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**Presenter:** Nancy Goossens  
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**Operator:** Good afternoon ladies and gentlemen and welcome to today's Belgacom 2012 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:** Yes, thank you and hi everybody. So this is Nancy and thank you for joining us on this call. I guess most of you already know how we like to do this call but since some of you are new on the call, we start all this with a short introduction of the CEO and then we will immediately open the lines for questions. So as usual we have our CEO Didier Bellens on the line as well as Ray Stewart, the CFO and the rest of the management committee. So since they will take your questions in just a minute, but before getting to that I will just pass on the word to Didier Bellens for his opening statement. Please go ahead.

**Didier Bellens:** Thank you Nancy. Good afternoon ladies and gentlemen and welcome to this conference call on Belgacom's Third Quarter Results. I trust that you have received our earnings release this morning and that you have been able to go through the numbers, therefore I just want to give a few short comments about the business.

I am very pleased that our results proved once more the resilience of Belgacom. We were able to grow our group revenue by 1.5% for the third quarter 2012. A solid result especially taking into account the challenging competitive environment along with the regulatory pressure and unfavourable economic climate. Our financial performance reflects that we chose the right strategy and that we have built ourselves a solid position in the Belgian market. Our consumer segment did very well in the third quarter, growing its revenue 2.8% versus last year. Besides the contribution of The Phone House, CBU's good result came from solid revenue growth from TV, good fixed internet result and high mobile data revenue in spite of the data roaming



regulations. This growth was supported by our convergence strategy. Our multi-play offers continued to have traction and we see customers increasingly combining fixed with mobile. For example on the packs sold in the third quarter over 30% included a mobile solution. Furthermore our international carrier service segment BICS performed very well with both voice and data revenue showing a solid growth. Our business segment reported a limited decline in its revenue of 2.2%. An important driver of the lower revenue versus last year was the price cap on retail data roaming which was applicable since 1<sup>st</sup> July. In addition the business segment is operating in a difficult economic climate. Nevertheless our ICT business continued to show some growth, so all this combined led to a solid third quarter revenue for the group.

On the EBITDA level the group showed some improvement versus the first half of the year with the EBITDA decline limited to 2.7% for the third quarter. So these are important signs that show we are doing well. We are therefore pleased to announce that we upgrade our 2012 full year guidance for both revenue and EBITDA. We expect to end the year 2012 with revenue up to 1% higher than 2011 and with EBITDA between 4-5% lower than 2011. In line with our initial guidance this does not take into account the one-off accounting adjustment following the new telecom law.

Finally I am also happy to announce that our board approved to return to our shareholders an interim dividend of €0.81 per share. This is the total of the normal interim dividend of €0.50 per share and an extra interim dividend of €0.31 per share. The €0.31 per share is replacing the €100 million share buyback which was still outstanding. As a result of all that we expect to exceptionally increase our dividend to €2.49 growth per share over the full year 2012.

With this I would like to hand it over to the operator to start our Q&A session. Thank you.

Operator: Thank you. To ask a question at this time please press \*1 on your telephone keypad. Please ensure the mute function on your telephone is switched off to allow your signal to reach our equipment. If you find that your question has been answered you may remove yourself from the queue by pressing \*2. Again please press \*1 to ask a question. We will pause for just a moment to allow everyone to signal for questions.



We will take our first question now from Emmanuel Carlier of ING. Please go ahead.

Emmanuel Carlier: Hi, good afternoon. I have three questions. The first is on the working capital, so could you there explain maybe a bit why you see the unfavourable trend and if you expect that this trend can be reversed by the end of the year? Then secondly on the mobile, do you see that competition is intensifying since the fourth quarter and do you believe that you could keep your market share stable without having to lower your prices? Then thirdly is on the pricing, more related to the fixed products, so traditionally you always adapt prices for inflation at the end of the year. Do you intend to do the same over here or do you believe that this would not be that smart with respect to the new telecom law? Thank you.

Didier Bellens: Ok, so regarding the working capital, that's definitely for Ray.

