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Presenter: **Nancy Goossens**

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Operator: Good afternoon ladies and gentlemen and welcome to today's Belgacom 2015 Q1 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 Goosens: Thank you. Good afternoon ladies and gentlemen and I guess good morning to quite a few people calling from the United States as well. Thank you all for joining us on this conference call. I trust you all have received the report we issued this morning as well as the slides on Belgacom's First Quarter Results. In the interests of everybody's time we will not run through the slides with you and we will spend as much as possible of the available time to your questions.

So I am joined here by the executive committee including of course of CEO Dominique Leroy and CFO Sandrine Dufour. They will take your questions after the opening statement of the CEO and with this I will turn the word to Dominique. Please go ahead.

Dominique Leroy: Yes, good morning or good afternoon everyone. Welcome to our conference call. I am proud to announce that we had a successful start of 2015 with both strong financial and operational results in the first quarter supporting our ambition to return to sustainable growth in 2016. Next to the continued growth of our mobile customer base with 63,000 new mobile postpaid customers we achieved a particularly strong commercial performance for both fixed internet and TV with respectively 48,000 and 65,000 net adds driven by our main brands Proximus and also by Scarlet. Where Proximus continued to benefit somewhat from the year end promotions and from a positive re-branding effect, Scarlet achieved a record customer gain by successfully attracting 16,000 former triple play Snow customers. Through attracting new customers we managed to increase our market shares throughout Belgium especially for fixed internet and TV respectively by 1.2 and 1.9 percentage points. Our convergence strategy continues to pay off. More than half of the multi-play households and small offices are now convergent, combing fixed and mobile. We also saw a significant increase of the number of 4-Play households and small offices, up by 14% compared to the same period last year. This is good news as these customers are almost the most loyal to Proximus. Our strong commercial performance also translates into solid financial performance with both fixed and mobile services revenue showing growth versus last year. We increased our group underlying revenue by 5.5% compared to the first quarter of 2014. This result is positively influenced by a solid revenue increase of BICS. BICS grew by nearly 12% versus a low comparable base of last year but thanks to strong voice trading and a positive effect from the US dollar. Excluding BICS we grew our underlying revenue by 3.3% with growth from both consumer and the enterprise businesses. Our strong financials combined with our consistent operational cost management resulting in a growing underlying growth EBITDA, up 3.8% compared to the previous year. In Q1 2015 we invested a substantial amount of €227 million, €47 million more than in the first quarter of last year. We accelerated our mobile network investments to live up to our best in class mobile network reputation and thus offer our customers the best mobile customer experience. By the end of March the Proximus 4G network reached an outdoor coverage of 94.9% of the population and a 77.2% indoor coverage. Our customers have the best possible mobile service experience with an average download speed of 23.4 megabits per second on a 4G compatible device which is 30% faster than the competition. We continued to improve the fixed network with a further rollout of vectoring technology on VDSL2 now covering one third of the population. Thanks to vectoring we improved the broadband experience of customers by giving them access to download internet speeds of 70 megabits per second.

At the same time we are making progress in network simplification and in more efficient IT systems which requires an investment today to structurally reduce our costs in the future and to become a more efficient and agile organisation. For the full year we reconfirm our capex guidance of about 900 million excluding the 75 million for the renewal of the 900 MHz and 1800 MHz spectrums. The higher cash out related to capex combined with the higher cash needs for working capital in the first quarter were reflected in a low free cash flow of 8 million. This should however be seen as a timing impact.

Overall I am pleased and encouraged by our achievements so far. We are making good progress on our fit for growth strategy and are already reaping some of the benefits. Therefore with the Proximus Executive Committee I am confident to confirm our 2015 Full Year outlook being stable to slightly positive core underlying revenue and stable to slightly positive group EBITDA.

To conclude I would like to highlight that these Q1 results are the last ones under the Belgacom name and that as of Q2 the results will be published under the new company name Proximus Group. As of 19th June our ticker on the stock exchange will be changed to PROX.

This was it from me. Let's go now to your questions.

Nancy Goossens: Operator, can we open the line for questions please?

Operator: Thank you. If you would like to ask a question at this time, please press the star key followed by the digit 1 on your telephone. Please ensure your mute function on your phone is switched off to allow your signal to reach our equipment. If you find your question has already been answered you may remove yourself by pressing *2. Again please press *1 to ask a question. We will pause now for just a moment to allow everyone to signal.

We can now take our first question from Vikram Karnany from UBS. Please go ahead.

