



**Company:** Belgacom  
**Conference Title:** Q3 2013 Results  
**Presenter:** Nancy Goossens  
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**Operator:** Good afternoon ladies and gentlemen and welcome to today's Belgacom 2013 Q3 Results Conference Call. For your information this conference is being recorded. At this time I would like to turn the conference over to Nancy Goossens, Head of Investor Relations. Please go ahead.

**Nancy Goossens:** Yes, thank you. Good afternoon to you all and I guess good morning to the US participants. So welcome to this first quarter conference call about Belgacom's results. I trust that everybody has received the press release that we sent out this morning and I hope you have been able to go through all the numbers in detail so we will keep our usual format which means that we will start with an opening statement from our CEO Didier Bellens and then we will keep as much time as possible to answer your questions.

Now let me just introduce you to the speakers on our site, so we have Didier Bellens, our CEO. We have Ray Stewart, CFO; Dominique Leroy from the Consumer Segment; Bart Van Den Meersche from the Business Segment. We have also here Geert Standaert for the Network and the Wholesale Department; Bruno Chauvat who is responsible for Strategy & Content; and Daniel Kurgan from BICS.

So with this I'd like to turn the call to Didier Bellens.

**Didier Bellens:** Thank you Nancy and good afternoon everyone. Welcome to our conference call. Just a very short introduction from my side and then we can turn to your questions. In short I believe we could describe the third quarter as a fairly stable quarter with no new big mobile price changes in the market. We reported once again a solid customer growth of 83,000 in mobile post paid in spite of Q3 being a commercially slower quarter. Prepaid loss continues to slow,



that's -50,000 prepaid in Q3. Since the start of the mobile disruption in Belgium we have been able to reduce the churn further which is gradually heading to normal levels again.

Besides the attractive mobile pricing we launched in April we believe it was also a good choice to differentiate our mobile network quality in this challenging mobile market. In addition our conversion strategy of the past years is also a real asset in the disrupted mobile market. We see an increasing number of customers including mobile in the fixed package and customers having triple or quadruple play is showing good growth. We have a total of 1.3 million packs. Nearly ¼ of customers has mobile in a pack. The number of triple and quadruple play packs are higher than 60% of all packs. From a financial point of view as we anticipated the ongoing re-pricing of our mobile customers had some further impact on our mobile service revenue but the rate of decline is not significantly worsening.

End September nearly 70% of our consumer post paid customer base were on new prices. On a comparable basis the group mobile service revenue is down 14%, this versus -13.3% in Q2, a slight further decline including re-pricing effects. The pressure on mobile was somewhat offset by the solid performance of our fixed business where we continue to add customers and have increased prices, so increased customers in TV and fixed internal clients. All in all the financial results remain in line with our expectations so we reiterate the guidance we have given for the full year. We closed the year 2013 with a group revenue 1-2% lower than the previous year. Our group EBITDA was 4-6% lower compared to 2012 restated EBITDA of 1.8 billion. Capex to be between 13-14% of group revenue and as promised with the results being in line with guidance we also propose to abort to return an interim dividend of €0.50 per share which stays approved. Ex dividend date is 3<sup>rd</sup> December 2013 and the payment date 6<sup>th</sup> December, so that's all for my introduction. I would like to stress that we may go directly to 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 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. Today's first question comes from Dimitri Kallianiotis from Citi. Please go ahead.

Dimitri Kallianiotis: Hello, thank you for taking the question. I've got three questions please, the first one just going back to the last point you've mentioned regarding the interim dividend, so as you said the interim dividend is flat, you have reiterated your guidance so I just wanted to ask you, any reasons why come Q4 that you would recommend a cut to the final dividend or shall we just anticipate that the final dividend will be flat as the interim dividend assuming that the results are in line with your guidance? My second question is regarding the net additions in mobile, the 83,000 which is a very good number. It's actually the best number in the market, however Telenet yesterday showed some slides showing the mobile number portability. It looks like you have been losing a very small number but have still been losing some subscribers. I wondered if you could help us a bit reconcile the two, why it seems you are losing customers on mobile number portability but on the other hand you are reporting very strong numbers in terms of mobile contract net adds, so I know you don't disclose machine to machine but maybe if you can tell us out of the 83,000 how many of those 83,000, how much of that is really sort of proper simcards like for smartphones and voice rather than just machine to machine or data dongle? My last question regarding capex to sales, some of your peers have been saying about increasing capex like for instance Vodafone to differentiate their network. Others like KPN have actually talked about lowering their capex in the medium term because of a need to spend a bit less in fiber. I just wanted to check with you if you are still of the view that you will spend around 13-14% capex to sales over the medium term? Thank you.

