



Event: Proximus 2016 Q3 Results Conference Call

Date: 28.10.2016

Speakers:

Dominique Leroy – CEO

Sandrine Dufour - CFO

Bart Van Den Meersche – Chief Enterprise Market Officer

Phillip Vandervoort – Chief Consumer Market Officer

Geert Standaert - CTO

Nancy Goossens – Director Investor Relations

Call Duration: 53:31

Operator: Good afternoon, ladies and gentlemen, and welcome to today's Proximus 2016 Q3 results conference call. For your information, this conference is being recorded. At this time, I would like to turn the call over to Nancy Goossens, Director of Investor Relations. Please go ahead.

Nancy Goossens: Thank you. Good afternoon ladies and gentlemen, and thank you for joining us during this conference call. I trust you have all received the information pack that we sent out this morning, or have seen it on our website. We will keep for this call the usual format, meaning that we will dedicate most of the available time to the Q&A. We will get to that after the CEO's opening statement. Let me just first quickly introduce the participants on our side. So, Dominique Leroy is here, the CEO; Sandrine Dufour, the CFO; Phillip Vandervoort, the chief on the consumer segment; Bart Van Den Meersche, the chief on the enterprise segment; Geert Standaert, our CTO; and Daniel Kurgan, the CEO of BICS. They will take your questions just in a minute, but first I give the word to Dominique for her opening statement.

Dominique Leroy: Yes. Thank you, Nancy and good afternoon everyone and welcome again to our conference call. Let me start by commenting on the strong performance of our domestic business. I am proud we could announce an underlying domestic EBITDA growing by a solid 5.5%, especially since we are facing the impact of the rolling regulation and the more intense competitive environment. Notwithstanding this, we kept our direct margin evolution positive. The third quarter commercial drivers remain sound and fixed churn levels were below those of one year back. Our mobile base showed good growth too, with especially a strong quarter for our enterprise segment.

In the consumer segment, we continued to improve our customer mix by sustaining our shifts toward more triple and quad-play offers, thereby increasing both the value and the loyalty of our customer base. This is a trend that we expect to push further, strengthened by our new attractive all-in commercial offers, Tuttimus and Bizz All-in, that we just launched. While the positive direct margin is obviously supportive, the main contributor to the strong third-quarter domestic EBITDA was a lower cost base.

In line with our Fit for Growth strategy, we continued our transformation towards a more customer-focussed, agile and efficient company. The third quarter domestic expenses ended 4.8% below the prior year. Especially, the workforce expenses showed a strong improvement, albeit from a high comparable base in 2015. The workforce expenses were down as a result of the activated early leave plan prior to retirement, with the first wave of participating employees having left Proximus on 1st July. Part of the benefit was however offset by an inflation-based salary indexation applied as of July.

For our international carrier services, BICS, the third quarter EBITDA variant showed good improvement from the prior quarters, driven by a good direct margin level. The domestic and BICS EBITDA combined led to a 4.7% increase of our underlying group EBITDA. Alongside the high attention paid to reducing costs, we also focussed on maintaining a healthy free cashflow level. The structural changes that we implemented are once more reflected in the lower cash needed for our business working capital, related to receivables and payables. This, combined with the growth of our underlying EBITDA, resulted in a good year-to-date free cashflow of €565 million. With these solid results achieved so far, we have raised our underlying growth EBITDA outlook for the year to a growth of 3-4%. For the domestic revenue, we reiterate our expectation to end the year 2016 with a slight growth. We also reiterate our expectation to end 2016 with around €950 million CAPEX.

This was for me the final point I wanted to make, and I am therefore very happy to answer your questions. Thank you.

Operator: Thank you. Ladies and gentlemen, if you wish to ask a question, please press 01 on your telephone keypads now. We kindly ask you to not use microphones or hands-free devices.

We have a first question from Stephane Beyazian of Raymond James.

Stephane Beyazian: Yes, thank you very much. Could you elaborate a little bit on the enterprise market? I think there were some comments in the slides that there is a little more competition in the market and I can see that your ARPU and mobile services are probably 300 basis points lower. But a bit surprised that this not reflecting the roaming impact. And in Voice I see can that the trend is – is softer but actually low-lying losses were a bit better this quarter and the ARPU is still growing. So, can you elaborate a little bit on the sort of comment of potentially increased competition in the enterprise market, and if so who's behind the competition?

