Michel Georgis: I will answer the three questions. The first one is regarding mobile sales. It's clear that we are pleased with our mobile result. That is a combination of different things. The first one is a good level of acquisition for Proximus post-paid, I would say the positive impact of our summer back-to-school promotion. I mentioned earlier we had also a member action also and that's more structurally. We have also a positive impact of the revamping of our generation mobile tariff plan. We see also less churn than last year. We see also more conversion of prepaid towards post-paid in the context of the MGM action. It's clear that part of our good post-paid result is linked to the success of the tablet where we combine the mobile and the fixed internet; and also quite successful is our distribution strategy where we see that we now have a significant part of our mobile sales happening via our controlled source and call centres. Last but not least regarding the prepaid part there I would say that it's more linked to the positive contribution of Mobisud, so tackling there the ethnic population and there I would say that it's more promo-sensitive. We know that these type of customers and we speak more about calling cards, that's a real increase of prepaid customers. There I see more volatility but again I would say the focus is on the post-paid where now we see that in the total customer portfolio of Belgacom, post-paid roughly is above the 60% of our total customers. Regarding your second question about the results and the competition, I would say that we are quite pleased with our performance in general and I would say that if you isolate the effect of the football as mentioned by Didier earlier, of course most of those customers are multi-play customers. If I isolate these effects, for example for fixed line all results of Q3 should be in line with what we deliver in terms of erosion of fixed line loss in the second quarter. The same story for broadband, you could say it's rather weak as a result. Again if you add to that the impact of the churn linked to the football all Q3 would have been higher than Q2 and in line with what we did in Q3 2010. In terms of competition I would say that it remains tough in the north but with a rational competitor there. I would say that it continues to be more aggressive. We suffer more in the south because we don't want to enter there irrational competition and price wars and these types of things, so that's not at all the objective, but that's roughly in a nutshell the competition; and environment...by the way we were also pleased to see that for Mobistar their

TV performance remains rather I would say modest; and then regarding your question on mobile data it's clear that for advanced data we have an increase of 36% for this quarter versus the same quarter of last year. It's a combination of course of different elements. We continue to have a nice growth in our Mobile Solution revenues; and the second element, there's also a seasonal effect in terms of data roaming. But what you see now is that mobile data, if I take SMS plus advanced data revenue generates now around 40% of the mobile service revenue versus 33% in Q3 2010.

Marc Hesselink: Ok, thank you.

Operator: Our next question is from Luis Prota from Morgan Stanley. Please go ahead.

Luis Prota: Yes, thank you. I have two questions. The first one is a follow-up on the mobile environment. If I'm more focused on Base which is apparently focusing more on margins these days and willing to widen further EBITDA margin, so I wanted to get your views if possible on whether you have noticed any improvement in the competitive environment for that reason with maybe Base slowing down a little bit or they are not really reducing competitive aggressiveness and it's more about cost cutting? The second question is on net debt which was coming out a bit lower than expectations probably because this free cash flow generation due to working capital timing issues. The question is whether once these timing issue are over you would expect net debt by the year end to be above levels of that quarter? Thank you.

Didier Bellens: So regarding your third question and Base, it's clear that they had a completely different strategy. It's clear that we together with Mobistar are focusing on post-paid customers while when I see the Q3 deliverables of Base, they continue to have the biggest part of their net debt generated by prepaid customers and also what they do via their MVNO partnerships. They continue to have roughly 75% of their total customer portfolio that are prepaid customers, so I see that of course they're trying now to acquire some post-paid customers. They are beginning also to be a little bit more active in the SME market but I don't see a big change in their commercial activities in the third quarter, so it's rather business as usual. I think that they deliver 11k post-paid total while we are at group level above the 50k.

Ray Stewart: On the net debt, yes, I would expect it to be higher at year end than at third quarter.

Luis Prota: Ok, thank you.

Operator: Thank you. Our next question is from Stefaan Genoe at Petercam.

Stefaan Genoe: Yes, good morning, Stefaan Genoe, Petercam. I've got two questions: first on the EBITDA guidance for the full year, if we take the year to date EBITDA that means that you see an acceleration in the year on year decline of EBITDA in Q4. Should we see this as also a run rate start going into 2012? Related to that can you give us an indication on how rate indexation would evolve in 2012? Then secondly on advanced data you indicated in the press release the impact of data roaming. If I understand well you also indicated this as impacted year on year growth. Could you give us the underlying evolution of the advanced mobile data in the third quarter? Thank you.