Didier Bellens: Thank you especially for let's say the second and third questions. The second question indeed we do believe the results there in terms of net adds are extremely good and encouraging for the future, so Dominique, can you answer that question?

Dominique Leroy: I can answer the question for the CBU. I think on the 83,000 additional postpaid customers, 37 comes from CBU and the rest comes from EBU so then if Bart wants to give some comments.



Bart Van Den Meersche: On EBU to answer your question on the mix with machine to machine, in EBU we had 43,000 net adds in the fourth quarter. Of those 43,000 there 8,000 machine to machine third quarter.

Didier Bellens: The capex, I will start and maybe Geert will follow, so you remember we have always said meeting you that we think that capex is an essential matter, that we will go on investing, that we don't see how we can in the future reduce the capex ratio to sales so there is always something new. We are very happy to have let's say the best quality of networks in the Belgian market and that gives us a real marketing advantage so there is no reason to change this successful strategy and in the future let's say we will follow this strategy, say the way we are looking at capex in the future at least, the level of the management committee. We will talk also about let's say absolute figures of capex, not only let's say a percentage but I guess that today we invest roughly around 800 million a year. We don't see why it has to increase dramatically or why it has to decrease dramatically. Geert, I don't know if you want to add something.

Geert Standaert: As we said in the past we have some major programmes running and these are programmes that will take some years. Of course we keep on investing at the mobile side. There we will have a further expansion of our 4G rollout. On the part of vectoring there I can announce that all the testing has been very successful so far and that of 1<sup>st</sup> January next year we will start deploying the vectoring into our network. This should help us to further boost the speed on our VDSL lines to speeds where we talk about 50-70 megabits per second; and at the other end we continue with two simplification programmes, one on the network side and one on the IT side. With respect to KPN if you see there effectively they lowered a bit their capex but what they are doing is that they are reducing part of their fiber investments and also they will introduce more vectoring technology and commit more balancing between fibers and VDSL based technology.

Didier Bellens: The last question is probably for Ray.

Ray Stewart: On the dividend we really didn't have a discussion at the board on that. We simply discussed our year to date results and what the board and Didier said earlier this year, we were



in line with the guidance so the interim dividend was approved. We will talk about the April dividend some time after the first of the year so there was no discussion on that yesterday.

Dmitri Kallianiotis: Thank you. Just regarding the final dividend, what would be the main criteria to decide whether you keep it flat or you cut it, it's unlikely you increases it but what was the main things you will look at?

Ray Stewart: I will look at several different things. We will see how we finish the year, we will see what kind of budget we have, plan we have for 2014 and we will look at our five year plan development, so all of those factors will enter in to the discussion with the board.

Didier Bellens: Ok, thank you.

Operator: Our next question comes from Thomas Deschepper from KBC Securities. Please go ahead.

Thomas Deschepper: Good afternoon everyone, it's Thomas at KBC in Brussels. Thanks for taking the questions. The first one is maybe a bit of a follow-up on Dmitri's question. Could you comment maybe a bit more on let's say the moving parts of the base dividend, for example are you willing to increase leverage to offset the cash out for the November auctions, that's at least 120 million and how dependent is the base dividend of back timing differences? How much cash tax for example can we expect in 2013? Then my second question is on the handset subsidies going into the fourth quarter. Telenet was indicating that's going to be quite aggressive in the lead-up to Christmas and New Year in terms of handset subsidies with the iPhone 5 being introduced. What are your plans on that front? Thanks.

Dominique Leroy: I think traditionally Q4 and the end of the year has always been a relatively important and intensive quarter in terms of competition so we are indeed expecting our competitors to come with more aggression. We are prepared for that and we will also make sure that we have the proper competitive action. We will start it from next week Monday also



with some tactical subsidy activities that you will be able to see as from Monday in our shops so we are quite confident that we have the necessary weapons to answer competitive activities.

Ray Stewart: On the cash question, the licence auction that's coming up, we have not made a final, final decision but probably inclined to borrow that money ourselves and pay it all up front. We have an option with the government that we can pay an annual fee along with an interest rate but with interest rates where they are today I would rather lock it in and so we will probably be inclined to borrow the money for that. I thought I heard something from you on tax payment timing differences I thought I heard?