And if I may ask a second question, regarding the cost efficiencies, I think it's very clear, you know, the improvement we have seen in the workforce, but can you elaborate also on the non-staff efficiencies plan? Where you spend today on the savings that you have planned for the next two years? Thank you.

Bart Van Den Meersche: Okay, so for your question on the enterprise markets, it's not a surprise that we have seen more competition. As we already announced from the beginning, it's our competitors who clearly announced that they are sort of hitting the enterprise markets, and in this context as well, Orange has given itself – I think they said they were going to target the enterprise markets and so that's something we see. But when you refer to the mobile services, there the most important impact is still the roaming regulation impacts and linked to that also the changed travel behaviour due to the terrorism threats. I mean less people travelling, and those who travel stay within the Europe. But the third element is indeed an increased competition that we see coming up, and that we see in several cases – customer cases.

Sandrine Dufour: Okay, and on your second question regarding the non-workforce cost, I think what we can say is that we are executing our cost reduction plan all over the company, and maintaining our ambition that was announced back in February of delivering net €100 million decrease in terms of a total cost decrease. And then, where it being felt in the company is all which regards efficiency simplification, decrease of the outsourcing calls, distribution and the like; so we would not detail for you all the actions, but it's really being felt throughout all the costs and the non-workforce costs within the company.

Stephane Beyazian: Thank you. If I may just follow up: in terms of impacts, should we see a, let's say a step up in the benefits from these actions in the next quarter? Or can we have a sense of the phasing of the improvements?

Sandrine Dufour: Well maybe I – just coming back on highlighting the third quarter performance, specifically in the workforce costs. You should have in mind that the 2015 workforce costs was a high level, that included some HR provision. So the quarter-over-quarter – year-over-year quarter comparison is being helped by this. Certainly, in terms of getting the benefit of the early leave plan, as we move forward we will see that the benefits are being recorded in the company and we have FTE decreased, combining both the ELP and the pension number, which is going to be impacting as well the decrease of our costs in Q4.

Stephane Beyazian: Thank you.

Operator: Thank you. The next question is from Ruben Devos of KBC Securities.

Ruben Devos: Yes, good afternoon. Two questions please. The first one to come back on the enterprise segment, also the ARPUs for the broadband have somewhat declined as the price increase effect of last year sort of annualised. The press release also speaks of out-phasing of legacy products and more attractive pricing for customers. So should we bear in mind, going forward, that there will be

further re-pricing of your back book, let's say, or more pressure, because of – yeah, competition intensifying?

Then the second question on the corporate tax. Yeah, so in search of a fair tax system, the Belgian government has proposed to bring down the corporate tax rate to initially 20%, I believe and then later they said 23%. And so I was wondering, what's your take on these developments? And would you be in favour of such a reduction, given that possibly the notional interest deduction and excess profit rulings would be abolished? Thank you.

Bart Van Den Meersche: For your question on the enterprise broadband, it is indeed so that the ARPU year-over-year is still declining, although quarter-after-quarter we see a slight improvement and that is indeed – I mean, the year-over-year is indeed driven by – mainly driven by an out-phasing of old legacy profits. This is going on, so we bring our customers to more attractive prices. This is still going on and yeah, we'll also – in the next quarter still have a – it will still have an impact.

Sandrine Dufour: And on your question on corporate tax, so it's true that there is currently a proposal to enter in a new income tax regime, with the decrease of corporate tax on the Belgian market. This is going to be debated, so it's definitely not a – something that has been enacted yet. And the latest corporate income tax rate that has been discussed are aiming at decreasing the current 33.99% down to 23% in 2019. But for global neutral impact for the Belgian government, which means that this will be compensated by the elimination of the existing regime, such as the notional interest deduction. So if – what today on the table and again not enacted yet is taking place, and we look at the various components of our tax rate, what we can say in our assumptions today is that the corporate tax rate of Proximus would evolve I would say close to the new statutory rate in the future, which means that we could trend towards the 23% in 2019, which is of course once again if it's enacted and which is much better than what we would have had if this tax – a new tax regime is not being passed in Belgium. Because of the firm's favourable tax rate that we have in 2016, benefits from one-off in this quarter and benefits from deduction that we know will progressively be reduced over the next years.

Ruben Devos: Okay. Thank you. And if you could just give an update on the excess profit tax ruling concerning BICS if that's possible?

