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Moderator: Nancy Goossens
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Operator: Good afternoon ladies and gentlemen and welcome to today's Belgacom 2014 Q2 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 afternoon to you all and I guess good morning to the people calling in from the United States. I trust that everybody has received this morning the press release on the second quarter results of Belgacom. If not for whatever reason it's also published on our Belgacom IR website. You will also find the presentation on the website. We will however not go through the slides at this point in time. We hope that you already had some time to look at the results in detail and we will use the time for this call as much as possible for the Q&A.

So let me just quickly introduce the people here with me around the table that will participate in the Q&A for Belgacom. We have Dominique Leroy, our CEO here. She will take over in a second for the opening statement. We have Ray Stewart, our CFO; Philip Vandervoort running the Consumer business unit; we have Bart Van Den Meersche running the Enterprise business unit. We also have Geert Standaert responsible for the network and wholesale; and also Daniel Kurgan, CEO of BICS.

So with this I'd like to pass the word on to Dominique for her statement.

Dominique Leroy: Yes, good afternoon and good morning for some people, welcome to this conference call on Belgacom's Second Quarter Results. So allow me a few minutes to give you the main takeaways from the published results this morning before we open the line for your questions. So as you can see in the documents that we released this morning, the commercial performance of Belgacom remains very good even in a quarter which is typically a somewhat slower commercial quarter. For Belgacom TV we had a lot of solid numbers of net adds with



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30,000 new TV subscriptions. This means that for the second quarter in a row now we managed to slightly increase our TV market share in all regions in the country. For fixed internet the number of net adds were good too with a net growth of 12,000 in the second quarter. We are also very happy with the continued strong performance of our mobile business especially seeing the fairly aggressive competitive moves over the past few months. In spite of that Belgacom added another 51,000 mobile cards in total for the group. This resulted from good growth in our mobile post-paid customer base adding 98,000 mobile post-pay cards in the second quarter. Looking at the number of paying cards we did even better than the first quarter by adding more than 60,000 cards. This means that we could again slightly increase our post-paid market share in spite of a challenging market. For pre-paid cards we saw the number of cards going down by 46,000. If we look at our own brand Proximus, the pre-paid decline was again smaller so we are continuing the trend improvement we have seen in previous quarters. These sound operational trends are supported by our convergence strategy. This is also shown in our household reporting in which you can see that we are progressing on the number of 4-play householders, +12,000 in the second quarter for which the revenue generating units continue to go up and with the average revenue per household increasing to almost €104. As a result the revenue Belgacom gets from 4-play households increased by 15% compared to last year. We will continue on the financial path with some key elements for the group. First of all when looking at the second quarter financials it's important to isolate the special items that have been recorded in this quarter and the impact from divestitures. We try to explain these impacts as clearly as possible in the release so I won't go through all that. Just keep in mind that these items have a net positive impact on the reported figures especially showing in the EBITDA for an amount of €65 million. More important are the trends on a like for like basis as this is a better reflection of Belgacom's business performance. On this like for like basis we saw the group revenue variance substantially improving to a -1.1 decline. This was thanks to best revenue trends for both CBU and EBU; and also due to the revenue recovery we saw for BICS. The EBITDA variance too showed good improvement to a like for like decline of 0.9%. This was a result of the good progress in the consumer end business segment thanks to the good revenue trends and also because of some lower operating expenses. You can see here some first effects from our Fit for Growth strategy. I am pleased that some first structural cost benefits are coming through bringing us a step closer to our ambition to grow again in 2016.

For the second quarter we had a very strong free cash flow of €272 million partly due to the cash we received from the sale of buildings and subsidiaries and due to some lower tax payments which is partly coming from timing differences.

So to conclude I'm proud that we can present to you today this good set of results and that we have been able to continue the trend improvements that we have shown in the previous quarter. It is thanks to these sound business trends and with some of the second quarter once-offs being higher than we expected that we feel comfortable in raising our EBITDA expectations for this year, therefore we expect to end the year 2014 with an EBITDA that will be 1-2% below the 2013 EBITDA. We also improved the guidance for the revenue from BICS which has won back some key customers, therefore we estimate that 2014's full year revenue decline will be between 5-10%; and for a last point we estimate the group capex to be around €960 million for this year. This includes continued investments in our network and IT systems as well as the capitalisation of the broadcasting rights for the Jupiler Pro League matches for the coming three years.