Didier Bellens: Thank you. Ray, for the first question?

Ray Stewart: Yes. There's a lot of specific reasons that you'd see the fourth quarter, over fourth quarter difference between 2010 and 2011, so the answer to your question specifically no, I don't think you would take that run rate into 2012.

Didier Bellens: Ok. The second question is for Michel probably.

Michel Georgis: Yes. Let me maintain what I mentioned earlier, so when I look at our mobile data revenue in total they increased roughly by 14%. With SMS raising roughly 10% and the advanced data part 37%. Then we continue to generate a nice growth of the mobile internet solutions and there is like each Q3 also a seasonal effect linked to data roaming, but that is generating I would say a certain acceleration of the growth trends but the positive trend is there and we hope will remain in the next quarters.

Didier Bellens: Ok, thank you.

Operator: Our next question comes from Antoine Pradayrol at Exane. Please go ahead.

Antoine Pradayrol: One detailed question and one more general please. The detailed one is on SMS usage in the consumer business. We saw that the number of paying SMSs was down 5% in Q3 year on year while it was growing in H1, so just to try and understand is there a trend there or is it a specific element in the quarter but SMS usage is coming down? Why is it coming down? The more general question is can you give us your assessment of the Belgian consumer feeling, whether the consumer spending is under pressure or going better or worse than in the previous quarters? Any general idea on the Belgian consumer? Thank you.

Didier Bellens: A question there for Michel.

Michel Georgis: Yes, regarding SMS, if you look at the trend also in Q3 2010 you will see that there is also there a decrease, so I would say that there is certainly also a seasonal effect. On the other hand it's clear that also with all the new tariff plans we have and the fact that we promote in our tariff plans free SMSs, it's clear that that's part of I would say the success, that it's linked also to this usage by our customers of those free SMSs. But at the end you see that those free SMSs are also generating inbound revenues that are compensating part of the loss of those free SMSs.

Didier Bellens: The second question maybe I will start and Michel, you go on. The fuss about the general consumer sentiment in the Belgian market, we have had in the past some difficult times definitely because of the political crisis. Now there is a light at the end of the tunnel and it seems that we should have let's say a government in the short term than in the long term. There is still uncertainty in the market about the socio-economic programme of the future government and as you know people don't like uncertainty. Having said that let's say there should be a balance at the end of the day between what the different parties from the north of the country want and the south of the country, so it should be probably a balanced economic programme which would be good, so my feeling is that specifically for the end of the fourth quarter you will be probably more secure because things will be fixed. They will know what are

the decisions. All the decisions will not be nice for the consumers of course but there will be probably a balanced proposal at this level. For the rest as you know GDP is still doing quite well in comparison with the rest of Europe, so we still have growth in the market and people are still spending money, so Michel, I don't know what you can say on top.

Michel Georgis: This means that you see a certain number of new trends and that the customers of the consumers market, in general are expecting more and more transparency in our pricing, ease of use and for example no bill shock. That's also the reason why we implemented the programme in the company called Simplicity where we drastically tried to – it's of course an ongoing project but to reduce our tariff plans to improve the visibility of our bill etc, also to avoid them. You see that there is an increasing trend for the data part, we send SMSs to the customer when he has reached for example 50% of his usage. Now in our pricing we know and I think that it's quite clear Belgacom doesn't want to be the cheapest, but again the customer is ready to pay for a premium price if he sees some added value. On the other hand due to the fact that we have different banks in the group and for example real price sensitive customers there we can via Scarlet or Mobisud offer them I would say very attractive triple play offers at a very attractive price, so that's in a nutshell our answer to this current trend in terms of pricing in the marketplace.

Antoine Pradayrol: Ok, thank you very much, that's very helpful.

Operator: Our next question come from Charles Verle at Deutsche Bank. Please go ahead.

Charles Verle: Yes, good morning. I would like to follow-up on a previous question on your EBITDA trend if I may. To be accurate we're going from Q2, an EBITDA growth of 1.8, Q3 we have an EBITDA decline of -3.7%, now you're guiding between -3% and -4% for 2011 so that implies a between -7% or -8% in Q4. You're saying we shouldn't take that run rate for 2012 but what is the improvement that you are forecasting? What is it in the landscape in Belgium that enables us to think that you're going to be able to stop this worsening of the decline in your EBITDA? Thank you.