Sandrine Dufour: Right. So on this one we – well firstly, be – the event in the quarters, we have put some cash in escrow in July, which is exactly the amounts that had been provided for in our books. So that we are paying the excess profit full. We are just awaiting the final – I would say, modality, of the recovery of this alleged aid, and that we think should be published before the year end. That, in parallel I think, we still are fighting for the annulment of the stated decision of the European Commission. Actually, BICS has filed this application and the Commission has extended the case. So this will be also debated over the next week. So in the end, no impact on our P&L and cash out in the quarter in the tune of €24-€25 million.

Bart Van Den Meersche: And this is Bart again, maybe just coming back on your first question. What I forgot to mention is next to the out-phasing of the legacy products, it's of course so that we are now more and more rolling out fibre towards enterprise customers, so that should have a positive impact of course in this context.

Ruben Devos: Alright. Thank you.

Operator: Thank you. The next question is from Luis Prota of Morgan Stanley.

Luis Prota: Yes. Hello, thank you for taking my questions. I have two questions please. First of all, I would like to understand the market dynamics – differences between the Flanders and Wallonia and more specifically on Orange, Belgium convergent proposition. And whether you are seeing or you are expecting that they might have a bigger impact in Wallonia or in Flanders. And the reason to ask is obviously because Proximus' market share is higher in Wallonia and Orange might be benefiting from

its French nature on the one side, but also from VOO being a less integrated player than Telenet and therefore allowing them to gain critical mass and these things. So I would like to understand the difference in the competitive dynamics there and whether we should take into consideration some higher risk in Wallonia.

The second question is on regulation and you were giving the roaming impact for 2016 being €28 million. I wonder if you are able to give us already the expectations for 2017, and also whether there is any material impact from the reduction in fixed interconnection rates? Thank you.

Phillip Vandervoort: On your first question in the market dynamics, between Flanders and Wallonia, it is indeed true that Belgium is a quite specific country with the north and the south where economic realities are different north and south; competition is different north and south; demographics are different north and south; and the product and price perceptions are different north and south. Deriving from that, that there could be a bigger impact in the south than in the north from our Orange convergence offer, we don't have any data to suggest that at all at this point in time.

Sandrine Dufour: Okay, on your question on regulation, what we can say for 2017 is that we expect that the roaming impact will be bigger than what we had in 2016. The reason being that we will have six months of no revenue attached to – international or European roaming, as we have higher COGS, because as we see, traffic is growing. And so this will have a higher impact when you add the four months of comparison of the first wave of the roam like at home impact.

So, all in all we expect to have – to feel a higher number next year. I think it's a little bit too early to give you a precise estimation as we are working on our budget for 2017. As for the FTR, the fixed termination rate, we expect this having as well an impact, which is going to be a bit lower than – I think it's less than 1 million a month. So, we will have the first two months' negative impact this year, and an extra ten months of variance at less than 1 million a month for the full termination rate. And that's to give you more of an idea.

Luis Prota: Okay. That's helpful. Thank you.

Operator: The next question is from Matthijs Van Leijenhorst of Kepler Cheuvreux.

Matthijs Van Leijenhorst: Yes. Good afternoon. First question on the free cashflow. You saw quite a step up in free cash flow in the third quarter. Can you give some colour what's your – what your expectations are for Q4 and, yeah, specifically mentioning the working capital etc.?

The second question is, and although it might be early days, can you give any colour on the launch of your quad-play proposition, Tuttimus? Thanks.

Sandrine Dufour: Okay, so on free cashflow, so you have seen indeed that we have been able to I think structurally improve the business working capital in all dimensions. We are working on account receivable, account payable and managing inventories to – the best we can do. So, I think it's a step change. As for Q4, it's typically a seasonal impact where Q4 is a high cash out quarter, like it was last year for all different series of reason. So, in terms of seasonality, we should not expect to see different from last year, that's certain Q4 cash flow is close to zero when you remove the exceptional impact of the settlement that we paid. So, we don't see it happening differently this quarter.

Phillip Vandervoort: So on Tuttimus, it's of course early days, but as Dominique said, we – we're continuing our convergence strategy to drive loyalty and value at our customers. So more services for how that results in more services for household and accelerating the 4P strategy and increasing the RGUs per household, so fully in-line with our convergence strategy. We also introduced with Tuttimus a more-for-more approach in the Belgium market. And it drives stimulation because it is a worry-free offer and on calling, we have a closed user group functionality. So we think we are addressing all the needs of our customers.