So I think now it's time that we turn to your questions, so operator, can you please open the line for Q&A?

Operator: Certainly. If you'd like to ask a question at this time please press the star on your telephone keypad. Please ensure that the mute function is switched off on your telephone keypad to allow your signal to reach our equipment. We will now take our first question from Vikram Karnany of UBS. Please go ahead.

Vikram Karnany: Yes, hi. Thanks. I've got a couple of questions. Firstly on your EBITDA guidance for this year, now you have upgraded the guidance but despite that you are still running ahead in the first half, so if I look at these one-off elements that you have flagged for the second half, it still implies a significant slowdown in the second half overall. That implies that overall the commercial intensity would be going up in the market significantly or is there anything missing in terms of say re-pricing risk as well that we need to be aware of? At the same time why haven't you increased your group revenue guidance if your BICS performance overall has been quite solid this quarter compared to last quarter? Secondly I wanted to understand what's your

view on consolidation prospects in the Belgian market? Last quarter you talked about the possibility of say maybe happening something in the fixed line side but yesterday Telenet was kind of downplaying the possibility of any M&A imminently reduced. Do you see any changes potentially in the fixed line market?

Ray Stewart: On the guidance, keep in mind that the second half is when we're going to have most of the impact from the re-branding effort that we talked about, so very little cost in the first half of this year, so we're going to have most of that in the second half, so that's one of the items. We don't see and then I'll let the head of our CBU unit talk about it, but we don't see let's say the business falling off the cliff in the second half due to competitive natures of what's going on but I'll let Philip answer that.

Philip Vandervoort: Yes, on the mobile side we've seen the trend that we reported last quarter. At that point in time the trend was stabilising from the -14%, -15%, -13% that we saw in previous quarters to -7% mobile revenue. We see that stabilise this quarter and we definitely will not be price leaders, from that perspective we will be not leading to price war on that. That being said, we will be extremely vigilant and we will continuously watch what our competitors are doing and of course there is slight movements that are happening in the market, we continuously watch that. We don't expect a massive price war on mobile but we will be very, very carefully watching it.

Ray Stewart: I forgot on your revenue question, we did improve the revenue guidance so when we gave the guidance at the beginning of the year we separated the core of Belgacom from BICS and there we said the core would be 1-2% and our first half results were still fairly close to the low end of that. BICS did better and we have raised the guidance for the BICS revenue for the year.

Dominique Leroy: On your consolidation question I think it's true that there were a lot of rumours last quarter on potential consolidation on the Belgian market, that those rumours have stabilised a bit. So anyhow as Belgacom we will anyhow be a spectator of those consolidations, so it's true that today the rumours around consolidation have settled. That doesn't mean in the longer term that you probably will still potentially see some movements mainly in the cable



potential consolidation or in consolidation of cable and mobile but it will most probably not happen in the short term.

Vikram Karnany: Ok, that's clear. Thanks.

Operator: We will now take our next question from Ruben Devos of KBC Securities. Please go ahead.

Ruben Devos: Yes, good afternoon, Ruben Devos from KBC Securities. Two questions from my side, the first one related to your pay TV platform. We're practically in the dark in this regard. I was wondering what are the additional revenues you are creating from for instance the transactional video on demand, your movies and series or your American channels and what proportion of your TV customers currently are on the pay TV platform and just how do you see this profit pool progressing with the OTT services? Second question actually related to this, you've already indicated to see OTT as an opportunity but now there's a lot of them entering the TV market and I was wondering, would you possibly welcome a possible partnership with Netflix for instance for faster streaming feed like they've done recently with AT&T in the States or would you prefer something similar to the Vodafone deal in the UK to drive data usage and possibly a higher pricing plan? Thank you.

Philip Vandervoort: On our pay TV we don't disclose the details on how our revenues are built up. The TV market is in constant flux and building an appealing package, TV package for our customers is our constant focus. We were quite successful at that, we did 30,000 net adds, year over year revenue growth is 7.1% and that's driven by a slight ARPU increase and a positive consumer growth. That is of course driven by a variety of new functionalities, new services like DVD plays, like the movies and series pass that we felt these are separate component or in the bouquet. We use it as enablers to attract people to our platform, to our TV platform. As for Netflix, our strategy has been clear all along. We want to be the best providers for anybody, for any content on any platform, any time at any location and that we do to fixed internet TV and mobile enablers that we have. OTTs in general are content providers and some of them are great at it and others are less good at it and they come and they go and we will be very carefully watching who comes and who goes and of course to have an internet platform, consumers will

have access to that. We are carefully watching what comes up, who will probably be the next one etc etc so we watch it very carefully and we ask them when they come. They are not in the market any time year.