Ray Stewart: Yes, so a couple of issues there. One, remember at the end of last year we had this flooding problem in Thailand over in South East Asia, so our inventory level of our television products was really down to a day to day basis, so the inventory level at year end last year was very low, so we had to restock that during the year especially in the first quarter but we will continue to try to optimise inventory over time. The accounts receivables, if I look at days outstanding and so on, it's ok. We will continue to try to improve. The one area that we will try to improve but I can't guarantee that it would be by year end is maybe on the trade payables side.

Didier Bellens: Ok, second question, I will do a short introduction. You're right, mobile competition is important and we really try to respond to the competition with our strategy as I said in my introduction which is convergence and offering more and more mobile solutions and that's working extremely well, I've given you the figure of the number of packs sold with mobile solutions. That's really promising and for us that's indeed the best answer, not putting further pressure on a decline in prices. Now, you are probably interested in listening to Dominique for CBU Consumer and Bart for Enterprise, so Dominique.



Dominique Leroy: Yes, thank you for the question. I think on mobile as you have seen in the third quarter figures we have resisted quite well. We have good figures on post paid and we have had some expiry on pre-paid, so we don't expect to have to change our pricing in the coming months on mobile, and as Didier said I think our strategy is very much a convergence strategy and it's really proving to be successful. On the mobile-only side we have launched a new tariff in October which is the smart tariff and to that extent we have a very easy structure of our tariff for mobile only. We have a voice oriented tariff, the Easy plan. We have an SMS oriented tariff with Generation; and we have a smartphone oriented tariff with the Smart offering; and I think what's important to know is that in Belgium smartphone penetration is still relatively low, so that's why also we think the Easy and the Generation tariffs, that started from €10 a month up to €25 is certainly a price point where we still have the potential to keep and attract a lot of customers and on the Smart range which is much more addressed to smartphone users, I think there you have seen that we have prices ranging from €20-75 with already extremely attractive offers at €35 and €45 per month, so in that sense we think that we have a good portfolio, well balanced ranging from €10 to €75 pricing a month to address the current market competition.

Bart van den Meersche: Ok, then for Enterprise, not much different. So of course conversions is important and we see by the way that a number of packs of customers, they had multiple packs are increasing. Next to that what we see is that indeed there is more movement with the new telco law to see more ports out but we also see more port ins and overall we still have a positive effect so as you have seen in the report we have 21,000 net adds in terms of cards for mobile.

Didier Bellens: Ok, then the last question is the pricing of fixed products, it's probably more for you Dominique.

Dominique Leroy: So concerning pricing, we will not apply index as such. I think also with the new telco law this is something which has been open. What we will do is that we will re-look at all various price points in our portfolio and come with a pricing which is more in line with our strategy and I think I can already say today because it will be public next week that we will not change our mobile pricing nor will we change our current successful convergent prices, but we will have some price increases on other types of products, namely old packs where we want

people to move from these packs into our new products and in that sense have a more simple offer and more offering, more value for the customer without decreasing our revenue.

Emmanuel Carlier: Ok, thank you.

Operator: We will now take our next question from Stefaan Genoe of Petercam. Please go ahead.

Stefaan Genoe: Yes, hi, Stefaan Genoe from Petercam. Congratulations with a strong set of results. I would like to come back on the last question on CBU. You indicated there is now there will be no price adjustments anymore but can you indicate the recent new tariff plans that we're seeing. To what extent do you believe they have been more aggressive in pricing than I would say historical tariff changes? Then secondly could you indicate the vectoring capex you expect for the coming years and what would be the timeframe for the rollout? Then last question, on the post-paid and the Kong offer from Telenet, have you seen accelerated portabilities there since October when the telecom law changed? Thank you.

Didier Bellens: Thank you and thank you for your congratulations. So question number one and three is for Dominique and number two will be for Geert.

Dominique Leroy: Ok, so coming back on the pricing, perhaps I was not very clear in my answering. What we will not change is the successful products we currently have on the market meaning our new mobile prices we have just launched as from 1<sup>st</sup> October, so those prices will remain the same for 2013 and also what we have called the Eagle pack, so the new packs, convergent packs we have launched in April this year which are very successful will remain the same for next year. The rest of our product portfolio will have some pricing adaptation and we will make that public in a press release next week, 30<sup>th</sup> October. So there will still be some price impact for the Belgacom Group which of course is important for us also to balance out some cost inflation we have also next year.