Thomas Deschepper: Yes, cash taxes for '13, how should we see that?

Ray Stewart: The one thing to keep in mind that we had in '13 was that back in 2009 I believe we had a fine of 60 million from the competition authorities here in Belgium and of course we assume on our books that would not be deductible so there was no issue there on the income statement, but just to protect ourselves on our tax return we did claim a deduction for that and it was disallowed so we had to pay the tax on that, so that's one of the key differences this year on tax payments.

Thomas Deschepper: Ok. Maybe a follow-up on the building sales, how is that progressing? How is that going?

Ray Stewart: Yes, it's going ok. It looks like we should have maybe in the fourth quarter an additional five buildings that we hope to be able to close before year end. Once we get a little farther along we will provide more detail on that.

Thomas Deschepper: Ok, great. Thanks.

Operator: Our next question comes from Nawar Cristini from Nomura. Please go ahead.

Nawar Cristini: Thank you very much, Nawar Cristini from Nomura. Thank you very much for taking my questions. I have two. Firstly in terms of mobile service revenue, the trends are still deteriorating in there as pricing is gradually filtering through the base, so can you talk just a bit about when do we expect the trends to stabilise? My second question is on the regulations, so of course the process is still ongoing, we should have the final retail over the next weeks but based on the qualitative aspect that will be published by the regulator in September and also the current retail management which is in the draft decision, how do you see the fixed competitive backdrop developing over the next years and do you see any threat from Mobistar? Thank you.

Didier Bellens: Mobile trends, Dominique?

Dominique Leroy: Concerning the mobile service revenue I think they have all received a separate evolution sheet where you see indeed that this year every quarter we have had a slight increasing decrease of mobile service revenue. As from Q4 of this year we already had some re-pricing effect included in our comparative basis of 2012, so we expect that certainly for the CBU part the mobile service revenue decline should not accelerate in the coming quarters.

Didier Bellens: Regarding cable regulations you are right, it's actually not moving very fast. Regarding your question about Mobistar, you know our analysis, they are changing their strategy at least once a year and if today let's say they have access to our network because our network has been open now for years, forever, and you remember the time they had access to the DSL network, it has never been working then, they were asking to develop let's say TV, it was a disaster. They have developed their own TV system, it was not working, so if they want to work with cable operators it's ok for us. We don't see any issue there. The surprise for us is that if it's really so strategic for them they should have negotiated access to cable at the time they have given access to the MVNO, to the cable operators. That would have been quite natural to negotiate to deal with cable operators by giving something to the cable and getting something out of the cable operators, so let's say I don't know what they are looking for but for us let's say if they develop their business in fixed via an access to cable operators I don't think it's going to change anything for Belgacom. They have access, fantastic, they still need content. They need

let's say a successful TV platform. It's not a given. They need marketing means so let's say there is a lot still to be done. It's not just about access. It's much more and we do believe that in fact in the Belgian market they are today two strong players, Telenet and ourselves and to have a third one trying to emerge between the two large players, it's just challenging.

Nawar Cristini: That's very helpful, thank you very much.

Operator: Our next question comes from Polo Tang from UBS. Please go ahead.

Polo Tang: Yes, hi. I just have a few different questions. First of all in terms of fixed line are you seeing any notable effects from the recent introducing of the Whop and Whoppa fixed line bundles by Telenet and longer term how do you think your fixed line business is positioned versus cable? Also with the Belgian football rights auction coming up how important is football for Belgacom as a driver of the fixed line business? My final question is really if you look at Austria we obviously had a bit of a negative surprise in terms of the spectrum auction there, so what reassurances can you give that the Belgian spectrum auction will be different? Thanks.

Didier Bellens: Let's say fixed line is probably again Dominique and then maybe soccer, if it is important for us or not, Bruno may answer this question with maybe analysis a few years ago at the time of the last auction and as you know we have said very transparently we were not interested at the price proposed and we have lost less than 10,000 customers, so that was the conclusion at this time. Now as I say we don't know the details how it's going to fly but we are definitely not ready to pay any price for let's say a product that has really shown that it's not always successful.