Ruben Devos: So with Netflix entering at the end of September you wouldn't be open for such a possible partnership then? That's what I understand.

Philip Vandervoort: Netflix will be coming to Belgium, they have announced that. Of course we're an ISP and we will provide the access to it.

Ruben Devos: Ok, thank you.

Operator: We will now take our next question from Ulrich Rathe of Jefferies. Please go ahead.

Ulrich Rathe: Thank you very much. Two questions, the first one is for Ray. The two percentage point EBITDA guidance increase, what I'm thinking about this is obviously there are some one-offs in the year, some of which I suppose you had pretty good visibility on already when you set the original guidance. Now obviously the one-offs might have been a bit stronger than expected, you mentioned that in the report. What I'm wondering is how much of that 2 percentage point guidance increase is actually due to the unexpectedly higher one-offs? That's something we can't tackle obviously. We wouldn't know what your original expectations were, so I would be interested how much is really organic and how much is the one-off? My second question is when you pointed out the commercial performance in the second quarter you focused very much on the intake related KPIs, the volume KPIs. I'm just wondering how you think in general about the risk of really inciting incremental competition from your competitors in the Belgian market and if you really push for stabilisation through volume and share growth rather than pricing, that would be tied into your expectations in the second half but also in 2015? Thank you very much.

Ray Stewart: First on the guidance issue, my gosh, we try to keep that at a high level so I'm not going to get to splitting hairs on decimal points in terms of how much is from the let's call it the one-off items that we had and how much is from the business, but I can say that part of it definitely

is from the business. The other thing to keep in mind when you're looking at first half versus the second half is what I said earlier, we have our whole re-branding effort that will primarily be in the second half and then also keep in mind in the first half of this year we had the large capital gain on building sales where last year that happened in the second half, so you just have to keep those pluses and minuses in mind.

Dominique Leroy: Concerning our growth strategy, I think we have both volume and value growth strategy and I think what's important is that we are now in a mature market so what we first try to do is to leverage our existing customer base by giving them additional services, additional solutions both on the residential and the enterprise market, but of course we are also trying to increase our volume share and as our network improves we have better coverage of vectoring and things like that. These are key moments where we of course try to increase our volume base, so in that sense the strategy is both volume-based and value-based.

Ulrich Rathe: Can I maybe just clarify a bit further, do you think it's the case for Belgacom given its very strong market share position both in fixed and mobile to actually lay off a bit and really create a bit more room for competitors just in order to calm down the competitive environment which you yourself are describing as rather difficult in some areas of your business at least? Thank you.

Dominique Leroy: No, that's not our intention to back off. On the contrary I think we have seen our revenue decline for Belgacom for the last years and I think my objective is clearly to come back to growth. We have got a strong objective to record growth in 2016 and I think we will use all our means to be able to get there and it will be by strong value increase and potentially also to market share increase, so we have no real intention to back off. Of course we are never the first one that starts with price decline, so in that sense we really have a strategy where we are very prudent in terms of pricing and we only will move if competition moves and we see if we are impacted, so there we have quite a defensive strategy but for the rest I think we have more an offensive strategy.

Ulrich Rathe: Thank you.

Philip Vandervoort: Furthermore if you look at our approach, our strategy to confirm that it is paying off, 55% of our customer households are now on multi-play and we are very proud to announce that more than 50% of those households are convergent mobile and fixed, so that's a good increase. 16% of those are in 4-play which is an increase of 14%. On top of it the revenue generating units per household are increasing and the ARPU unit or per household is increasing, so we think that our approach, our strategy works perfectly to capture more this market.

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

Bart Jooris: Yes, good afternoon. Thank you for taking my questions. First with a clarification on the capex outlook, Ray, the 60 million you added. Does that account for three years of broadcasting rights or should we go back to the 900 million in the coming years as previously announced? Then on the business side, first on mobile, could you give us an idea of what the impact of MVNO on your take-in? Was that positive or was that negative? More importantly however as at Mobistar we witnessed a small ARPU increase quarter on quarter both on EBU and CBU. What are the drivers there of that data usage? Do you already see the mix of your subscription improving? Could you give us some clarification on that? Then a follow-up question on the increase in the second half of mobile competition. You state that you see no reasons for that. Now your competitors Mobistar and Telenet did state that they expect competition to heat up and they refer as one of one of the most important reasons you're rebranding, so can I take from your statement that your re-branding will not include a lot of promotions or let's say even tariff decreases? Thank you.