Ray Stewart: First you have to keep in mind the third quarter was impacted partly by the football which we've talked quite extensively on, and so that's not going to be happening every quarter and I can let EBU and CBU talk but the fourth quarter of last year was a very strong quarter for a lot of different reasons, so that's the reason we feel fairly confident that you just can't take the fourth quarter over fourth quarter and say 'ok, that's going to be the run rate into 2012'. So it isn't saying that things have to change significantly to not have that be the run rate. We're saying the fourth quarter of last year was a very strong quarter for us for a lot of different reasons.

Charles Verle: Ok, just to follow-up, we've got consensus right now at -3% for next year, do you think that's reasonable?

Ray Stewart: This is only the third quarter call. I'm not going to get into 2012 guidance already.

Charles Verle: Ok, thank you.

Operator: The next question comes from Paul Sidney at Credit Suisse. Please go ahead.

Paul Sidney: Thank you, I just had two questions please. Firstly we've heard some operators talking about cannibalisation and in particular instant messaging cannibalising SMS volumes year on year. I was just wondering given the smartphone penetration is relatively low in Belgium, do you see a risk of your strong SMS data growth being cannibalised going forward and how do you see your tariffs as being positioned against those sort of trends currently? Secondly apologies if you addressed this already but in terms of the working capital move in the quarter, do I understand it right that it will reverse in Q4? If you can just clarify that please and apologies, I may have missed it.

Ray Stewart: On the working capital yes, mainly it was timing and one of those is income tax payment. Yes, it could reverse itself, that's the reason I've said that we didn't see any really big surprises in our cash flow expectations.

Paul Sidney: Thank you, very clear.

Michel Georgis: Regarding the other question, at this stage again like last quarter we don't see signs of cannibalisation of voice SMS by the advent mobile data, so the drop to date is clearly a combination of the regulations and the loss of voice centric customers, but when I look at the minutes of use it's down but I don't see an acceleration of the trend versus last quarter. Of course it's something that we monitor very closely but that's what I can say about it today.

Paul Sidney: Just as a follow-up, how much overage is in terms of part of your mobile revenues, is it possible to give us an idea of how much comes from overage? That would be very helpful.

Michel Georgis: It's very difficult to mention that. We got already this question and it's so different from tariff plan to tariff plan that I prefer there not to give a figure.

Paul Sidney: Ok, thank you very much.

Operator: Our next question comes from Andy Parnis at UBS. Please go ahead.

Andy Parnis: Hi guys, I've got two questions. The first one which is just to go back to the capex, the year to date capex sales are running at about just over 10% and you're still saying it's going to be up towards the upper end of a 10-12% range which sort of implies 15-16% in Q4. I just wondered what the additional capex is going to be spent on in Q4? Then the second one was just a quick one on the convergence plans. I just wondered, what percentage of your growth adds are now taken in a quad-play convergent offer? Thanks.

Scott Alcott: Scott here on capex. First of all we always keep a very consistent spend but it can move quarter to quarter because of release schedules and the like, so there's no new projects that you don't know about, it's all the same things. It's expanding coverage and capacity both at fixed and mobile and in particular I want to highlight for everyone that we have flipped the radio network and that is done and we're finalising the upgrade of backhaul behind that, independent speed tests have us pulling far ahead of our competitors, so it's about that. We stay within our

ranges but quarters to quarters may move around just based upon planning and operation. No new news.

Michel Georgis: Regarding your first question and conversion, regarding our fixed product I can say that I would say 95% of our sales are happening via bundles and regarding mobile today roughly 25% of our mobile sales are now happening via packs and of course we want to continue to boost that because it's clear that conversion is for us clearly a great tool in terms of loyalty of our customers because of course we see that in terms of churn rates there is a huge difference between a single play Belgacom customers and a quadruple play one and we see also some great opportunity in terms of cross-selling and up-selling.

Andy Parnis: Thanks. Can I just ask a quick follow-up? On the convergence, has that 25% of mobile, has that increased significantly over the last twelve months or has it stayed around 25%?

Didier Bellens: Yes, it is increasing drastically. If I remember well I think that it was 10% in Q1 2010 and it's clear that the first driver was the combination of fixed internet and mobile internet. Now we see also that we are able to sell mobile voice in packs, what is of course good news and is something that we want to continue and come with new types of family offers in the future that could respond to the needs of the family as well as the different members of the family.