Dominique Leroy: Concerning the fixed lines, seeing the effect from WHOP and WHOPA, we don't see a major effect of WHOP and WHOPA. What you see there is that more and more customers are moving to triple play and not remaining on single and dual play but this is also a strategy that is pursued by Belgacom now for some years, so the push towards triple and quad play is something that you really see happening in the market and is only accelerating and that's the same for the WHOP and WHOPA element. What's important is that in the development of the



fix we see that really as a development of convergence and probably what we use very much as a differentiator element is the fact that we have both fixed and mobile networks and in that sense we can really give additional value to our triple and quad play customers by using some mobile components and I think this whether you will see increasingly different spreads between the cable operators and Belgacom where we have those networks, so it will not be only a price or content discussion, it will also be additional services like TV everywhere and all the products that will use a fixed and mobile component that we will include in our portfolio development in the future.

Bruno Chauvat: As far as Belgian football is concerned first of all you know that we have been broadcasting Belgian football since the launch of Belgacom TV and for us it was a tremendous advertising campaign at the beginning. As Didier mentioned we have reviewed the position in 2011 when there was the last tender. We came to the conclusion that we were interested to continue to broadcast Belgian football but not at any price so that's something we are still let's say saying today. We are interested by Belgian football but at fair value and in the meantime we have lost around 10,000 subscribers but we have also launched the Belgacom League which is the second division football. That enables us to have a local football approach, the national since we still have one of the fill-outs of the Belgian league and international football. So as was said again we are interested in Belgian football but at fair value and as far as we know we have regular contact with the Pro Ligue. They do not yet know how the offer will be structured so it's premature to make any specific comment and I have to remind also that we are both an editor and a distribution platform so we could look at the rights themselves or if there is a specific channel which acquires the rights we could also potentially carry this channel, so we have a vast opportunity and we will look at the value first.

Polo Tang: Then just on Austrian spectrum in terms of why Belgium might be different from Austria?

Ray Stewart: Number one there are three licences available and my understanding there are only three applicants and the reserve price as stated so I don't think we should have any major surprises in terms of outsiders coming in and bidding up the price.



Polo Tang: Ok, thanks very much.

Operator: Our next question comes from Michael Bishop from Barclays. Please go ahead.

Michael Bishop: Yes, good afternoon, a couple of questions please. The first one is on the prepaid market in Belgium. If we look across all the operators reported trends clearly the prepaid market is shrinking quite dramatically and obviously some of those will be customers moving towards contracts because of the lower pricing and all inclusive bundles. Could you give us a sense of when you believe your own prepaid base can stop shrinking? Then the second question is on enterprise margins you mentioned in the release that part of the reason for the declines is a changing mix within this division. Could you expand a little bit on that? Then the third quick question is would you expect the roaming impact on EBITDA in 2014 to be at broadly similar levels to this year, i.e. the 48 million or are there any reasons why it would be different? Thanks.

Didier Bellens: The prepaid market is clearly for Dominique and the second question for Bart.

Dominique Leroy: Yes. Concerning the prepaid it's true that you see that indeed the prepaid market is declining fast. This is mainly for two reasons, it's of course because of the disruption in the market where mobile subscriptions are becoming more abundant and more attractive, but mainly because you don't have any more contractual agreements on the post paid, so one of the reasons to choose prepaid is to have no engagement. This is currently available on the post paid side. Where the trend will stop, I think it's very difficult to say. What you see is that there are still quite a lot of customers that are reversing from prepaid to post paid. I think for us in the longer term it creates value because you normally get more value from post paid customers than from prepaid customers, so in the sense this trend is a positive trend and you will probably retain in the prepaid market to real occasional users that are using prepaid cards for single use or sporadic use. Where it will end it's too early to say so I think what's important is that we keep a positive mix evolution and we should make sure that in the longer run we increase our full mobile customer base prepaid.

**Bart Van Den Meersche:** As far as the enterprise question was concerned on the changing product mix, I'm not sure whether I got your question right whether it's on total EBU or on mobile but I will answer the two, so total EBU, it is as a matter of a fact linked to the fact that there is a changing product mix because there is more ICT products than before and ICT products have a lower margin than telco products. If it's the mobile linked there on the ARPU you have an effect indeed of having a number of machine to machine and data cards because we have had positive net adds in the last four quarters so we had about 120,000 net adds in the last year. Of the 120,000 there were let's say about 40% machine to machine and data cards, so if you add those in and you divide by the total number of cards, you add the number of lower ARPU cards in your total so that has a decreasing impact on your ARPU but on itself it's not a bad element.