Now as I said, it's very early days, so what we see is a high impact on the market where we saw website visits were – traffic by composer increased with – we sold 300% more. If we look at our Pokemon GO campaign that we were driven online 100% during the summer, if you compare that activity on the web with what we see during the Tuttimus launch, the Tuttimus launch was even 25% higher than what we saw during the Pokemon GO campaign.

Front office sales is very busy; our call centres are very busy, so globally we can say that we are very satisfied also from the feedback in the market, be that the customers, the analysts or our employees and the sales agents. But as I said, after ten days, it's way too early to call it a commercial success. We observe good volume migrations, we observe good RGU increases, and we observe good attach rates in what we see in the market so far.

Matthijs Van Leijenhorst: Okay. Thank you.

Operator: Thank you. The next question is from Michael Bishop of Goldman Sachs.

Michael Bishop: Yes, thanks. Good afternoon. Just two questions, please. Firstly, following on from your explanation around free cashflow. Even if you don't do any material cashflow in the fourth quarter, clearly you will be tracking ahead of prior years and in excess of the dividend payments based on your guidance. So can I just get your latest thoughts on what you would do with excess cash? Would you seek to return it to shareholders? Or do you think it's better spent potentially increasing CAPEX levels on things like fibre?

And then more broadly, you mentioned that the new tariffs were designed with the sort of more-for-more strategy in place. And if you look at all the pricing changes in the Belgian market that we've seen over the last couple of months, would you say that broadly speaking the tariffs in mobile now are much better structured to allow customers to spin-up from the sort of €15, 1, 1.5 gigabyte usage levels to tariffs and therefore more broadly all the moves are accretive for the market?

Dominique Leroy: Pn your first question, well, in terms of dividend I think we have announced our policy for this year and we are not changing. And it's much too early to discuss about dividend policy as we'll have this conversation with our board first before the year-end. And so – and we stick to what we said as well in terms of the CAPEX programme for the year. So we've confirmed the guidance to do €950 million of CAPEX this year including as you know the acceleration of fibre to the business that was part of the programme.

Phillip Vandervoort: So indeed the more-for-more strategy drives, exactly what you are mentioning. Our – on the mobile side specifically, we think that with including the free app for a mobile customer that will incite the consumption of data on the free app, and then of course the spin-offs of those apps. And that's – I can give you one example on that, if you select Facebook as your free app, your YouTube videos or your Spotify songs will not be out of the bundle but will be in the bundle. So we think we will stimulate adjacent consumption of data with that. As from our stepping-up approach, that is still fully aligned with our convergence approach, so whether you go from a Mobilus small, Mobilus medium or Mobilus large, a first step in between would be to bring your Mobilus in your Tuttimus pack, so that you get extra data. And then the next step would be to move from a small to a medium. We think it's very rational and we think it drives our conversion strategy to drive loyalty and value.

Michael Bishop: If I could just follow-up on the free cashflow question, I mean setting CAPEX aside, is the policy still to return excess free cashflow to maintain one times leverage? Or does that have to be decided by the board again? Because I thought that was an ongoing policy?

Dominique Leroy: I will try to answer on this question. I think our policy is indeed to return to the shareholder most of our free cashflow, but of course the free cashflow is depending on the EBITDA and our CAPEX. So for the time being, we have not decided yet what will be the CAPEX level for the years

to come. We are doing fibre acceleration for business, we have to see what other type of the programmes will be there, and so for the time being we stick to the dividend policy that we have had for the last three years, which is €1.50 that we will give this year and it's way too early to give any indication for the years to come. We will do that with the board in December and with the results in February.

Michael Bishop: Okay. Thanks very much.

Operator: The next question is from Emmanuel Carlier of ING.

Emmanuel Carlier: Yes, hi. Two questions from my side. One on CAPEX 2017. So I can understand you can't give guidance, but I think it's a general trend that in some countries at least that people try to do the upgrades via vectoring etc. and not really via fibre. Could you just provide an update on that?

And then secondly, if I look at EBITDA moving towards 2017, I just would like to hear the big drivers you see that will determine the level of EBITDA growth. I think a cost savings, BICS, increased competition and regulation are important; do you see any other elements that will have a big impact? Thank you.