Ray Stewart: I'll start with the capex. The increase in the capex, there's several things that are driving that. The football rights is one of them but it's not the only thing.

Bart Jooris: Is the football rights for three years or for one year?

Ray Stewart: Yes, we capitalise for three years, yes.

Bart Jooris: Ok, thanks.

Bart Van Den Meersche: In terms of the question on the ARPU, it is indeed so that we are able to manage our ARPU in the business and that's for a number of reasons. One, the re-pricing effect is fading, so you know we have gone through a re-pricing based on the mobile disruption and now most of our customers have gone through that re-pricing. Second is that you have seen that we've done quite some acquisitions, again 45,000 cards in the second quarter and over 100,000 in the first half. You should know that we have a very high focus through what we call value management on the high ARPU acquisitions and retentions and our figures show that we are successful in that. The third reason is that we have a growth in mobile data, mobile roaming data that also helps the ARPU. All those elements together make indeed that we have...if you look at the ARPU first quarter-second quarter that we have an even slightly increasing ARPU in mobile.

Dominique Leroy: I will start on your last question and I'll afterwards hand it over to Philip on the CBU. It's not that we are not expecting increasing of competition in the second half. I think compared to our initial guidance we are not expecting additional aggression in the market for ourselves because we already have foreseen indeed our re-branding and some strong competitive activities, so in that sense I think we didn't review our plans in that extent because I think our plan is quite strong and as you said rightly so including towards the end of the year the re-blending of Belgacom/Proximus to Proximus.

Philip Vandervoort: On the CBU side I think from the ARPU side to what Bart was mentioning is right on. From a data consumption perspective we do see indeed an 86% year over year consumption growth and 23% quarter over quarter, so that is definitely true. Data consumption is running high and we see it happening in Belgium with the festivals and with the World Cup football increasing quite dramatically in two hours there's a consumption of a full day sometimes. As for the future on that, we have very solid handset growth, sales of 13% year over year of which 66% of the handset sales smartphones, that's a result increase of last year so that positions us quite nicely for higher data consumption in the future.

Bart Jooris: Just one smaller follow-up, can you give an idea on how much of your mobile customer base now has 4G enabled handsets?

Philip Vandervoort: We don't disclose those numbers but we see them growing rapidly.

Bart Jooris: Ok, thank you very much.

Operator: Thank you. Our next question comes from Jakub Dubaniewicz of New Street Research. Please go ahead.

Jakub Dubaniewicz: Hi, good morning, Jakub Dubaniewicz, New Street here. I've got two questions, one about the impact of capitalisation of customer installations. You mentioned that you now capitalise them rather than expend. I did not find in your report the number, how much your EBITDA would have been lower had you chosen to expend rather than capitalise? The second question is about the EBU. In the slide in your presentation you mentioned that there was actually a positive reversal of a provision which affected the EBITDA. I just wanted to clarify: is that reversal of the provision included in what we call underlying EBITDA or is part of the 65 million one-off impact of EBITDA? If it is underlying then what sort of impact is that, how material is it? Thank you.

Ray Stewart: On the capitalisation we said at the beginning of the year that the positive impact on the capitalisation would be probably almost equally offset by the effort of re-branding and that's pretty much still where we are today and the capitalisation number is somewhere let's say between 22-24 million for the year.

Jakub Dubaniewicz: Ok, thank you.

Bart van den Meersche: Your question on the EBITDA impact of the reversal, the provision...it's a provision that is not only in the business unit. It's a provision that has a one-off that is in the second quarter and has an impact on the EBITDA.

Dominique Leroy: A general remark on all the one-offs. I think in the Q2 press release we have given you one page with all the overviews of the one-offs because we understand that the result is quite difficult to interpret because there are a quite a lot of one-offs; but you have one page where you have all the elements on every line, so I think it should really help you. Page 19.

Jakub Dubaniewicz: I apologise but I've not looked at it. Thank you very much.

Operator: Thank you. Our next question comes from Nawar Cristini of Nomura.