**Dominique Leroy:** For your last question on roaming I think looking at the figures, the effect of roaming should be slightly lower next year than this year but will still be important. Another regulation element that you need to take into account for next year is that for our affiliates Tango, they still have quite a high MTR level and they will go towards European tariffs next year, so that will also be a second important regulation element that will come next year.

**Michael Bishop:** Thank you, very helpful.

**Operator:** Our next question comes from Jacob Dubanovic from New Street Research. Please go ahead.

**Jacob Dubanovic:** Hi, thank you very much for taking the question. Some of my questions were answered but I still have one left. You mentioned that 70% of your post paid subscriber base is already on new tariffs. Can you clarify do you mean new tariffs as in a year ago or do you mean the newer tariffs following your last price changes in April? Thank you.

**Dominique Leroy:** Indeed we currently have around 68%, 69% of our customer base that has been re-priced. When we talk about re-pricing our new pricing plan as from end of last year, as from October/November last year, so it doesn't mean that all those people are on the latest April

onwards tariff but they have tariffs which have come after the disruption, so as from October/November 2012.

Jacob Dubanovic: Thank you.

Operator: Our next question comes from Guy Peddy from Macquarie. Please go ahead.

Guy Peddy: Hi team, good afternoon. A couple of quick questions, firstly as you are looking towards your budgeting process for 2014 do you think your visibility is a lot better this year than last year when you cut your numbers and do you have more confidence or less confidence in your business model? Secondly you often talk about superior network quality, what evidence can you give us or how do you measure that and what stats can you give to say that what you actually look at to show that you do have better networks and why customers should gravitate towards you? Thank you.

Didier Bellens: Let's start with the second question for Geert.

Geert Standaert: With respect to the mobile network what we are measuring of course is at the voice side, we are looking at voice quality but there between the different players there is not a lot of difference, nevertheless I would like to make two comments there. Total voice experience, it's not the quality of the voice conversation itself, it's also the setup time of the call and we are superior in setup time. The second comment I want to give there is that some of our competitors are still handling all their voice calls there in 2G. Of course as they will have to free up spectrum for their 4G rollout they have to move some of those 2G calls to 3G. That will put some additional stretch. We have done that already and nevertheless our voice quality is top notch. The biggest difference though is in the mobile data domain where we are looking at average speeds, where we are looking at coverage. Indoor coverage of our 3G is superior versus competition. What we call 3G Plus which is the improved speed experience on 3G, our coverage is there as well substantially better and of course on 4G we will strengthen by the end of this year at an outside population coverage of about 50% where this is substantially higher than competitors.

Guy Peddy: Thank you.

Ray Stewart: In terms of visibility in 2014 yes, I feel more confident going into 2014 at least for now than we did going into 2013 because we still were in the middle of the whole mobile disruption and we weren't quite sure when churn rates would settle down, whether prices would eventually end up at so in that regard yes, we feel we have more visibility for 2014.

Nancy Goossens: Can we have our next question please?

Operator: Our next question comes from Stefaan Genoe from Petercam. Please go ahead.

Stefaan Genoe: Yes, good afternoon, Stefaan Genoe from Petercam. I've got three or four questions left please. First on CBU, you indicated that not all of the 70% are on the latest tariff plans. Is it possible to have an indication on those that are really on the latest tariff plan? Second question on CBU, the data revenues of course in mobile are declining at a much lower pace than voice. We see your strong 4G rollout. Could you indicate when do you expect data revenues to potentially start growing again? What's in your budget there? Then on EBU HR costs increased in the quarter on contrary to CBU. I've got the impression it's also partly due to a change in product mix with more services. Is this a structural trend we should see in the next quarters? Then also and I would say at group level related to HR costs, if you already can give any indication depending on inflation or indexation which part or what indexation we can expect for 2014 on HR expenses? Thank you.

Didier Bellens: Very good questions, thank you. So two questions for CBU.

Dominique Leroy: Yes. Concerning the split we do not give the split and I think the most important thing is also if you look at churn level we have come back in Q3 on churn levels which are similar to the level we had before the mobile disruption element, so in that sense I think even if not everyone is on the best tariff I think people are happy with the tariff they have and you will see that also in the churn here which is down to levels of the previous disruption of October 2012.