Vikram Karnany: Hi, thanks. A couple of questions, firstly on the guidance I just want to understand with the strong underlying growth that you have posted in Q1 revenue and EBITDA, why should we not expect this trend to be repeated during the rest of the year? You still remain conservative by reiterating your stable outlook in 2015 and growth is only expected in 2016. Is it because we could expect some sort of tactical push to come some time during the second half of this year like last year? Secondly around M&A, there have been some recent commentary with the Belgian government clearing the legal hurdle in terms of selling the stake in their reports, again talking about the KPN and Belgacom merger. I assume some of those hurdles from the KPN side that you have talked about in the past have been sorted out with the sale of BASE and E-Plus, so I just wanted to get your thoughts, do you see any notable synergies to pursue those kind of opportunities? Thanks.

Dominique Leroy: On the guidance it's true that our first quarter results are good results but we still have nine months to go, so in that sense we wanted to reiterate the guidance as it is. It's true that also probably we will be more on the slightly positive side than on the stable side but it's too early to change the guidance. You also need to take into account that part of the good results of Q1 are thanks to BICS where of course it's a more volatile business and in that sense they had a very strong growth in Q1 versus a relatively weaker last year first quarter and also helped by dollars where most of the dollar trends or a part of the dollar trend is a once-off on Q1 but there Daniel can give you more explanation if you want on that. So for the time being we stick to the guidance and there is no specific new elements that we foresee in the next months that would make us change the guidance significantly, but it's true that we are acquiring a lot of new customers and our objective is of course to continue that and to continue to gain market share in the market and we will make our plan according to this main ambition. On M&A I think it's true that the government is currently reviewing the law of '91 which was a very old law which was managing the government owned companies in Belgium. They are now making a kind of new law for mainly Bpost and Belgacom which are publicly autonomous companies; and I think it's very good because there were still some elements in the law which were very often not much used in terms of statutory versus contractual employees or a few other elements where we were not really fully acting in line with the law which had become obsolete and that has now all been removed and so we are now in a legal context which is very much the legal context of a full private company which is also now officially translated in the law. At the same time they have indeed removed the very long and complex process of reducing the participation of the state from 50+1 to a lower level. It's still in the law that if they want to change their participation, they need to do that via royal decree, but they don't need to go through the whole element of parliaments and council of states which is a longer process. So it doesn't mean that the state wants to reduce their participation. There were some declarations yesterday that they don't see that at very short term, but it is also true that it increases very much the flexibility they have and the speed with whom they can reduce their participation.

Then your last point on KPN and Belgacom, I read also the newspapers of last weekend when Eelco Blok was saying that he was very much interested in making some movements towards Belgacom. He was also telling that we met each other but it was more than one year ago and where indeed I think today the synergies of doing these type of deals are not that obvious. We are still in a period in the European market where most of the incumbents spend a big amount of their available money in improving their networks both on the mobile and the fixed side; and where synergies or other platforms are relatively low and in that sense I think it's too early and not appropriate to look at that because I don't think there is enough value creation from synergy versus all the hurdles of a merger.

Vikram Karnany: That's clear. Thank you very much.

Operator: Thank you. We can now take our next question from Joshua Mills from Goldman Sachs. Please go ahead.

Joshua Mills: Hi there, thank you very much, another question. Just two from me. Given a very strong set of net adds across both your fixed and mobile base and Telenet's recent price rises in the market, I wondered whether you saw scope for more aggressive price rises going forwards, given what you did yesterday is more a strategy of moving your existing customers onto convergent bundles than a real underlying price hike? The second question I had was given again Telenet's recent announcement of intention to acquire BASE and gain access to mobile network economics in 2017 onwards, do you think this changes the competitive dynamic in Belgian mobile near term, i.e. could Telenet be more aggressive over the next couple of years in order to fill their network as quickly as possible and how would that impact Belgacom's own mobile strategy? Thank you.