Geert Standaert: Ok, with respect to the vectoring question...



Didier Bellens: And the post-paid comp.

Dominique Leroy: What we see indeed since October, the new telecom law has been of application and we see more volatility on the market, so it's true that as Bart has already explained we see more port outs but we also see more port ins, so you really see that the market's volatility has increased and certainly in the first two weeks of the month it's already decreasing in the latest weeks but it's in both directions, it's in port out but also in port in and specifically if you refer to the Kong which is the high price offer, we don't see very specific movement on that one. I think on the contrary it's still an offer which is directed to a very limited number of customers in the market. Most of the tariff plans currently, more than half of the tariff plans currently are on pricing which are below €20 per month.

Didier Bellens: Vectoring capex?

Geert Standaert: With respect to the vectoring we did last week a press announcement that we will deploy vectoring into our network. We have there favoured conditions because if you look at the investments we did in the past there we have a fibre infrastructure whereby at the year end we will reach 85% of the population and also the regulatory framework that we negotiated here is favourable for vectoring. Now for the vectoring rollout to reach their high significant coverage you can take about an investment that ranges between €150-200 million, so if you compare that for example with the fibre to the home investment, that is of course of a different magnitude.

Stefaan Genoe: Is it possible to give an indication about the timing of this investment?

Geert Standaert: The timing, of course it will be a bit subject to what we will get approved by our board, but of course it will be a programme that we have now where the highest rollout will be in the next coming three years.

Stefaan Genoe: Ok, thank you very much.



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

Dimitri Kallianiotis: Hello, it's me again if I may. I've got two questions now, one has already been asked. The first one, I was wondering if maybe you can help us a little bit to understand more what you are doing different in EBU that is very successful and I mean that when we look at the cost of materials it's down year on year in Q3 despite the fact that competition in mobile seems to be increasing and that your mobile net adds at the same contract are positive so I just wanted to get your view if you think it's sustainable that you can keep cost of sales and basically stocks stable or even down despite the fact that competition is going up without losing market share. My last question is on the tax rate for this year. Tax came in below expectations for Q3 and in the past Ray kindly gave us some guidance on tax, so if it would be possible to have your view on where you think the tax rate will be for this year? Thank you.

Didier Bellens: Ok, thanks.

Bart van den Meersche: For the first question, the EBU and the cost of sales, a number of effects here. So one in the year to date, there is an effect of the sales of Telenet Spain and that is of course a one-off, but then if you look into the third quarter where that doesn't play anymore, there's two effects. There's one the decrease as a result of the lower termination rates and that is staying which is more than offsetting the unfavourable evolution of EBUs, overall product mix and cost of sales. If we have more ICT there is indeed a higher cost of sales that is related, so that is now how it is today. Ray?

Ray Stewart: On the effective tax rate we had a positive I would call it one-time positive impact in the third quarter, so if you take our year to date effective tax rate number, let's say around 21% and then you would assume the normal rate that I'd given you before for a going forward basis of 25%, 26% for the fourth quarter then I think you would reach the total year number fairly close.

Dimitri Kallianiotis: Thank you.



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

Michael Bishop: Hi, good afternoon. Just two questions please, firstly the margin in CBU was very strong in the quarter so I was just wondering whether this is sustainable going forward, that sort of improvement or whether you feel you might have to react a bit more in Q4? I know Mobistar were indicating that they felt they might have to in terms of margin. The second one is more of a general question on the Belgian fixed line market. With your improved line loss and strong cable telephony adds it seems that overall Belgian access lines could actually be growing again, so I wanted to get your view on whether you thought that sort of improvement was sustainable as well? Thanks.