Nawar Cristini: Nawar Cristini at Nomura, thank you very much for taking my questions. Firstly on CBU, mobile service revenue is still declining at 7% year on year despite the annualisation of your pricing, so could you help us to understand better the trends there? Going into Q2 how should we expect the trends to evolve? My second question is on the B2B segment. Could you talk a bit about the competitive intensity index? Thank you very much.

Philip Vandervoort: As we mentioned last quarter and as we see it confirmed in the number, we saw it levelling off and we see that same trend continuing in the next quarters now. We don't have a crystal ball on what our competitors will do on the mobile pricing. We as Dominique mentioned up front we will not be driving the price war. We will be of course very closely monitoring and adjusting our full set of products and that ranges from Scarlet to the top of the range so that we can compete in the best way with all the various components of the problems that our competitors are re-pricing if they will do so.

Nawar Cristini: Just a follow-up on this one please, so if you can just help us to understand better why the trends...the scale of the decline is high at 7% despite the annualisation of your pricing.

Philip Vandervoort: I'm not sure I understand your question. Are you referring to the level of the 7?

Nawar Cristini: I'm referring to the decline of the CBU mobile service revenue year on year.

Philip Vandervoort: We saw it at the -12.8, -13, -14 and then going down in Q2 2013 to -15% and then we saw it climbing up again gradually. What we said last quarter was that we saw that trend continue. It's not that the price war is over and there's still that decline, but it is certainly slowing down and we expect that trend which was -15, -13 or -14, -7 to -7, we expect that to stabilise, yes. As I said we will be acting with all components of our portfolio and products to react, that's important to react to what our customers are doing.

Bart van den Meersche: Then your question on the competition in the B2B market. We have always said via competition and I expect to keep competition but we also have always been focusing on conversions, on service quality and that clearly pays off. We have a lot of wins now for instance where competitors try to win by pricing but where we win based on the quality of our service, so that's what we intend to continue to do.

Nawar Cristini: Ok. Thank you very much.

Operator: Thank you. Our next question comes from Matthijs Van Leijenhorst of Kepler. Please go ahead.

Matthijs Van Leijenhorst: Yes, good afternoon. I've got two questions and the first is a follow-up on the one-offs because I am still having difficulties to understand what is included and what's not because if I look at the recurring EBITDA it's 491 and you report in the press release that special items, you can net special items of an amount of 65 million. If I deduct that from 491 I get to 426 and on top of that I believe you do not include the release of provision of 6 million in the like for like EBITDA, so I get to 420 on like for like EBITDA – am I correct?

Ray Stewart: I mentioned the page earlier, page 19. The 6 million for the litigation is included.

Matthijs Van Leijenhorst: No, I mean for the release of the provision, not for the litigation.

Ray Stewart: That's what that is. It was a provision because of litigation and that was released.

Matthijs Van Leijenhorst: Ok. But still then if I go to 491 on recurring EBITDA, special items of 65 million, I get to 426.

Ray Stewart: I'm sorry, I still don't get your math or the number you're trying to get to.

Matthijs Van Leijenhorst: Ok. I will discuss it after the call. Then a follow-up question on BICS. In the press release you say that...I was quite surprised by the contract win. Going forward are

there any contract renewals in this year or in the short term which may impact the revenue guidance?

Daniel Kurgan: Good afternoon. We don't make forward-looking statements, we won back some important customer contracts over the course of Q2 and of course we'll do our best to maintain that. We are not foreseeing any significant change in that respect for the rest of the year. We just strive to maintain the current trends.

Ray Stewart: I'm going to try one more time on your table. I assume you're talking about the second quarter EBITDA when we got from the 491 down to what we get to 430, so you have the litigation settlement that we took out of that. You had the capital gains from the buildings; and then you had the net HR one-off that we had. If you take those, that's how we got to the 430.

Matthijs Van Leijenhorst: Thanks a lot. I'll get back to this because if I look at the press release on the EBITDA it says 65 million of special items but I will get back to you after the call. Just a quick follow-up, in the press release you also mentioned non-recurring items. If you do not include these if they exceed...non-recurring in the following cases: gains or losses on the disposal of consolidation exceeding 5 million. Are there any or...?

Ray Stewart: I'm sorry, repeat your question?

Matthijs Van Leijenhorst: On page 19 you talk about non-recurring items and you say only report them if they exceed 5 million – am I correct?