Dominique Leroy: I will answer first globally and then probably I'll give the word to Phillip Vandervoort who is having the consumer business more specifically on the price. Probably on price you have seen that Telenet had increased price at the beginning of the year and there was quite a lot of reaction on that. I think we announced yesterday or the day before that we would do a small price review which is mainly a price increase of our standalone products and of very old packs to help our customer base to move to the new packs in line with our simplification strategy, so we have been I think so far relatively cautious on major price increases. I think we are in positive momentum with our new brands. We have better content, we have better services, better networks to attract new customers and my first priority is to make sure that we can continue on that trend. On the competition side I think so far we haven't seen a lot of moves from the competition. There is some more aggression from Mobistar on the mobile side and namely on the business side. It's true that the acquisition of Base by Telenet is on one hand probably less of an issue than if we would have had Free coming into Belgium and really destroy a lot of mobile value. Telenet is more known for a company that wants to create value, so that's certainly the positive side of that. On the negative side it's true that it makes Telenet a stronger competitor having then both a fixed and a mobile network where so far we were the only one in Belgium to have the two networks but also BASE is not currently having the best quality mobile network so there is still quite a lot to do to be able to bring the business work onto probably Telenet's expectations or quality norms, so that will take some time and I think in the interval there is room for us to see how we can probably even take some advantage of all the changes, but it's true that longer term it will reinforce the Telenet position on the Belgian market. But perhaps Philip can say some more elements on the prices.

Phillip Vandervoort: On the pricing we have not applied linear pricing fees but the pricing fees that really supported our strategy of convergence, so offering more in the packs where we want our customers to buy into and increase the pricing of the standalone offers, so we're underlying our convergence strategy. Also we will not trigger the price wars. We will obviously monitor very carefully the market on a daily basis and make sure that our products are always well-positioned in the market. We are not driving price, we're driving experience and we will keep for that our reactive position and monitor the markets on a permanent basis. Also we will continue to use joint offers on a very tactical way as we've done before where we're not subsidising, we're using it to tiering up and bringing customers to the higher tiers of our mobile packs.

Joshua Mills: Very clear. Thank you very much.

Operator: Thank you. We can now take our next question from Luis Prota from Morgan Stanley. Please go ahead.

Luis Prota: Yes, hello everyone. Two questions please, the first is a follow-up on these public stakes in Belgacom and I would like to get your thoughts and views as a management team on the pros and cons of having that public stake, so I don't know whether you would prefer to keep the government above 50% or going below is providing some more flexibility, that you would ambition…sharing your views on that would be very useful. The second question is a simple one on the tax rate which was in the first quarter higher than what you were targeting for the mid-term, if you could provide some guidance and explanation that would be helpful. Thank you.

Dominique Leroy: On the first part, so from the pros and cons of public-state. To be very transparent I think what we need short term is a stable shareholder and that's something I have said for many months now. We are in a transformation plan which is a three year plan. We are now in the second tier of the transformation and I really want to keep the management focus on this transformation plan. We see now the first results of that transformation plan with a lot of focus on improving our network, improving our services, putting the customer at the centre of what we do; and also the whole part of the cost management, simplifying the organisation and reducing the costs, so I think my first priority is to make sure that we can deliver on this plan and to be able to deliver we need stable shareholders, so that's clearly my first priority. Longer term I think the change in the law gives indeed more flexibility if things change in the global European market, it will give us more flexibility to be part of probably the biggest changes if they happen, so in that sense I think longer term it's certainly probably a positive. Short term I think it doesn't create an issue if we can keep management focus on the transformation plan. I will hand over to our CFO Sandrine for the second question.

Sandrine Dufour: Luis, on your question on tax rate, it's true that in Q1 we had a higher than last year effective tax rate, 28.3% and this has to do with much lower deductions this year compared to last year, specifically a strong decrease in notional interest rate deduction. Now for the full year I think the latest guidance was around 26%, I would say that at this point in time it would be either stable compared to this quarter or 26% depending on our ability to clean some subsidiaries, the timing of which we are not in control of. So to summarise I would say 26-28% is more of an appropriate guidance for the full year.

Luis Prota: Ok. Thank you very much.

Operator: Thank you. We can now take our next question from Emmanuel Carlier from ING Bank. Please go ahead.

Emmanuel Carlier: Yes, hi. Good afternoon. Three questions from my side. The first one is on the news today that the Minister of the Economy plans to make it easier to switch from operators so I would like to know what kind of impact you expect from that? Secondly on mobile, so in mobile we see that service revenues are up for the first time since a long time and here I would like to know if you could disclose some information on the profitability impact from the higher mobile revenues, so actually the operating leverage? Then a third question is on the capex. I see on the consensus sheet you collected that the market is expecting capex to go down gradually by 2017-2018. I'm just wondering how realistic that is actually because Telenet also continues to invest in the fixed and mobile networks. Thank you.