Dominique Leroy: Margin on CBU, I think first I will start with explaining why the margin was very good in Q3 and I think it's already some effects of what we have called internally a more value based strategy where we have for instance in Q3 this year not done a certain number of promotions that were done last year, like for instance boost on pre-paid which was done in 2011 and we have not reconducted in 2012 because we saw it was not profitable; some other types of high acquisition activities which were not delivering a real return on investment has also been cut, so in a sense it is sustainable but it's not something that will necessarily come every quarter. Another element we have worked upon is upon our channel mix, so we are also now trying to sell more through our own channels through internet which has really taken off as well within our company. This is also something which will be sustainable. Concerning Q4, Q4 has traditionally been a quarter with a lot of promotional activities and this is certainly something we will also do, so in the coming months we will see some more aggression on promotional activity which will not be at the same level as cost of goods sold in Q4 than Q3 because we will indeed invest more in the market, not as from some previous questions on pricing but much more on investments in the market and on promotional activities to increase our net adds both in mobile as in fixed because as you know within the convergence strategy for a specific party certainly as important. Then I come to your second question which is about fixed line. We still believe that there is a big potential for increasing access lines and that's why we...our key products in all our strategy remains the internet because for us it's the enabler of

everything we can offer in terms of products and we have now since the beginning of this year the theme of 'Internet Everywhere' which is sustaining our convergence strategy and that's something we see as working well in the market and that's certainly something we will pursue because we still see a quite good uptake on internet lines.

Didier Bellens: Thank you Dominique.

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

Paul Sidney: Thank you. Just two questions please. The first one is regarding your new tariffs announced at the end of September on mobile, I was just wondering, what are you seeing in terms of the ARPU change from a customer who moves onto these new tariffs? I understand it's probably a little bit early but in terms of your expectations maybe you could give...obviously it seems that you're giving more in a similarly priced bundle than you were before, so I'm just wondering what ARPU impact you think that will have? Just a second question, in terms of the accounting treatment of the unused minutes from mobile bundles using the LIFO method rather than FIFO, can you just explain the effect of that both from a revenue and profitability perspective please? Thank you.

Dominique Leroy: I think the questions are again for me. Concerning the mobile tariff I think we will see the ARPU change which is very much linked to the penetration of the platform, so the fact that we have introduced a specific tariff for smartphones and that we see that in the sales of the latest quarter, more than 50% of the sales of devices have been smartphones will indeed normally increase the ARPU we will be able to get, so there are two effects – some more aggression in the market but also a price steering bringing ARPU up into more data usage coming from smartphones. So in that sense I don't think I'm so much afraid of a strong ARPU decline. We give more for the same price to customers but we still have big headroom for growth in mobile data through the penetration of smartphones. Your second question is about carry over of bundles. It's true that that was one of some positive elements in the third quarter for CBU where we have changed the way we do carry over of our bundles and we have put ourselves in line with the market practice. I don't think we will give more specific figures on that



but that's certainly something that has helped to increase the revenue and has compensated the loss we have had on roaming because in Q3 you have also quite a negative one on the roaming of data which has been a bit compensated by this carry-over of bundles.

Paul Sidney: Thank you. Could I have a very quick follow-up? The impact of the accounting change, do you expect that to reduce in future quarters?

Dominique Leroy: The carry-over is a one-off effect. So it's something you have seen now in Q3 but we had normally no effect anymore in Q4 next year.

Paul Sidney: That's great, thank you. Very clear.

Operator: Our next question comes from Akhil Dattani of JP Morgan.

Akhil Dattani: Just a couple of questions please, firstly I guess you have had a few questions on mobile but if I can add one more on churn. We have seen in your results today there is a higher churn but I think from what you're saying that's driven by some pre-pay write downs, so I just wondered if you could maybe give us a clean churn number for the quarter and maybe a bit of colour on the post-paid/pre-pay mix there, whether anything is really changing? Secondly on personnel costs, clearly the overall cost control in the quarter was very good which you've discussed but I guess just interest and a little bit of colour on the personnel cost item which seems a bit higher, whether that's exceptional, whether there's specific drivers behind that that we need to understand; and then the very last one on capex. You have talked about the vectoring initiatives and clearly that makes a lot of sense given the strong commercial momentum you're seeing in fixed, but I guess I was just interested to understand what that might mean for your total group level capex for sale over the next few years? Thanks.

Dominique Leroy: On mobile churn it's true that the increase you see is mainly coming from the mix of pre-paid and post-paid and that the churn has increased a lot in pre-paid because of the cleaning and the no boost promotion we have done in the third quarter. On post-paid there is a small increase in churn and that's the consequences of what I have explained earlier is that with



the new law and the no commitment we have started in the summer on our prices you see more people changing and so it's more people going out and more people coming in which has indeed an impact on churn, so there is a small increase also on churn for post-paid. The main impact is coming from pre-paid.