Dominique Leroy: Okay. So concerning the CAPEX, I think what we have decided so far on CAPEX is that we indeed continue to do our simplification programme, to do our network programme, with mainly vectoring for the consumer and fibre for the business. We are currently doing a first test on what we call brownfield for fibre to the home, which is Anspach, where we replace copper by fibre for homes. Very much depending on how that is working in terms of uptake and in terms of cost we will review our strategy for fibre. But today, there is absolutely no decision taken to do any rollout of fibre to the home. What we do with fibre for greenfield, vectoring for residential, and fibre for the business, and we will see. We hear also as you said rightly that there is a lot of debate on that for the time being. We see that vectoring is really sufficient for consumer usage, but of course we are also looking at the rest. But is too early to say any guidance on that.

What is probably true is that the CAPEX will not decrease in 2017; but we have also said that we see today that the strategy we have, where we have invested more in our network and in our customer service is working, because we are able to attract more customers, we are able to grow our revenue. And that, together with our Fit for Growth strategy on the cost structure has enabled us to grow EBITDA over the last one year and three quarters. So in that sense, I think that's a strategy that is working and normally we should stick to a working strategy.

Concerning EBITDA 2017, I think you have said it all. I think the main – the big drivers will be the launch of Tuttimus and Bizz All-in and how are we able to continue to drive customer acquisition, are we able to continue to drive customer retention, loyalty and upsell on the quad-play? We know that is very much value accretive, so we will certainly pursue them. I think on enterprise it's very much how can we move our enterprise business to the latest technology being very much fibre and all the value-added products that goes with that and that should compensate for still some legacy projects that we need to phase out. The big impact that we will have in 2017 will be regulation impact, which will be significantly higher than the one we have had for this year and that's because of roaming and then because of fixed termination rate. And that will probably be the main headwind that we will see in 2017, because on the other side we think that we have the right strategy to be able to face competition and still grow value for our customers in both segments.

BICS, we'll normally be able to further develop product portfolio more based on mobile data versus voice. And in that sense should normally be less value-negative than this year, because this year was of course a big comparison with a very high 2015. I think the 2016 results are more in-line with regular business, and so we should see less effect of BICS on the – on next year. But we will continue to invest to move the BICS portfolio from voice towards data, and that will still require some investments in

development of new products. So a lot of elements, that all needs to come together and that way we'll provide you with guidance on all those elements when we will give our results of this year.

Operator: Thank you. The next question is from Guy Peddy of Macquarie.

Guy Peddy: Good afternoon everybody. Just following on from that CAPEX sort of fibre chat, you have alluded to the fact that we should assume at least flat CAPEX next year, but given you are now doing fibre – the fibre trials to the home and it's inevitable you're going to do that, when do you think you will be a position to – well, are we going to have to wait till your full-year results for all your CAPEX guidance for next year? Or do you think you'll be going to come out with data earlier than that given the way your trials are going? Thank you.

Dominique Leroy: I mean, we will anyhow come with results in February, if we have some big evidence before – I mean it could be that we give some evidence before, but for the time being nothing is planned. And we foresee to give guidance on revenue, EBITDA, CAPEX and dividends when we give our results end of February next year.

Guy Peddy: Okay. Perhaps if I could ask in another way. The trials you're currently doing, when do you expect to actually get a result from that trial? Is it something that's imminent and ongoing now, or is it something that we are still sort of, you know, six months away from actually getting evidence from them?

Dominique Leroy: No, I think the trial we are doing now gives us good evidence in terms of costs. I mean, how can we deploy fibre, what are the costs associated to it, is the technology that we use the right one? So I think that's something we will be able to have this year. What is probably more a question mark is what will be the traction from the customer. Will we be able to get more market share, up-sell? And there we will need some more time. So in that sense we will have part of the answer this year but we need to see longer term the customer traction, which is of course also quite important.

Guy Peddy: Thank you.

Operator: Thank you. The next question is from Stefaan Genoe of Petercam.

Stefaan Genoe: Yes. Thank you. Perhaps a follow-up also on the CAPEX. With CAPEX at least stable, 2017, is there a good reason to assume that we should see a material difference in the breakdown of CAPEX? Meaning, less mobile, perhaps more brownfield to the home or anything else? That's first.

And then second, Telenet has opted in its WIGO offer to get the SIM cards included in the offer. As such, while for Proximus we have to – clients have to pay on top. We've seen the big gross adds from Telenet in last quarter thanks to this. Are they taking market share from individual SIM card owners in families from Proximus? Or do you believe they mainly are gaining – addressing a new market? For example, tablets that did not have a SIM card before, or something like that? Thank you.