Ray Stewart: Yes.

Matthijs Van Leijenhorst: So are there any below 5 which are not accounted for?

Ray Stewart: What we tried to do on this page, any significant item whether it's clarified as non-recurring or not, we've laid out for you on this page.

Matthijs Van Leijenhorst: Just a follow-up question: on the bottom line it says non-recurring items. You say we only include non-recurring items, for example the loss or gain on the disposal of some assets. If they exceed individually...

Ray Stewart: Page 19 includes everything, so there's nothing else that's in our financial statement that's not listed on page 19.

Matthijs Van Leijenhorst: That's what I wanted to know. Thank you.

Operator: We will now take our next question from Dmitri Kallianiotis of Redburn. Please go ahead.

Dmitri Kallianiotis: Good afternoon. I've just got two questions please. The first one is regarding networks and if you could share a little bit more with us your upgrade path for your fixed network. You've done a lot already on VDSL. I'm just wondering how much you plan to do on fiber to the home, if you're planning to do more? That's my first question. The second one is regarding more your TV and content strategy. You bought obviously the football that you managed to buy together with the cable guys. I was just wondering if we should expect more of that so that you would go a bit more aggressive potentially by content but maybe together with the cable operators to try to reinforce your position in particular against the over the top players like Netflix which are coming soon in Belgium? Thank you.

Geert Standaert: Ok, good afternoon. For your question on fixed networks, in fact we're working on three domains. Firstly we're rolling out our vectoring. I can tell you that at this moment about 10% of our network is upgraded with vectoring. We see now live with the customers we have on this platform that we reach that 70 megabit per second on the copper line, so of course there we continue our rollout. The second element with respect to fiber, we have been increasing our efforts on fiber but mainly on what we call fiber through the business, so that is bringing our fiber to all industrial regional zonings in Belgium. To give you an idea there, we reached now about the coverage of national level of between 70-75%. That is where the fiber is in fact running at the front of the different enterprises and together now with the EBU teams we have a go to market campaign launched to promote our fiber to the business presence in those

zonings. On fiber to the home for the residential market, our testings have been finalised with what we call greenfields, so these are new residential zonings. These testings are positive and as of now what we do there is that all new residential zonings will be equipped as of now in in-fibers. We are doing some smaller scale testing as well on brownfield where we try to capture the synergy because we have to do anyhow a kind of renewal of our infrastructure where we do not renew copper by copper, that's copper by fiber, but there we are a bit awaiting still the outcomes of those pilots to determine our next steps.

Philip Vandervoort: On the TV platform we definitely want to provide the best offer to our customers and we do through the movies and series past, we do that through TV replay, we do that through TV everywhere and that makes it a local broadcasting station. Of course we try to enrich that, family stays central and football is a very family central piece of content, so we will be broadcasting that. We will be very creative and we have been very creative and the market is reacting quite nicely to that and how to package it into a product, but we are not content creative however we do participate in productions like Broken Circle Breakdown which is an Oscar nominated movies, moves across the world. So we will participate on content creation from that perspective but we will not create our own channels. We think there's many others that will be providing the content that we can then distribute. OTT's are part of that.

Dmitri Kallianiotis: Thank you. If I may just have one follow-up on the vectoring, you mentioned the speed of 70 megabits per second which I believe is the start of the top you can get. What sort of average do you get on the 10% that you've already started to deploy? That would be interesting, thank you.

Presenter: Yes. We are deploying the vectoring now within the forum at each of our platforms and so on the lines that we have activated, 98% gets to that speed of 70 megabits.

Dmitri Kallianiotis: Ok, thank you.

Operator: Thank you. Our next question comes from Usman Ghazi of Berenberg. Please go ahead.

Usman Ghazi: Good afternoon everyone, thanks for taking my questions. I have three questions please. The first question was more general. I remember back in Q1 Stefaan De Clerck had asked the Belgian government to make its position clear regarding the Belgacom stake. I think he was trying to get a buy-in for the new strategy at Belgacom. Is the government position clear regarding the stake in Belgacom or is it still being discussed? The second question was just on the environment in the B2B segment, I can see in the consumer residential side obviously things are trending nicely but B2B still continues to look a bit challenged. Is that environment improving perhaps because of the economy or are things still quite tough there? Then my final question was just on cost savings. You seem to be outperforming expectations on the cost savings. If I look at the underlying opex reductions excluding one-offs and excluding the revenue linked opex reductions that's trending at north of 10 million a quarter now, your target of 100 million net opex reduction over three years, 36 quarters looks beatable. I was just wondering if you recognise that you have upside to your cost savings target? Thank you.