Ray Stewart: On the HR nothing significant but yes, we have had a couple I would say minor changes overall on the HR expenses which caused the third quarter to be up let's say more than the first two quarters of the year, but that was purely third quarter related so I would say the fourth quarter should be fairly clean, at least at this point. Then finally on the capex we still hold to the guidance that we've given for this year's capex and it's a little too early to start talking about the guidance for capex for the upcoming years, so we will do that probably some time after January.

Achil Detani: Thanks, that makes sense. Just maybe one thing if I could ask on capex without as you said pressing in terms of an absolute guidance number. If we think about the investments you're making this year, are there any specific major items that you would think about that are maybe unwinding into next year that might maybe compensate if we're trying to work in our minds what the capex profile might be?

Ray Stewart: No, there's nothing we're doing this year where I could say December 31 it's done, so I can take that off the table and talk about the other things that we're doing, so all the major capex categories of project that we have this year are going to be continuing in the next year maybe at different rates or different speeds, but no, I don't see anything.

Achil Detani: That's clear, thank you.

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

Luis Prota: Yes, thank you. I have two questions please. The first is on TV ARPU. What I would like to know is what's a sensible future trend? As part of the growth this quarter you said in the press release is coming from a price increase in the rented set-top boxes which I guess is not to be extrapolated; and also any quantification of the impact of these could be useful? Secondly in

terms of shareholder returns I would like to understand the rationale you followed for paying this €100 million as a dividend relative to buyback, whether that has to be with government needs and in relation to this whether there's anything new regarding this old rumour earlier this year that the government was budgeting a special dividend from Belgacom? Thank you.

Didier Bellens: Dominique for the first question on TV.

Dominique Leroy: TV ARPU indeed has increased in Q3 and it's due to two phenomenon. First of all we still had until Q2 2011 extra ARPU in the past of the soccer and as you know that as from Q3 2011 we have given free soccer, so that's helping now the comparison. The second one, it is indeed true that we are helped by a decoder and the set top box increases and to be honest in our future plan we continue to see an increase or to foresee an increase of the ARPU. As a main driver both internet and TV will remain the main driver of revenue growth for the CBU business.

Didier Bellens: On the second point regarding the remuneration policy, I think we have been extremely consistent and transparent with the market about what we intended to do. We have made a disclosure I think in July after the board saying that dividend will be at least the same as the 2011 dividend we achieved by the way €2.18 per share and we used to split this dividend between interim dividend, €0.50 and the balance base, let's say the next year €1.68. It was straight away to the same and on top of that we had indeed €100 million share buyback and we have always said listen, we are very open minded and we have not yet decided how we're going to do a share buyback or dividends which is obviously let's say exceptional just like a share buyback is exceptional, so it's another nature. When Ray and I were on the road last time, that was in September, this point has been discussed with a lot of you, saying ok, fine, you still have the share buyback to do. When are you starting? Is it going to be a share buyback or dividend? As you know there is not one voice coming from investors saying I prefer absolutely a share buyback or a dividend. So at the end of the day listening to everybody, we as management decided to propose to the main board to go for a dividend of €100 million but to be also very clear about the fact that this €100 million dividend, €0.31 is exceptional in the sense it's just replacing the share buyback we don't do. So that's where we are. Regarding the rumour of an exceptional dividend, well, I have not directly heard the rumour. I may imagine that let's say the



government may be willing to get more money from let's say the different pockets, successful pockets and there are not so many, but ok, it has not happened and if you heard a rumour, it's only a rumour. I may imagine that with the proposal we've made and agreed by the board and announced now to the market, I may imagine everybody is happy or should be happy and may I remind you that most of our peers are decreasing massively their dividend or cutting their dividend and we are in my view doing what we've said, we are paying at least the same dividend as the dividend pay in 2011, so we are in line with our commitment, but when we talk to the market these are commitments and we think that dividends, we can pay this kind of dividend especially because let's say our top line, the total revenue is increasing and you will see that in the review of the guidance. It's an improvement of the guidance which is rather unique in the telecoms sector too. Revenue is increasing which is promising of course. EBITDA is decreasing less but nevertheless still decreasing; and obviously if you have a decrease in EBITDA it's difficult to go really for a very high exceptional additional dividend, so that was the position of the management committee.