Dominique Leroy: So perhaps on CAPEX I think I will give a very high-level answer. I don't think we need to go into much detail, but it's true that we will shift the CAPEX and go towards indeed more fibre to the business. And we will take that mainly from mobile where we have finalised the rollout of 4G and we have already done quite a bit on 4G+ and so in that sense we will anyhow reallocate some element of CAPEX toward more fibre to the business.

Phillip Vandervoort: So on WIGO it is indeed true that WIGO has a two SIM card offer or a five SIM card offer. It is however not entirely true that we have – that for Proximus customers the customers have to pay the SIM cards on top. In the Tuttimus it is by default one mobile included. At Telenet with WIGO you share the data, and our market insights show that sharing data is not something that the

customers prefer, because they don't like to be in front of surprises at the end of the months where one member of the family has consumed most of the data.

That's why we have a build up of cards with its own large amount of data into Tuttimus pack at the go. And then people and the customers' families can add one, two, three, four SIM cards. On top of that with their own data, when they bring a mobile in the pack they get on top of it additional bonus data to bring them into pack. So that is our approach there. If you look at average amount of revenue generating units in families, we think that two cards is reasonable but we think also that five cards is little bit overdo. Will they end up in some of the tablets? Probably they will. They might. That's hard to tell from here. But five cards being consumed in a family is a large amount I think from any measure. So whether those cards end up in tablets we don't know, but at this point in time Telenet is attracting indeed standalone mobiles to their fixed customers.

Stefaan Genoe: Okay. Thank you.

Operator: The next question is from Nawar Cristini of JP Morgan.

Nawar Cristini: Good afternoon. I have two questions please. Firstly, it looks like the regulator might take a closer look at the net neutrality aspect of the new mobile offers announced last week. So it would be helpful to hear your thoughts on this. And my second question is on HR provisions. It looks like HR costs have been impacted to a certain extent by provision savings. Could you quantify how much was the impact in the quarter please? Thank you very much.

Phillip Vandervoort: So it was not 100% clear the first part of your question. I assume it has been...

Nawar Cristini: So in the new offers, there are a level of unlimited data usage for Twitter, Facebook and a number of apps and the Belgium government has asked the regulator to look at the net neutrality aspect of these unlimited data plans. So I wanted to ask about your thoughts on this.

Dominique Leroy: So I will answer this question. I think unlimited usage of a free app is fully in line with net neutrality. We have of course checked that fully before launching the product. The only limitation that you have is when your bundle has been consumed, you are not able to continue to give the free app for free. And that's currently fully foreseen in our product so you can consume unlimitedly your free app as long as you have still some data available in your bundle. The day you don't have any data available in your bundle, you are not able to continue to use the free apps. And because of that, the offering is completely in line with net neutrality. We are very much confident, and that discussion with regulators still needs to happen, but we have absolutely no fear that we will have any issue on that one.

On your question on the HR provision I'm not planning to go into too much details here, but I think that you can assess the benefits that the early leave plan is providing in our number, because we gave the decrease of the FTE on the one side. I mean, you should have in mind that we were penalised at the beginning of July by the wage indexation, 2% growth, so there's a net impact of decreasing FTE, increasing the average wage. And you can also look at how our Q3 2016 looked compared to the previous quarter last year in the total workforce cost to help you get an answer to your question.

Operator: Thank you. The next question is from Roshan Ranjit of Deutsche Bank.

Roshan Ranjit: Hi, good afternoon. One quick question from me please. Just regarding your commitments to rolling out fibre to the business parks. Given the, I guess increased competitive environment in the enterprise business and ARPU's coming under pressure, could we just get an idea how you think about that now? Do you – does it increase the rate in which you roll it out? Decrease? And could you give us an idea of the level of interest for the full fibre product from corporates? Thank you.

Bart Van Den Meersche: Yes, as I mentioned a couple of questions ago, so it's indeed – I would say, the intention to roll out fibre to the business, because there is a clear demand. So we see our customers have need for higher bandwidth more and more with the coming up of cloud applications, video conferencing and so further, so there is a clear need in the market and of course we'll try to link that to up sell in the market against the current connectivity that they have.

Roshan Ranjit: Okay. And, sorry, and I guess now you're citing maybe increased competition in that arena, are customers or corporates who have suggested an interest now wavering maybe or now coming back and asking for better pricing? Or are you seeing any dynamics on that please?