Concerning your second question, the data revenue, I think you can already see that the data revenue in Q3 are increasing versus Q2 and I think that's the most important. What you see is that a percentage of data is increasing very much. You don't see it yet on the revenue quarter to quarter because we had a re-pricing but you already see that Q3 is higher than Q2, so we expect indeed the data revenue to grow substantially in the coming quarters and in the coming years.

Stefaan Genoe: Ok, thank you.

Didier Bellens: Then we have a question of HR costs, first EBU and then eventually a broader question on HR costs.

Bart Van Den Meersche: So the question on HR opex for EBU and evolution, it is increasing indeed. It's due to a combination of elements, so one there is the inflation based salary indexation at play; second migration to new technologies and this as well in the context of Mantra which is the network project that Geert is driving, and in the context of migrating older legacy technologies to Explore technology, that's the second element. The third element is indeed the ICT business that is more people intensive and the fourth element is quite important also is that we are doing quite some more volumes as you have seen in our net adds also that have been posted all the time, so all those elements together play in those HR parts. Now answering your question is there a structural trend? As you see some of it is structural but some of it is not structural so there is next to the element that they announced for next year where we are working our workforce costs, so you cannot say that it's structural.

Didier Bellens: Regarding total workforce costs we have announced a few months ago that we want that these costs are flat year over year and that means that globally we have to make a saving of let's say somewhere between 50-60 million to keep the costs flat. Then the question will be is flat enough and especially we think that the evolution of the costs has to be in line with the evolution of the revenues, so we will see. We can work on two steps and have a two step approach there and of course all BUs will be impacted, so we are still accepting an increase in HR costs if it's proven that we have an increase of revenues, margin and EBITDA in terms of absolute figures, so we are following that very, very closely. Thanks.

Stefaan Genoe: Ok, thank you.

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

Luis Prota: Yes, thank you. Just one question from my side, I would like to get your thoughts on the European Commission proposals on a single market, what would be the impact for Belgacom from the lower roaming revenues since the elimination of inbound roaming is apparently going to happen if everything gets approved, and whether you see any major benefit of abandoning roaming surcharges just to avoid the roaming decoupling or that is not attractive enough and the current status quo is likely to remain? Thank you.

Didier Bellens: Thank you. As always in these kinds of proposals there are pluses and minuses. Bart, do you want to start?

Bart Van Den Meersche: Sure, I can start. One in terms of the single market, a lot of the roaming has already been taken. We had already acquired some regulation on roaming. Now depending on how it's going to evolve, so we don't know what is going to happen in terms of the single market, whether it's going to be decided or not but we are preparing on this and we should be able to manage that. Have you seen major benefits from the roaming capping, so we see indeed that the volumes keep going up very importantly, so that is an element that is linked to this roaming capping but it is also linked to the fact that you have more and more bundles where people are using more also in those bundles.

Luis Prota: Thank you Bart but can I ask you, what is clear from the proposal is that inbound roaming is going to be eliminated. Can we get the contribution of inbound roaming to your total revenues and EBITDA please?

Bart Van Den Meersche: I don't think we published those figures but indeed we know those figures and we take into account that fact for our plan for next year.

Luis Prota: Ok, thank you.

Operator: Our next question is from Bart Jooris from Bank Degroof. Please go ahead.

Bart Jooris: Yes, some questions left here. Once again a follow-up question on the mobile client migration. If you look at the figures Mobistar report and you report there's a huge gap between what you guys are saying and what Minister Vande lanotte and the BIPT is saying. Do you give them a different definition of figures and if so could you explain that? I have another question on capex, you have not reached 13% of capex in the first three quarters of the year. Do you see a huge pick-up in the last quarter or should we more think that we will be on the lower end of the 13-14%? Moreover there is the new regulation that you will have to keep data for your customers longer. Could you give us an idea how much this will cost you and then one very small question, could you tell us how many 4G customers you are already having?

Didier Bellens: Thanks. Ray?

Ray Stewart: I wouldn't plan on a whole lot of savings, first is the target we've given this year. We have excellent engineers here at Belgacom and they have the ability to let's say buy equipment in the fourth quarter so I don't think that's a concern.

Didier Bellens: There's a question still on CBU on the famous 30%.