Dominique Leroy: I will start with the first and third question and I will leave the second one to Bart. I think concerning the shareholder position of the government to be honest it's impossible to tell anything today. I think with the previous government it was very clear, we wanted to keep their participation in the Belgacom company. Today we are in the making of a new government so I think it is their prerogative to determine what they want to do with the company. We have currently no view on that one. For your third question on the cost savings, it's true that we are around -2% on the first half of the year excluding all the once-offs on the HR costs. I think there you need to understand that 2014 is the year where we have had no indexation, so normally one of the big challenges in Belgium in HR costs is that you have an automatic indexation of around 2% a year. This year has been helped a lot by the fact that we had no indexation, so the 10 million a quarter you see now is not something that is sustainable for the next quarter because there we will have to compensate through syndication and our HR reduction programme the indexation that will normally come in the coming years.

Bart Van Den Meersche: Then for the trend that you're referring to in the B2B market, so indeed we have a nice trend. This is mainly due to the result we have in mobile services revenue and I explained that where we have important acquisitions where the re-pricing effect is fading out and where we have churn management that is very good. Next to that we have growth in ICT,

what we call ICT-like security and others. Is it a sign of an economic trend, I think the economy stays challenging, it's clearly so. We are watching our costs and I think our customers are doing that, but we see some slight signs of improvement in these.

Usman Ghazi: Thank you.

Operator: That was our last question but if you would like to ask a question, ladies and gentlemen please press *1 on your telephone keypad. We will pause just for a moment to allow everyone to signal. We will now take our next question from Allan Nichols of Morningstar. Please go ahead.

Allan Nichols: Hi, thanks for taking my question. I just have a follow-up on your technology evolution on the network and was wondering how much of your dynamic line management is being used on your VDSL2 and how much is being used on your vectoring service? Thank you.

Geert Standaert: For dynamic line management, at this stage we only have that applied on our vectoring install base and that is the total install base, so with VDSL our reach is now about 90% of the population. We don't have yet DLM activated on our vector lines, first there we want to get to a kind of critical mass, but that development is underway. So we believe that probably as of mid-2015 we will be able as well to activate on top of the vector lines, the dynamic line management and as such still move part of those lines to higher speeds. What we believe that we can get is there up to 100 megabits per second performance.

Allan Nichols: Great, thank you.

Operator: Thank you. We now have Usman Ghazi of Berenberg for a follow-up question. Please go ahead.

Usman Ghazi: Hi guys, I thought I'd just take the opportunity. I have two further questions please. Again the first one is more general, if I look at Belgium mobile tariffs relative to some other countries where smartphone penetration is more advanced, the voice bundles are pretty small in Belgium and that looks at risk particularly as we move to voiceover LTE with OTT potential

cannibalisation. Your thoughts on that would be interesting, whether you feel like you need to make a move towards more flat rate voice bundles over time as smartphone penetration in Belgium goes up? Then my second question was just on building sales, I recall that you had a pipeline of three or four building sales this year but I guess you met your target through just selling this one building in Q2, so are you keeping some firepower...have you rolled out some of the firepower for next year or will we see more building sales towards the end of the year? Thank you.

Ray Stewart: On the building sales what we try to do is pick the time where we think a particular building in a particular market would bring a good price. We've done that this year so yes, I would agree with you. I wouldn't expect any more building sales this year. Other building sales will probably occur in the upcoming years.

Philip Vandervoort: On our plan for our tariffs, I think it is important to mention that we go from with Scarlet and our Proximus offers, we go from the basic entry to unlimited at this point in time, so we cover today the full spectrum. As of that respect of course we continuously monitor what to put in our plans, so we think that today we cover the market quite nicely. When we're talking about data we mentioned already the substantial increase of data usage, but today we still observe that we're selling more than the bundles, but of course we will continue to monitor that and we have a very broad product portfolio to adjust.

Usman Ghazi: Ok, thank you.

Nancy Goossens: Ok. I think we can leave it at this. So thank you all for participating in this call. If you have any follow-up questions you can call Investor Relations and I wish you a very good weekend. Bye bye.

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