Bart Van Den Meersche: No. We see – there is indeed increased competition and so you see cable coming up also in the enterprise, but what we clearly see is when we talk to our customers there is a clear interest today for fibre and we see more and more customers choosing for fibre already now because they need it now, not in the future.

Dominique Leroy: First I can complement because I mean there are a lot of questions on competition on enterprise. I think there has been a lot of declaration from our competitor that they want to enter into the enterprise and corporate markets. It is not that easy to enter in corporate market. I mean, there are a lot of products that you need to have. You need to have – corporate market is not just about connectivity; it's also about managed service, it's also about platform, it's about service, it's about having the right account management to do that.

So, I am pretty confident that it is not tomorrow that we will see reversed trends in terms of competition in the corporate market, because you really need to have a lot of knowhow to get there. Fibre has been decided by us not because of competition but mainly because we see more and more demand from enterprise customers that puts more and more of their applications in the clouds. And if you have application in the cloud, you need high level of capacity, you need to have no latency to be able to work easily, and that's mainly the reason why we have pushed fibre. Another element where fibre is very important is when you have more and more video communication. You also there need to have a quite important capacity line to do that. So, I think our fibre to the business has been a decision that has been taken based on the evolution of the ways of working of corporation and is very much an answer to the customer needs. It's not an answer to competition. Competition is there, of course it's a market where a lot of people wants to enter. It is not that easy to have a compelling service for enterprises. You need critical mass, you need the right people, and you need the right delivery and service system and I think we have this and I'm not sure all our competitors have it.

Roshan Ranjit: Okay, very clear. Thank you.

Geert Standaert: Maybe to add one thing to your question and that has more to do with the technical rollout on itself. You know, when we did our fibres to the curb project, of course we brought a lot of assets already into the ground. It means that now for the fibres to the business rollout we are reusing maximally those assets in place. So we have already a lot of optical fibre points in the country and we also have a lot of ducting that we did in the past that we are reusing. This of course in order to reduce the trenching component in our rollout plan.

Operator: Thank you. Ladies and gentlemen, I would like to remind you that if you wish to ask a question, please press 01 on your telephone keypad.

The next question is from Vikram Karnany of UBS.

Vikram Karnany: I've got two questions please. Firstly on the consumer fixed voice revenue, your trends seemed to slightly deteriorate despite the price adjustments that you have made in July. Can you elaborate on the dynamics and how should we think about the KPIs and financials over here going forward?

Secondly, in terms of data usage, your sequential growth if I look at – for the 4G customers, it's still quite low at 2% quarter-on-quarter. It is even lagging behind in Orange Belgium in the third quarter despite low data consumption overall, which we see in Belgium. And you were flagging your relative better network quality. I was wondering how are you planning to drive data usage in the network going forward? Thanks.

Phillip Vandervoort: So on the fixed voice decline, our decline is in line with the market decline and we are observing that natural erosion of the installed base, like we have been repeating in previous calls. With our Tuttimus offer – we expect to limit that fixed line erosion and as I highlighted in the first observations on the Tuttimus launch, we see very strong attach of the fixed line again.

On data usage, we have revamped our smart mobile offering to Mobilus 15, 24 – Mobilus small, medium and large in which we give the access to a free application that can be selected by every single customer. And as we said, the adjacent and the data that is driven – or the data consumption that will be driven through that app adjacently to the app itself will definitely drive data consumption. What we do see also is an impressive increase of data consumption of our customers, and that is actually growing very fast. And you also see our ARPU bundle increasing. So we think we are on a good track to drive that increase of data usage through those various initiatives.

Operator: Thank you. The next question is from Paul Sidney of Credit Suisse.

Paul Sidney: Thank you very much. Just really one point of clarification bringing together a lot of answers you've given on the new tariffs. Can I just check what you are expecting? Are you expecting the new tariffs to drive quad-play revenue per household up or standalone mobile ARPU up? Or is it both? Is that what you are expecting from the move to the new tariffs? Thank you.

Phillip Vandervoort: Underlying our convergence strategies, indeed loyalty and value, we see, as I mentioned in the first synopsis of how Tuttimus is going, that indeed revenue generating units be that mobile or fixed are being added to the triple-play or to the quadruple-play. We see more mobiles being integrated in the quadruple-play pack, so we see the number of RGUs per household increase.