Dominique Leroy: Perhaps on your first question which is indeed the switching, the easier switch. First of all I want to say that in Belgium there are no big hurdles because of the new telecom law of October 2012 we have already suppressed all the long term contracts, so where the contract has been stopped for mobile, they have also stopped for fixed. So after six months everyone can change operator without any penalties. What the minister wants to do is try to make the switch operationally more easy. To that extent I think we will still have different set-top boxes and different modems between all operators because that's the way these set-top boxes and these modems are for us the key element of our customer experience. The one used by Telenet or Voo will always be different from the one we have, so that's something that we'll not be able to change. What the minister from what I understood wants to do is to make sure that the operators talk to each other and facility the switch without interruption for the customer so that we agree upon each other that when one is switched off the other should be operational so that the customers are not afraid to run out of internet or out of TV during a few days. So to that extent to be honest I think it's probably favourable for Belgacom because both in the internet and the television market we're probably more of a challenger than of a dominant player and currently we see some more traction on those elements, so it could also facilitate some transfer from customers at competition to customers at Belgacom – at least that's how I see the element of course. If you have new players where like Mobistar is starting looking at convergence it will also help new players to come into the market so that would be a negative element, but all in all

I think it will probably ease a bit the transfer but I don't think it would fundamentally change the role of the market because you will anyhow keep different experiences, different technologies, different set-top boxes and it will help but it will not revolutionise the market. Mobile service revenue, I'll give that to Philip.

Phillip Vandervoort: On mobile service revenue we don't comment on profitability specifically with mobile service revenue. We do see a continuous increase in absolute value. Percentage-wise this was a very good quarter and we don't expect the same amounts, but in overall value we see the increase and we drive that through our value-based management approach and that can be seen in the results in the market, smartphone penetration is going up substantially. We also have our smartphone enabled sales that is approaching 80% and through that, that allows us to drive gearing up and of course tackle the market of non-smartphones. If you look at data monetisation, data consumption is growing rapidly as well. So those are components that are structurally right where we do see a good evolution on absolute value of mobile service revenue.

Emmanuel Carlier: Sorry to interrupt but why don't you want to say anything about operational leverage? Is there any specific reason for that because I would expect that the impact is probably pretty positive or is that not the case yet because you basically have it with the subsidies of course, so you try to have higher smartphone penetration so you can move customers towards 4G? Is that the reason why you don't want to give more guidance?

Phillip Vandervoort: I mentioned it is obvious that we are driving towards smartphone penetration. Smartphone penetration in Belgium is low amongst countries around us. We are investing heavily as Dominique mentioned also in our infrastructure. Our coverage is increasing. The experience is becoming better and better, the speed is really high up so it is a very nice product that we're selling and we see that in the customers that are buying devices. As I said we're approaching 80% of the devices that we're selling as 4G enabled, so yes, we think probably it's late in Belgium, the smartphone adoption, but everything that you see in other countries in smartphone adoption you start seeing here as well which is the tiering up which is the data consumption etc and maybe here it can add something on capacity etc. On the data capacity, for example to give you an idea, last year we said we saw a growth of about 250%, sometimes 2½ of our mobile data volumes. Also this quarter we see again a significant increase, so we're growing x2.2 again on mobile data and this growth is driven by two factors, of course the average usage per customer is growing, nearly doubling and of course the other effect is the smartphone penetration increasing.

Dominique Leroy: Regarding your question on capex and the mid-term capex expectation, this is consensus, I think we're more on a stable view. I don't think we have forecast up until 2018 but for the next three years, it's true that we'll have probably lower capex in 4G rollout as it's nearing its term but we are accelerating other programmes specifically in the fixed infrastructure, so all in all when I look at the various components of our capex down the road over the three years, we were more on a flat level of capex. Geert, do you want to complete this?

Geert Standaert: Maybe what I can say is that if you look at a three year horizon, first of all in a mobile domain it's clear that on 4G the acceleration happened last year and this year but on the other hand due to the growth of mobile data there will be a need for further identification of our network. This will happen in the mobile space. On the fixed space we see clearly and certainly coming out of the enterprise market that there will be a demand for high speed, so we are putting more resources into bringing fiber to the enterprise market and as well for the residential market we will further increase the speed that we bring there. Transformation is about simplification, that is about our network simplification program but also IT simplification, product simplification program is as well a program that will certainly run along the years or the timelines that you've indicated until 2016-2017, 2018.

Emmanuel Carlier: Alright, thanks a lot.

Operator: Thank you. We can now take our next question from Michael Bishop from RBC. Please go ahead.

Michael Bishop: Hi, good afternoon. Just a couple of questions please firstly you had very strong commercial momentum clearly from the rebranding process. Could you just give us an indication of whether that's continued into the second quarter or whether you've seen any competitive reaction? I know Mobistar were talking about re-entering the market a bit more aggressively in mobile so any comments around that would be great.