Dominique Leroy: I think first of all the various figures, I think what's important is the BIPT are using figures that are always a bit older than the ones we use because there is a time lag, so if re-pricing is going around every month or every quarter, you have a different number. The objective of Minister Vande lanotte is still to go to the 90%, so there is of course still a gap between 70% and 90%. The question of course we have in these gaps some customers, a big number of customers that are on very low tariff plans being €5 and €10 tariff plans which are old tariff plans of Proximus that are not available any more in our current plans, where you go to €15 or €20, so the question is of course if you migrate those customers you increase their ARPU or price commitments and of course do you take those customers into account or not, that

could also be a second source of difference. What we think is that migration will continue and that we will be able to answer Mr. Vande lanotte's demands by September next year not involving a lot of extra costs versus our normal migration trend because you see that natural migrations are happening quite fast.

On 4G, first to take this one, we do not disclose the number yet on 4G because of course you have already a difference in number of people having a 4G plan, so the number of people having the 4G handset and who are then really using the combination, but to be clear today it's still a very small number of customers. I think it will increase substantially from next year where we will have a much bigger coverage of 4G and also more and more devices that are 4G enabled.

Bart Jooris: Sorry, I forgot one question regarding the security breach you had. Do you see, you can't see it in the numbers of course any impact in BICS regarding some clientele that has started to get worried?

Didier Bellens: Daniel?

Daniel Kurgan: Good afternoon. The answer is no. Our services have never been discontinued or damaged and we keep our clients informed and we have not seen any specific customer reaction.

Bart Jooris: Ok, thank you very much.

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

Nicolas Cote-Colisson: Thank you, good afternoon. Just a follow-up question on Luis's previous question on roaming. I was wondering if you would be considering the Irons route or would you stick to roaming 3? More generally on regulation what is your view on consolidation that could be derived from the single market initiative? Then I've got a small quick question and sorry if you have already addressed that earlier on the call but your CBU margin was quite strong this

quarter at nearly 47%, last year it was only 44.7%. I was wondering what was driving this? Thank you.

Didier Bellens: You have two questions I guess for CBU.

Dominique Leroy: I will start perhaps with answering the last one. It's true that CBU margin is improving. I think it's nothing very exceptional, an exceptional item, it's much more the ongoing value management as we call it internally that we are doing where we really try to invest our money to get high value or value-adding customers. We also have a channel mix which is an important element where we try to work more with what we call control channels, through our own channel or web channels so that we decrease the cost of acquisition, so I think the margin improvement is something that should be sustainable and comes from both value management activities and cost reduction or cost deployment in a more value added way.

Nicolas Cote-Colisson: Ok.

Didier Bellens: So regarding regulations and single market, single market is supposed to be the objective of the European Commission so it may happen one day. Having said that it's not on your subject, you had talks for the last probably 20 years now so obviously one day it may happen. If we look at let's say the environment in Europe we don't see actually who is going to be the actor for the consolidation, you know what is the situation with Telefónica, Deutsche Telekom, France Telecom and so if there is a consolidator most probably it's somebody coming from another country, so if you meet the American companies, they are just taking advantage of different regulations. They are doing today much better because regulation in the States, America is seeking less staff for companies, so that's number one. Number two in Europe we have had let's say tough regulations which has put pressure as you have seen on the free cash flow of some of our peers in Europe, so let's say some American companies are saying maybe it's high time to invest in Europe, so you have seen the attempts of AMX to do that. It has not been successful for a lot of reasons and if you just think about consolidation, after all the hacking having happened across Europe, in France, in Germany, in the Netherlands, in Belgium, I'm not quite sure that France is going to sell Orange to Americans. I'm not quite sure, so let's

say we will see what is going to happen but let's say with this kind of activity around hacking, probably let's say everybody will say that's a strategic national asset, so hacking will have to be solved first before I imagine a consolidation throughout Europe.

Nicolas Cote-Colisson: I see.

Nancy Goossens: Do we have other questions?

Operator: Yes, our next question comes from Marc Hesselinck from ABN AMRO. Please go ahead.

Marc Hesselinck: Hi, I've got two questions still. Firstly on EBU, how do you see the market in general? Is competition increasing there or is it getting stable and what is your outlook also in relation to the Belgian economy? Secondly on you are in the process of network simplification, splitting out the PSTN old network. How far are you and when are you expecting that this will be finished and you will see the benefits of that?

Didier Bellens: You have two questions, EBU is of course for Bart and then simplifications and networks for Geert.