Do we – coming back and then to answer to your question on – to drive the mobile ARPU up, that is I think linked very much to what we discussed in the previous question, and that's about the data monetisation. So yes, it's yes on your first question, and it's yes on the second question, but our approach is to drive a maximum amount of people, of families to our convergent quadruple-play – quadruple P offer, because that drives loyalty, that drives value, that reduces churn and that adds revenue generating units in the packs. So it's clearly a more-for-more approach there.

Paul Sidney: Okay, so it's more about growing the value of that customer over that that the life of the customer, essentially.

Phillip Vandervoort: The value and the loyalty. If we can reduce churn by bundling all the services of one family into one convergent Tuttimus offer, then that drives the churn dramatically down and the value up.

Paul Sidney: Okay. Thank you very much.

Operator: The next question is from He Siyi of Berenberg.

He Siyi: Hello. Hi, thank you for taking my questions. I – actually I have one question. I'm just looking at the consumer broadband net additions and the TV adds. It seems that the net additions softened a bit during the recent quarters and if we look at what is reported by Orange Belgium and the Telenet, the broadband net adds also seems to have come down little bit. And I was just wondering whether you can comment on the total – the whole market structure in consumer broadband and the TV. What – do

you see the market continue to deliver a health growth? Or you think that you actually reached a level that we could see the growth that should moderate a little bit going forward? Thank you.

Phillip Vandervoort: Well, what we can see is on the fixed side, the Proximus brand still performs very well and we see that in our market share growth on fixed data and digital TV. On digital TV, I need to check the numbers, but I think we have four quarters in a row that on digital TV we are gaining market share against Telenet. So, I mean, softening is relative.

Our churn levels with specific actions that we have taken are very okay on fixed and digital TV. And we see a very positive evolution on the high-end tiering, that is sustained also with our Tuttimus launch. And as I said, the softening of the market might be the case, but we do see market share growth for TV and broadband.

He Siyi: Thank you very much.

Operator: Thank you. We have a follow-up question of Emmanuel Carlier of ING.

Emmanuel Carlier: Yes, hi. One question on cable regulation. So if I understood well, I think one of the barriers has been taken away by Orange Belgium in the last couple of months. Could you just update us on the kind of customer losses you have witnessed since then? Do you see any acceleration or is it just pretty stable over the last couple of months? Thank you.

Dominique Leroy: So you refer to the fact that Orange has suppressed the once-off costs that they ask for moving from Proximus to them? I mean, to be honest we don't see any impact from that. It's probably also reflected in the fact that if the gross gain of Orange is relatively limited, they have done 7,000 gross gain. I think they will take it much more from cable than from us, because we are continuing to drive significantly our market share in broadband. We have 14,000 new customers. Telenet has suffered probably more, because I mean their number of new broadband has lowered a lot. So far we don't see any big impact or any material impact of the Orange launch on our internet. On the contrary we see our internet churn level has decreased quite significantly over this summer. So I think there, all the initiatives we have taken to increase the quality of our internet to move people to the latest decoder, set-top box, things like that, are having the positive impact on our churn. So we don't feel very much the Orange launch so far, I would say.

Operator: Thank you. We have another follow-up question from He Siyi of Berenberg.

He Siyi: Hello. Thank you for taking the question again. I just want to follow-up on the previous comments that you – on the softening being – in the overall market growth. I'm just thinking, when I look at the overall residential penetration in Belgium, it seems at only 68% that looks certainly lower than the EU average of 80%. And would you be able to share the reason behind the softening market growth? Thank you.

Phillip Vandervoort: Well, the softening market growth is relative. Though, I mean if you look at the digital TV, the market is growing with 3%; yes, driving that penetration, there is still opportunity to drive that penetration further in that market, and that's the same on the internet side. Also there, the volume of the market is growing at 3%, so it's not necessarily softening as such. It is growing steadily, and in that market we are gaining steadily market share and we are reducing our churn. So not sure where the softening comes from, but it's not the penetration that you see in other countries. That is correct.

He Siyi: Okay. Thank you very much.

Operator: Thank you. We currently have no further questions.

Nancy Goossens: Okay, thank you. I think we can close the call then. Thank you very much. If there would be any follow-up questions, you can contact the investor relations team. Thank you, bye.



Operator: Ladies and gentlemen, thank you for your attendance. This call has been concluded. You may now disconnect.