The second question is on the very good line loss or should I say net line gains in the quarter and we've seen the Telenet numbers where they're still adding broadband and telephony. I know you pulled out the wins from Scarlet away from Snow but is it correct to say that you're taking market share from VOO again in the south and could you comment on the dynamics there and whether those trends can continue?

Thirdly just a quick question around the working capital. Do you have any expectations for the full year around working capital bearing in mind the comments around the stabilisation and the unwinding versus the first quarter? Thanks very much.

Philip Vandervoort: So on commercial momentum and rebranding, the first question. It is obvious that the rebranding exercise is paying off in share of voice. It is also obvious that putting the same amount of money behind one brand or behind two brands has a positive effect and probably there is synergies which is very hard to measure. But a one plus one equals three is probably what we're seeing there. We do see very positive momentum on that rebranding and brand recognition, brand preference in the north and in the south, specifically on the mobile part at the end of last year and we really see that perception on overall telecom, that positive perception on total operator perspective, so mobile and fixed, we see that momentum continuing. That is definitely one of the waves that we're surfing on.

Dominique Leroy: But just to complete on what you see in the market, I think Base has always been the one that was a challenger on the market. I think they today try to reposition themselves with the new go mobile but we haven't seen significant price aggressiveness on that. I think now that they will be bought by Telenet I don't see why they would now be very aggressive on price. What I mention is that we see some aggressiveness on Mobistar more on the enterprise side, they have lost quite a lot of their enterprise customers. So it's rather normal that they try to re-enter there, we try to compete with much more added value, with managed services, with mobile device management, things like that which brings more value to enterprise and I think this is certainly the good way to react by providing more services and preserving the value. On the residential market you should never forget that we have our Scarlet brand which is really a very strong defence line for low price competition. Recently the BIPT did a lot of studies and price comparisons and Scarlet came out as probably the best deal for price seekers both from the mobile and on the triple play side. The two brand strategy I really believe something which can really help us to resist if there are some big mobile disruptions but so far we are not seeing strong competitive movement in the market. I think there is a lot of cash that has been invested by mobile operators in their infrastructure, a lot of price decline at least last year and we are now seeing everyone probably recovering a bit thanks to increased mobile usage and I think everybody needs a bit of fresh air on the mobile area and I'm not expecting so fast strong mobile reactions. But of course we will not trigger it, you never know what competition will do but that's certainly not our intention to trigger price aggressiveness in the mobile market.

Philip Vandervoort: I think on fixed lines to wrap up that question in the very good numbers there is of course the 16,000 Snow lines that should be taken out, the rest we have not changed the product, we have not changed the pricing of that product but we have focused dramatically on sales execution through our own retail channels and our indirect channels.

Sandrine Dufour: So on your question on the working cap, it's through that Q1 was heavily impacted by a higher working cap. We had to pay for the high capex that were accounted in Q4 last year and that we paid in the first quarter of this year. We also had to rebuild the inventory of our devices, you remember a very successful campaign at the end of the year so this has an impact, a temporary impact on the Q1 numbers of cash. I also won't be giving any guidance for the year in terms of cash flow but bear in mind that we're working to be in a position to cover our dividend, that's the aim.

Michael Bishop: Thanks very much.

Operator: Thank you. We can now take our next question from Paul Sidney from Credit Suisse. Please go ahead.

Paul Sidney: Thank you very much, just three quick questions please. Firstly just looking at your smartphone penetration increase year on year, it's gone up 10 percentage points to around half. I was just wondering… it's clearly heading in the right direction but given the strong usage on 4G versus 3G, is there not an argument for you investing some of your year on year profitability growth in getting the right handsets into customer's hands, i.e. pushing a bit harder on subsidies? Then just a couple of quick questions, secondly in terms of your quad-play customers could you tell us how many mobile products on average those customers are taking please or as households are taking? Then the third question is there any update on the long standing dominance case, have there been any movements over the past three months? Thank you.

Philip Vandervoort: Well of course it is in our best interests that smartphone penetration continues and as of course the customers come towards us and then we drive all the different measures to up consumption and we see that resulting in nice growth on 4G consumption. To answer your question, every single one of our packs, of our smart packs have 4G access so from that perspective we drive it. Do we want to have the right handsets in the hands of the people? Of course we do and that's why we want all our smartphones that we sell through our channels to be 4G enabled. Can we incentivise it more by doing joint offers, we typically do joint offers on the higher end devices or the mid-range devices that allows us to do the tiering up and to drive then of course data consumption stimulation. On the other hand we are not changing at all our policy of joint offers. We continue to use it as a very tactical movement where we put nice products in the hands of the people partly subsidised by the consumer itself, partly subsided by the vendor and partly subsidised by the tiering up and we have not changed that. So that's the value based management approach where we're not subsidising as such, we're financing if you could call it that way.