Luis Prota: Very clear, thank you.

Didier Bellens: Thanks.

Operator: Our next question is from Marc Hesselink of ABN AMRO.

Marc Hesselink: Yes, hello. Two questions left on CBU. First one on the usage, if you assume the traffic in SMS and also in voice, it seems to be a bit lower than the normal trend. Do you see a changing trend there? If that is indeed the case then the voice ARPU, the uplift there is completely coming from the LIFO adjustment?

Dominique Leroy: No, I think to be honest on SMS usage, if you look at the figures we have published, it's still increasing, so probably you are referring to the overall data usage where there what you see is that there is a price decrease on the roaming which is indeed where we have not the same increase in revenue of data...we still have an increase but not as high as the previous quarter, but in terms of usage we see an increase of usage of SMS and of mobile data;

and concerning voice there is a small decrease but not more than the former quarter. It's a trend that is relatively linear and don't overestimate the carryover bundle, it's a small effect in the quarter results so I don't think we should put that too much forwards because it's a relatively small impact. The impact on the mobile is much more coming from the underlying trend as explained.

Marc Hesselink: On the SMS, was that a slowing trend? The first half of the year was still +11% and less 6% so quarter on quarter it's going down quite quickly?

Dominique Leroy: I think for me it's still increasing. If you compare that to other countries I think we have managed the SMS pricing quite well in Belgium with a lot of bundles where you have unlimited SMSs and where you see that people are still using a lot of the SMSs even with an increased smartphone penetration, people are still using SMS a lot so I think I'm rather positive on the SMS trends even though it's not 11 but it's still +6 and I think that +6 is still very exceptional versus other countries?

Marc Hesselink: Ok, thank you.

Operator: Our next question is from Charles Verle of Deutsche Bank.

Charles Verle: Hi, good afternoon. Two questions please on CBU, so the first one is going to be on mobile again. The second one will be on TV. First question on mobile, sorry, I'm a bit confused because you are saying that margins in Q3 are better because we have less promotions versus last year and that it's going to be sustainable, whereas at the same time we shouldn't expect that every quarter, so can we just confirm, so we're going to have more promotions in Q4 and potentially in one quarter every now and then? How are you going to respond to competition on pricing because we have seen for example Mobistar yesterday decreasing its voice tariffs by 50% from 25% to 12% on their internet mobile pre-paid offers. I think you're still on 25 cents and even 50 cents per minute during rush hour, so are you going to maintain those tariffs? The second question on TV growth, you're saying that should be the main driver for CBU growth in the future but I'm looking at your customer base on TV and I see that you have got 95% of



broadband subs that have IPTV already and that's +10 percentage points since last year, so how are you going to drive customers to subscribe to TV next year when you have all your broadband customers already on TV? Thank you very much.

Dominique Leroy: OK, so on mobile I think the problem I think, what I said is that we are looking at all our promotional activities and we are trying to make sure that all promotional activities we have have the best return on investments; and in Q3 which is a quarter which normally you don't have a lot of promotional activities, we have had last year some promotional activities which were not with positive returns on investments and those ones have been cut in Q3. That's why you see an increase of our margin in Q3. We will continue of course to do promotional activities as we have done in the past but we will try to do these promotional activities with the best return on investments and in that sense it's not that we will spend less money in promotion but that money should deliver normally more revenue and more margin than in the past, so that's hopefully in that sense a bit clearer. In terms of pricing we have just introduced new pricing as from 1<sup>st</sup> October and there you see that you have the choice for people who are voice centric, SMS centric or data centric and we have also for instance introduced evening and weekend freephone which is already quite an aggressive pricing and I don't think we need to decrease the price per minute further on the short term because we have those type of activities with evening and weekends free. Concerning TV, I think TV will grow also in parallel with internet so when I answered the TV question I said our two main focuses for the future will be growth of the internet and growth of TV, so it's probably not so much up sell of TV that will drive growth in the future but the continuous increase of both internet and TV customers. Perhaps I have to remind you that in the fixed area if you compare our current prices with the current prices of Telenet, we are now much cheaper than Telenet, between €160-200 a year because very often people forget to increase the cable costs with the Telenet pricing so we don't need to change any of our prices. We are already cheaper on the market. We are continuously investing in new technology which really helps us to reach more people with a very good, high HD TV offer and I think those two elements should give you as well confidence that we can continue to grow internet and TV revenues in the long run.