Bart Van Den Meersche: The market view on EBU, it's clear that the market remains difficult first from an economic point of view. You know that the economy is still not really picking up, if you take the month of September it was again for instance a record month in terms of number of bankruptcies so that has of course an impact on our business but also a lot of customers like ourselves are doing cost reductions and have cost saving plans and that has an impact on the investments and that also plays in our market, so the economy remains difficult but I believe we sustain pretty well in that context. If you then ask the question on competition it is true that we sense some more competition in the enterprise market. You have seen the announcement of the offerings of Telenet to the enterprise market, you have seen some announcements from these but I think that is I would almost say business as usual so we have to make sure that we manage that.

Geert Standaert: With respect to voice you have to know that we have about 3.8 million classical PSTN lines. We have already migrated 400,000 this year and our intention is to close the programme by the end of 2018. With respect to the savings the programme is estimated to generate savings as from year one and these savings will grow to €35 million recurrent as from 2018. Of course in these savings there are typically maintenance savings, energy savings, operational efficiencies, reduction of facility costs.

Marc Hesselinck: Thank you.

Nancy Goossens: There may be time for one last question.

Operator: Ok. Our final question today comes from Usman Ghazi from Berenberg. Please go ahead.

Usman Ghazi: Hi guys, thank you for taking the question. I know it has been a long call. I just have two questions please. The first question was on this revenue mix between telecom and ICT services in EBU. Would you be able to indicate what proportion of the revenues in EBU are ICT and what proportion are telecom and what is kind of the margin differential we are talking about here between the two services? The second question – and again sorry if you’ve addressed this already – but given the soundings from the Deputy PM on forced migrations to the best tariff and you have just said that all the re-pricing has been done to the April tariffs which were the more aggressive ones if I compare October and November and April, does that just mean that your re-pricing at Belgacom is going to be playing for longer than expected just because you will have to migrate everyone to the April tariffs? Thank you.

Bart Van Den Meersche: First question for the mix telco and ICT, in my total turnover you could say that about 70%, so rounded figures 70% is telco and 30% is ICT. In terms of margins we do not disclose those separate margins but it’s not a secret that margins in IT are different, so lower than margins in telco.

Usman Ghazi: How much lower though? Are we talking 2-3 times lower?

Bart Van Den Meersche: I can say on average – and this is a market average so this is not applicable on our figures – but if you have to give a market average, you have that it's about four times lower in ICT than its traditional telco.

Usman Ghazi: Ok.

Dominique Leroy: Coming on your question of forced migration I think there are no forced migrations. There are natural migrations of customers. If you refer to some local initiatives of our minister he refers to tariffs which are more than two years old, so customers that are on tariff plans that are older than two years old, so I think we will continue to see in the outlook some degradation of the mobile revenue due to the re-pricing and the continuous re-pricing of our customer, but it should not be to the same extent as what we have known this year.

Usman Ghazi: Ok, thanks. Can I just ask a follow-up and again this is something I struggle with when I compare your performance to Mobistar. If you had not re-priced all your customers to the best tariff and customers are obviously free to churn to anyone now and competitive tariffs from April or May are much cheaper, why is your churn lower than your competitors?

Bart Van Den Meersche: In terms of the enterprise market?

Usman Ghazi: No, I'm talking about the CBU market.

Dominique Leroy: What was your last question?

Usman Ghazi: I am saying that if all your customers haven't been re-priced to the best tariff and customers obviously are not tied into any contracts, they can choose to migrate to your competitors at the April or May price points, why are they not doing that? Why is your churn falling in CBU?



Dominique Leroy: I think you choose an operator not only for tariffs, you choose also an operator for your network and you choose also an operator for your brand, for the services, so I think you have to take into account a whole marketing mix for choosing operators and not only the price.

Ray Stewart: Dominique was explaining when we were on the roadshow that this last...at that time it was 40%, the price differential there between a lot of the existing tariffs and our new tariffs is not that dramatic. You are talking €1 or €2 in some cases and so for €1 or €2 people aren't going to move and then you have the 10% or about that Dominique talked about that people left their old tariff, actually their bill would go up so I think that's why you are not seeing the churn that you're asking about.

Usman Ghazi: Ok, thank you.

Nancy Goossens: Ok, so thank you all. I think with this we can close the call. So thank you, have a nice weekend. If anybody has any follow-up questions you can address those to the investor relations department. Many thanks, bye.

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