Paul Sidney: Thank you.

Bart Van Den Meersche: This is Bart. For your question on corporate customers, can you explain a little bit about what you mean with the number of mobile products on average?

Paul Sidney: Apologies, yes, it was actually on your quad-play, on your 4-play customers. It was just really looking at those quad-play households and trying to back out how many mobile products on average that household is taking?

Philip Vandervoort: On a quadruple play typically we see 4.8, 4.9 products per household on a quadruple play and 3.3, 3.4 on a triple play. How many of those would be mobile? We don't have that information but logic would tell you that's approximately two, if you take out of the four, if you take out internet and TV and partly fixed then that gives you two to three handsets per household in a quadruple play. But that's not an exact number, that's just a quick calculation here.

Dominique Leroy: On your last question, on the legal case, I think so far since the last quarter nothing has happened. We are seriously considering in going in cassation and what we see from the work of the experts I think it will be probably delayed again and I don't think we will have conclusions of experts by Q1 next year, so we are probably again in a much longer legal case than what we could have anticipated from the last judgement. I really don't think we will have any conclusion by Q1 next year.

Paul Sidney: That's great, thank you very much.

Operator: Thank you. We can now take our next question from Stefaan Genoe from Petercam. Please go ahead.

Stefaan Genoe: Yes, good afternoon, thank you for taking my questions, first a follow up on the different dynamics perhaps in the northern and the southern part of the country. Your fixed net adds were very strong, 16,000 probably coming from Snow. Can you give an indication which part of the net adds I would say excluding the 16,000 from Snow is going to Scarlet and which part to Proximus? Related to that do you see different dynamics on the fixed for Proximus in Flanders versus Wallonia because also the rebranding to Proximus, one of the targets was to get more dynamics in the Flemish market. Then the second question related to capex and network I would say, you mentioned in the press release the one third of customers already are on 70 megabits. I think in the presentation of February last year you indicated that you wanted to start also dynamic line management with vectoring as from Q2 2015. Is this still on schedule and will we then get the higher ramp-up to 70 megabits and even 100 megabits in the coming quarters? Thank you.

Philip Vandervoort: I'll take the first part of the question. Our performance is quite balanced, our brand perception has improved on both sides. As I mentioned earlier with see that good brand perception continuing over Q1 and we see that in the north and in the south. We've gaining market share in the north and in the south, we see good sales execution in our shops in the north and in the south and that strongly supports basically our rebranding. So yes, we are gaining market share on both sides – that excludes the Snow part.

Stefaan Genoe: Yes and perhaps to that is this… there are I would say a big difference from the net adds not coming from Snow that went to Scarlet in the break up between Scarlet and Proximus?

Philip Vandervoort: No not really, no.

Stefaan Genoe: Ok.

Geert Standaert: This is Geert with respect to your question…

Philip Vandervoort: Actually, I mean we made the offer and was public in the market that we proposed the Snow customers to go to Scarlet and there was a few that came to Proximus, but the aim was to bring them under Scarlet. That would be the matching triple-play proposals, so logically the majority, the vast majority went to Scarlet and the one-off might have been on the Proximus side, but that's very few.

Stefaan Genoe: Ok.

Geert Standaert: Ok, on the network side just with respect to figures where we are today. One third of the country we have covered today with vectoring. We also introduced the 70 megabits per second profile and we have about 400,000 customers that are today already receiving, enjoying the 70 megabits per second. It's indeed in our plans for this year to further upgrade that's up to level and we will come this year as well with the 100 megabits profile on the market.

Stefaan Genoe: Ok, thank you.

Operator: Thank you. We can now take our next question from David Wright from Bank of America. Please go ahead.

David Wright: Hello guys, thanks for taking questions today. So I just wondered how you were thinking about the Telenet base merger… sorry, the Mobistar wholesale plan on the Telenet network. They've obviously given some indication that they're looking to target perhaps the lower end multi-play users rather than the four sort of triple/quad-play package. That would obviously bump right into the Scarlet business I guess. Can you tell us, are you guys willing to fade some market share to preserve pricing rationality or are you very much intending to defend your position? How are you looking to just generally prepare yourself for that new wholesale offer? Thank you.