Charles Verle: Alright, thank you very much.

Operator: Our next question comes from Alex Grant. Please go ahead.

Alex Grant: Hi guys, a couple of questions from me please. Firstly could you just give us a little bit more colour on the ICT division given the perhaps challenging macro environment of what you're doing right there? Secondly within CBU can you give us a bit more colour on your Happy Time packages and how much of a growth driver you think these can be going forward? Thanks.

Bart van den Meersche: For the ICT part seeing that we still have growth in a difficult economic environment, the reason is mainly because we are really focused on what we call adjacent ICT, adjacent to the telco business and trying to leverage as much as possible our telco presence through the ICT, so we have indeed still growth. Having said this it is in a market where you sense that the economic situation has an impact and when you feel that there is a focus on costs and a focus on the EBITDA and sometimes delaying certain investments, but we still are able to achieve a growth in these. When we talk about conversions which is our strategy, we had a conversion that we have in the telco business by having fixed mobile voice data. We talk about actually double convergence where we also have convergence between telco and ICT which helps us in both directions.

Dominique Leroy: Concerning the Happy Time and the Happy Time XL, I think we are quite happy with that type of pricing because if you look at our number of fixed voice customers where we used to decline last year with 31,000, we are now at -21,000 so in that sense the Happy Time products are really helping us and also the convergence, the packs are helping us to keep our fixed basis. We have a continuous increase of the number of subscribers for the Happy Time XL and the only thing I would say is that it has increased again the usage of fixed telephony and also mainly recently we see a big increased on fixed to mobile. It has a small impact on the mobile usage but the balance is certainly positive for the company.

Alex Grant: Ok, so you continue to think there's still further growth to come from the take-up of these unlimited offers?



Dominique Leroy: Yes. It's also one of the key elements in our packs offering. In the packs offering we offer the Happy Time as a standard offer and we even offer Happy Time International in our higher price pairing where you can also phone freely to 34 countries in Europe and some other countries during evening and weekends and that makes our fixed voice offering still quite an attractive offering also versus competition.

Alex Grant: Perfect, that's very clear. Thank you.

Operator: Our next question comes from Sasu Rismaki of Merrill Lynch.

Sasu Rismaki: Thanks, I had three questions related to the mobile business. Firstly there seems to be a slightly differing ARPU trend between consumer and business in developing. Can you talk though a bit about what you think are driving those differences? Secondly can you just give us a number for what is the penetration of smart phones now and what is the difference between consumer and business customers there? Then thirdly if I look at the Belgian market in Q3, it seemed to add a total of 130,000 post-paid mobile customers in one quarter which is probably the best number we've seen for a long time. How do you see the market developing here and what do you think is driving this big increase in post-paid? Thanks.

Bart van den Meersche: Maybe in the context of the difference in ARPU for mobile between CBU and EBU – that has always been the case. This is not for Q3. Traditionally we had a difference in ARPU and that is linked to professional usage and consumer usage where you also have some more roaming and some more...

Sasu Rismaki: My question was more why is the business customer ARPU coming down so much more rapidly than consumer ARPU at the moment?

Bart van den Meersche: Yes, sorry. Then that is because we have especially in the lower segments, in the SME segments we have a spill over from the aggressive consumer pricing that is also coming in the lower end of the enterprise market. It has an effect.



Dominique Leroy: Concerning the smart phone penetration, the latest official figures we have are still the same, it's 27% and we give those figures only twice a year, so today I don't have more recent data than the 27% penetration which was the latest GfK. The only thing I could say is that we see now in our sales of devices that smart phones are around half of what we sell in terms of devices, so the penetration must certainly improve but I don't have recent official figures. Concerning the post-paid, I don't know your figures. Are your figures coming from all the various player' results that you add together?

Sasu Rismaki: Exactly.

Dominique Leroy: It's difficult to answer that. The only hypothesis I can put forward is that because there is no engagement more people go into post-paid offers versus previously people taking a pre-paid arrangement and that probably we will see some shift in the market.