Scott Alcott: We should remind everyone that we always get to the market benchmark on penetrations. We hit 115% of full penetration of mobile later than the subsidised markets but we eventually arrived there. We expect exactly the same. As the smartphone prices come down below €100 and we don't make the dealer channel rich and the equipment makers, we are tolerating a little bit of a slower take-up but we think a more profitable one and we're sure we end up exactly where the other markets are, but just lagging slightly behind.

Andy Parnis: Ok, thank you.

Operator: Than you. Our next question comes from Nicolas Cote-Colisson from HSBC. Please go ahead.

Nicolas Cote-Colisson: Thank you. One question on bonding and vectoring. I would like to know what is the proportion of households you think can benefit from the speed up rate? Also what is the overlap between the 21% of households you don't reach with VDSL by cable networks, which one can have cable and not VDSL?

Scott Alcott: Ok, so let's start with the second question. We continue to add coverage and so I remind you that while we are at the 80% we came from nothing and the million plus televisions that we have is because we were first in Europe to build out this coverage we continue and we have plans to go to 85% and beyond, so you shouldn't assume that we're done and that we keep 20-something percent of the market uncovered. We also prioritise to where we think we have our best commercial opportunities and where we can most efficiently deploy network assets, so there's sort of a targeting plan behind where the coverage rolls on, where we can get the biggest bang for our buck. As far as vectoring in DSM goes, it's technology that works best over short distances, specifically 400m and under and so we believe that because of our early movement in Broadway, more than half of our customers will benefit from that directly but as we continue to add capacity and short loop length that number will increase as well. It also provides us opportunities to increase the bit rate on the rest of the network because the total load on the network is managed, so when you deploy systems level vectoring it allows for structural advantages even in places where it's not being delivered to end users, so common assets in the network benefit and will allow us to boost fees throughout. The bottom line is copper is getting more speed, more bit rate, more coverage over the next couple of years.

Nicolas Cote-Colisson: I see, thank you. Can you tell us a bit more about the compression you're using? You said you were making some progress on that?

Scott Alcott: Normally in HD signals which I remind you were providing typically two high definition simultaneous channels to a household while having fast internet, it can take around 9 megabits and through new compression techniques, it's impressive that you take the old and the new side by side, you really see no difference at all. We produced that to just about 6 megabits, so a very significant change and we should expect further improvements with compression as the years

continue. I remind you that video is the big thing that chews up the end user bit rate, so making compression advantages there really helps the effective speed available to our customers for other things like over the top video and internet.

Nicolas Cote-Colisson: I see. If I may does it trigger any change in the modem out rather as a TV set-top box?

Scott Alcott: No. No set-top box swaps, no modem swaps, completely transparent to the end user done at the systems level at Belgacom.

Nicolas Cote-Colisson: Ok, thank you very much.

Operator: The next question comes from Alexander [Agriden] at Oddo. Please go ahead.

Alexander Iatrides: Hello, just two quick questions. First could you comment if you see an impact of a macro deterioration through the quarter on the business side and also comment on the competitive environment following the concentration in the market there and the impact going forward on margins? The second is on BICS, the trends are under pressure for two quarters now but if it was a contextual decline or more a strategy not to follow a price war that may last longer in that business?

Didier Bellens: The first one is for Bart.

Bart Van Den Meersche: I will take the first question on the macroeconomic impact, if we see something in terms of our impact of our figures. As you saw in our figures actually not yet. If you see our figures there is no major impact of macroeconomic evolution. What I can say is that in the financial sector we see anyhow a change, so if I see what the financial sector represents in our total turnover you see a decrease. If I see in terms of the order intake, there also you see that there is an impact. So I see an impact on the financial sector, not yet on the rest.

Didier Bellens: Thank you. Ray?



Ray Stewart: On the BICS thing, yes, we just see the trend continuing. It still can be expected in the voice side very competitive. I don't know if I would call it a price war, it's just a very dynamic, quick-pricing business and there's still today a lot of players, so yes, there's no positive impact that we see on the horizon.

Scott Alcott: Certainly with the termination rate decline in voice which BICS is a termination plus model on voice, in addition to the competition that's simply following the market structure on the cost model where that will compress.

Alexander Iatrides: Ok, thank you.

Nancy Goossens: Operator, if there are no longer questions I think we can end the call here. So thank you everybody for joining. If you have any follow-up questions you can contact the IR team. Thank you.