Dominique Leroy: Perhaps I can start on that one. I think so far Mobistar has run a lot of tests but they have also said that they will delay the launch until there is a review on wholesale pricing. So I think so far one of the key issues is how are they able to position their new product in the market in an attractive way? You're right, they've said a few times that they want to come on the low end but with the current retail minus price they have quite a lot of difficulties to be there so they are first waiting for a revision of the wholesale price. To be honest I don't know how much time it will still take. They are in discussions with the regulator so the ending on that, they would either come with a low end proposition or probably not. On both sides I think we will not change so much our strategy. We have a two brand strategy where we give the choice to the customer where we start with the Scarlet Trio pack at €39 a month which is very low price offer in the market, where of course you don't have all the service of the Proximus and not all the options and all the TV channels; and on the other end we have three different packs on the Proximus side where customers can make their choice. So far from our side we don't want to change any elements of our current strategy. We think we are well armed with the various

Proximus packs and our Scarlet low brand to resist and to face new potential competition from Mobistar.

David Wright: Ok, thank you very much.

Operator: Thank you. We can now take our next question from Ruben Devos from KBC Securities. Please go ahead.

Ruben Devos: Yes good morning, Ruben Devos from KBC Securities. Two questions for me. First one will come back on the network. Mobistar recently announced it would roll out its 4G+ technology in Brussels and if I'm not mistaken you have experimented as well with 4G+ in the major cities? Could you give some colour what your intentions are with respect to this and how important will the extension of the 900 to 1800 MHz spectrum be in the second half of this year? The second question to come back on the price increase as well. Could you give some indication of what percentage of customers are affected because of the price increase? I understood you also include a catch-up TV feature in the bundle. Would you share with us the current household penetration of that catch-up feature today? I assume the full year '15 guidance set at the start of this year includes the assumption of price increases? Thank you.

Geert Standaert: Ok, first with respect to the network so indeed we already have activated as well 4G+ in several locations, so in mainly in cities like Gent and Antwerp. This year we did it mainly to get more experience with 4G+ technology, not because there today is a need because if you look at what 4G+ is giving, it's giving you better top speed experience but there is also only a limited number of handsets that can still support it. So much more important is the second part of your question is the expansions on spectrum. There clearly we already have in the 1800 MHz spectrum we already extended the megahertz to 20MHz in many cities but indeed due to the expansion we will be able to use this more nationwide. So I'm expecting that the largest part of the country we will cover with 20MHz thanks to that expansion and there will be an immediate benefit of course for all customers using 4G.

Philip Vandervoort: On your first question, our price increase is driven by strategic alignment on our convergence strategy and value based management. So we're driving, we're suggesting for users, for the customers of a single internet line or single product to move to converging packs where they can have lot of advantages. So from that perspective we increased the price on some of our standalone and some of our older packs. To answer your question on catch-up TV, we don't disclose the penetration of catch-up TV but in all the studies that we've done and the feedback that we're getting from our customers and the reaction that we get is that we…and also the reaction of our competitors we see that TV replay is a very desired option and something that people value a lot in their packs and that of course will be included into those new packs and that's the main attraction point of those new packs. So overall we can say that less than 50% of our customers are impacted by this price increase and specifically those users or those customers that use specific products that we consider as less strategic.

Ruben Devos: Alright, thank you. Very helpful.

Operator: Thank you. We can now take our next question from Nawar Cristini from Nomura. Please go ahead.

Nawar Cristini: Good afternoon, Nawar Cristini at Nomura, thank you for taking my questions, I have three of them. Firstly a question to Sandrine as a recent joiner to the company. I guess it is still early days but it would be interesting if you could share with us your first insights and also perhaps your first view on what can be changed or improved? My second question is on capex. Q1 has seen a capex increase of around 50 million year on year while the full year guidance indicates a slight decrease versus last year. Is it just a phasing story here or should we read more into it? Lastly just a question on the ARPU, the consumer postpaid ARPU growth came back to positive territory in Q1 with 2% growth year-on-year. How should we expect this to develop for the rest of the year? Thank you very much.