Sasu Rismaki: Ok, thank you.

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

Ulrich Rathe: Yes, thanks very much, I have three questions please. The first one is there's a pretty significant mobile termination rate coming on top of the rather big one already in 2012, so the 60% coming in 2013. I was just wondering what's your best case assumption on what the smaller competitors are going to do with the more headroom that they gain through this MTR cut in their cost structure? The second question is on EBU. The mobile data revenues are actually down I think for the first time ever pretty much. I understand the major reason is the roaming regulation coming in. I was wondering what your view is on potential elasticity there? Do you think these regulated price cuts might simply give you more volumes and eventually that red line item could start growing again? Then my last question would be on the personnel costs, Ray, you answered that for the group saying that there were no more HR costs but what I do see in the EBU trends at large is that on declining revenues headline I see significant personnel cost growth of between 5-10% each quarter of 2012 on declining revenues. How is that going to go

forward? How do you think about this significant growth in the personnel costs in EBU? Thank you.

Didier Bellens: Ok, great questions. Bart, do you want to start? The first one will be for Dominique.

Dominique Leroy: I will try to answer the first one. I think the MTR is known already quite a long time and so I think it has already been included in most of the pricing plan we see today, so personally I would not see any big changes in the market due to this MTR and on an absolute level it's still quite a small amount compared to where we come from, so personally I don't see any big shifts in the market coming from this new MTR decrease.

Bart van den Meersche: For EBU the mobile data revenue is indeed down for the first time, although the volumes are very much up, so due to the higher penetration of smart phones and tablets, those sort of volumes have been growing, but because of the capping of the rates of the retail data roaming it has an inverse impact on the revenue. Now in terms of the volumes, as I said it has an impact on the volumes, yes, because we already have volumes that have been increasing quite steadily. If we exclude the regulation impact we have a double digit growth also in mobile data for the roaming part as we had before, so we expect the volumes to pick up and to be able to compensate partially for this regulation impact. In terms of the HR costs, as you have seen the HR costs increased as a result of several aspects. One, there is a change in allocation that is group level neutral. Next we have an indexation that has an impact and then we have a one-off for HR and then the rest is an increase in HR for the ICT business, so there the ICT business is a people business and as we have growth in ICT we have indeed growth also in our HR costs that is linked to this ICT business.

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

Operator: Our next question comes from David Ryder of Deutsche Bank. Please go ahead.

David Ryder: Hello, it's David here. I apologise if this question just seems to go around again but I can't quite get my head around it. It feels like Telenet is pushing harder on the data side of



mobile; Mobistar is pushing harder on the pre-paid side. We have seen this kind of dynamic in many other markets in Europe where the incumbent is ultimately forced to lower prices to a much more competitive level. I just wonder what makes you think you can sustain the premium you currently have and not ultimately suffer a fairly substantial increase in churn? Thanks.

Dominique Leroy: I think it's the same answer as we have said. It's true that the competitive market has become more aggressive. I still think that we are one of the only really convergent providers in the market and you see that we increased or in mobile it's also coming to a great extent from mobile impacts and that's the sort of thing that Mobistar offers are currently not able to offer. You talk about data for Telenet, I said that the penetration of smart phones is still 27%, that's probably a bit more today but still a big part of the consumer market which are currently not interested in data and to that extent I think we have some good outsource in our tariffs which are quite interesting for people that are not interested in data. For the rest I think we have good pricings with three offers. We have some promotional activities that will indeed at those moments reinforce our price positioning in the market. We also have a good network quality. We have also very good services both through our core centres, through our shops. If you buy smart phones in our stock you get a whole lot of help in terms of configuration and things like that, so I think those are all types of elements that are appreciated by your customers. We will also come with the 4G technology and we will be there the first one on the market already this year, so I think we have quite a lot of assets in our hands to be able to...to make sure that we can keep growing in the market without having to enter into a price war.

David Ryder: Ok, thank you.

Nancy Goossens: Ok, I think with this we will have to end the call, so if anybody else has any follow-up questions you can obviously direct them to the Investor Relations team. So I'd like to wish everybody a very good weekend and thank you again. Bye bye.

Didier Bellens: Thank you.



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