Sandrine Dufour: Thank you Nawar, it's quite early days for me, however I am very proud to have my first set of numbers as good as the ones that we are announcing today. This is a very tangible result, in terms of prospective and improvement I think the way I view it is that we have a very clear strategy with our ambition to return to growth in 2016. Where I think we have opportunity is that we have to deliver and accelerate our strategy in all our pillars, that I'm very familiar with. So our investment in our networks, our transformation around simplification, digitalisation, around putting customers at the centre and around working on the organisations are the clear pillars of strategy and I think we can in some of them be ambitious and try to deliver as fast as we can on these elements because the market may put pressure on us to do so. So this is in a nutshell how I would share the insights; and the last one it's not only in France that the market is moving in terms of consolidation. As soon as I arrived there is a new movement happening so this is ringing the bells and we see how this has an impact on the market and preparing ourselves to face such changes of competition and I think that's the key learnings of my French experience.

Geert Standaert: On the capex side it's indeed a phasing, we should see it as a phasing. There's no impact on the overall year.

Philip Vandervoort: On the ARPU the 2.2% that you mentioned is actually the blended ARPU. Postpaid obviously we expect to continue with our programmes as I mentioned before, tiering up the right joint offers, putting the right devices in the hands of the people, data, usage etc. we will continue in absolute value to see an increase. Prepaid is a different story. Prepaid is a high ARPU in Belgium but it's very competitive, there's a lot of competition from many different players, but for services postpaid, we do continue to focus on that and see the same results in the future.

Nawar Cristini: Ok, thank you very much.

Operator: Thank you. We can now take our next question from Usman Ghazi from Berenberg. Please go ahead.

Usman Ghazi : Good afternoon everyone, thank you for taking the question. I just wanted to ask a couple of questions, the first one the damages case. I think on the last call it was mentioned that you expected a non-binding report from the experts by Q1 and I just wanted to know what is causing the delay here? Is it that the validity of the experts has been called into question now or something else? So that was the first question. The second question was just on the… could you indicate the proportion of gross ads or net ads that are taking joint offers now, these subsidised offers? The final question was just on the payback for the subsidies that you have in the market, what payback are you targeting? And given that the subsidies really started around mid-last year or early last year of the payback is that 15, 16 months then should we expect improved profitability trends kicking in sometime late this year? Thank you.

Dominique Leroy: On the legal case two elements, I think the first one I mentioned is that indeed we will most probably go into cassation against the judgement we had at the end of last year. The second element is that Mobistar and BASE are trying to change the experts so it gives you also indication that they are not very happy with the first conclusions of the experts. If that is followed both the cassation and then the change again I think for the third time of the experts there is no way we will be able to meet the Q1 2016 deadline and we will probably be again in a quiet long period, certainly not before 2017. These are the two main reasons: cassation and pressure from Mobistar and BASE to change the current experts.

Philip Vandervoort: On joint offers and I think you asked specifically on joint offers in packs. There is… if you look at the Belgian market there's a lot of waves of joint offers with devices and of course that is driving… that's driving the seasonality in the growth schemes etc. From our perspective value based management is what we approach, it's what we use. We don't see it as trends change and we don't expect a trend change using joint offers differently. We use it very tactically, not permanently available to drive the right handset in the right market. But we do offer now joint offer in pack and joint offer in standalone and both packages are really appreciated by our customers but we don't disclose the specific numbers on that.

Usman Ghazi: Is it the majority of new customers are taking these bundled handset offers or is it still the minority that are doing it?

Philip Vandervoort: It's a very small percentage of the devices that we sell that are actually in joint offers so it is below 20%, then you split it between joint offer and pack joint offer, but it is a relatively small percentage of the products that we're selling.

Usman Ghazi: Ok.

Operator: Thank you. We will now take our final question from Matthew Van Leijenhorst from Kepler Cheuvreux. Thank you.

Matthew Van Leijenhorst: Yes good afternoon. Just one follow up on the dynamics between Scarlet and Proximus. I could not understand, can you remind me in terms of net adds and excluding Snow which… can you provide the split between Proximus and Scarlet? Which one is growing faster?

Philip Vandervoort: No we don’t disclose the split. As we said 16,000 is coming from Snow and net adds and from that the rest is split between Scarlet and Proximus, but we don’t disclose the split. It’s a totally different go to market approach, it’s a totally different audience, it’s a totally different price positioning and it’s a totally different branding position, but we don’t disclose.

Matthew Van Leijenhorst: I understand.

Philip Vandervoort: The vast majority, the vast, vast, vast majority is Proximus.

Matthew Van Leijenhorst: Ok, thank you.

Operator: Thank you that will conclude today’s question and answer session. I would now like to turn the call back over to you for any additional comments.

Nancy Goossens: Thank you all. If there are any follow up questions you can call the Investor Relations team. Thank you again and have a nice weekend. Bye.

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