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**Conference Call  
Q3 2018 results announcement**

**Date: 26.10.2018**

**Operator:** Good afternoon, ladies and gentlemen, and welcome to the Proximus 2018 Q3 Result Conference Call. For your information, this conference is being recorded. I now hand over to Mrs Nancy Goossens, Director, Group Investor Relations. Madam, please go ahead.

**Nancy Goossens:** Thank you. Good afternoon, ladies and gentlemen, and thank you for calling in. As usual, all documents on the results went out this morning and have been published on the website. I hope that you have all well received this and that you have been able to go through our publications. This call is mainly intended to answer your questions, so we will get to that in a minute. I have here with me the CEO, Dominique Leroy, and CFO, Sandrine Dufour, as well as the other members of the executive committee. They will take your questions in a moment. But before we get to that part, we will start with an introduction by Dominique. Please go ahead.

**Dominique Leroy:** Thank you, Nancy, and good afternoon or good morning for US friends, and welcome to the third quarter conference call. I'm pleased we could announce this morning yet again a sound set of results, both on commercial drivers and on financials. While we operate in a highly competitive residential market, we have achieved to further attract customers on our TV platforms, we have grown our internet base and we further increased our mobile postpaid subscribers.

This sustained growth in our customer base proves that our segmentation approach is paying off. Our all-in offers, Tuttimus and Bizz All-In, continued to do well in the higher end of the markets, with especially a sustained traction by families. Our different approach for millennials with our new mobile offer called Epic is also starting to pay off. We are seeing a good uptake in the full digital experience we offer to this specific customer segment is very well perceived.

At the same time, we continue to position our Scarlet brand towards the low end of the market, addressing especially customers that look for the lowest price and where Scarlet's no-frills offers fulfils their requirements.

On the enterprise side, competition is also very present. Nonetheless, we realised a sound quarter, with a firm mobile customer growth and with higher revenue from ICT. For ICT, we clearly benefit from our convergence strategy, bringing our customers offers that go well beyond pure connectivity services. In this view, we have announced over the past year several small acquisitions in the ICT domain. These highly specialised companies provide the necessary expertise to offer meaningful solutions for the digital transformation of our enterprise customers.

With the good commercial drivers in both the consumer and enterprise segments, we realised a sound direct margin, which in turn drove a 1.1% increase in underlying domestic EBITDA. The BICS segment posted a solid 4.8% increase in EBITDA, benefiting from the TeleSign contribution. All in all, this leads to an underlying group EBITDA increase by 1.4% for the third quarter 2018. Based on the good results we have achieved so far, we have raised our expectation for the underlying Group EBITDA and expect to end the year 2018 with a growth of 2% to 3% compared to 2017.

For the domestic revenue, we reiterate our expectation to end 2018 nearly stable to the prior year. Our CAPEX outlook for the year remains unchanged as well, so we expect to end 2018 with CAPEX of around €1 billion. As you know, we are spending an increasing part of our CAPEX envelope for the rollout of fibre in Belgium, which brings a superfast future-proof network to all customers. With the build-out gradually ramping up, I'm pleased to see that the first indications are positive in terms of take-up rates and customer satisfaction.

As a last point, we also reiterate the intention to return over the year 2018 a dividend of €1.5 per share, and I'm pleased to announce that the interim dividend of €0.50 will be paid on 7th December.

With this, I have covered my introduction and propose we now start with your questions. Thank you.

**Operator:** Ladies and gentlemen, we will now begin our Q&A session. If you wish to ask a question, you may press 01 on your telephone keypad. We kindly ask you not to use your microphones and headset while asking your question.

We have one question from Mr David Vagman from ING. Sir, please go ahead.

**David Vagman:** Yes, good afternoon, everyone. David Vagman, ING. Thanks for taking my question. First, a question on the wholesale roaming rate. So could you explain us the mechanism and the commercial logic of the wholesale roaming rates contract negotiation all these contracts are linked to domestically and internationally? And then I've got a second question on ICT revenues. So could you give us an indication of the underlying trend of these ICT revenues if we exclude M&A, and also explain us a bit – clarify the strategy in term of geographies, because I see you've basically acquired a couple of Dutch ICT service companies? Thank you.

**Sandrine Dufour:** I'm sorry, I could not understand your first question – this is Sandrine speaking – on the wholesale roaming rates. Could you please repeat it? Thanks.

**David Vagman:** Yes. So on the wholesale roaming rates that you've negotiated, so is there a link between the rates that you negotiate abroad and the rates – the domestic rates that basically that you have? So – because I understand that you've negotiated these rates down in the interest of the group. This impacted wholesale revenues, but helps the consumer and the enterprise division.

**Sandrine Dufour:** Okay. Well, maybe let me explain this and a couple of elements here. The first one is the situation of Belgium, and Proximus has changed in terms of net sender versus net receiver position before. So over the summer, with the growth of roaming-out – sorry, with the growth of the volumes of roaming-out, which has exceeded the growth of volumes of roaming-in, we have become structurally a net sender of traffic, which means that there was more consumption of data done by Belgian people on holidays than consumption of data done by foreigners in Belgium.

With these structural changes, it was in our interest to negotiate different tariffs with our partners and to decrease our prices so that the total costs of traffic being done internationally gets lower than the revenue of the traffic being done domestically. And so that's what we mean, and that's why you see that our roaming-in revenue, which is largely in the wholesale segment, is decreasing. But the decrease of the roaming-in revenue is lower than the decrease of the total cost for the business segments CBU and EBU. So net-net for the domestic perimeter, it's a positive contribution in terms of direct margin for the quarter.

**Bart Van Den Meersche:** For your second question – this is Bart speaking. So your question on the underlying trend excluding M&A, it is true that in this quarter – so we have a growth in ICT of almost 7%. This growth is mainly driven by the acquisitions for this quarter, especially because we compare to the third quarter of last year, where we had high product revenues, which is, as you know, seasonal. But also I want to highlight that if you take year-to-date, we're still growing substantially in ICT, of which part is also organic growth, so it's not only the M&A. But this quarter, indeed.

To answer your second question on the geographical coverage, it is so that we really focus on Benelux. The acquisitions, by the way, that we do – we also leverage them as much as possible on Benelux as well. So our focus is Benelux. Next to that, it's more an opportunistic base that we look in other countries, but the focus is really Benelux.

**David Vagman:** And maybe a very quick follow-up. Can you tell us what are basically the competition for this digital M&A? Digital companies have increased in term, and the multiples that you pay for this acquisition has increased.

**Bart Van Den Meersche:** Competition is very broad in this case. And so it's not like in the telco, where you have a couple of competitors. In this area, you have competitors by specification. So if you take Davinci, who is very specialised in security, vulnerability management, security analytics. It's completely

different competition than Codit, who is active in application integration and move to Azure Cloud and so further.

**David Vagman:** Okay, thank you.

**Operator:** Thank you, sir. We have another question from Mr Carlier Emmanuel from Kempen. Sir, please go ahead.

**Emmanuel Carlier:** Yes, hi. Good afternoon. Emmanuel Carlier, Kempen. Three questions. First of all, are you using a threat of a potential fourth mobile entrant to accelerate your cost savings programme? And if so, what could add that in terms of additional savings compared to the current guidance?

Secondly, on 2019 EBITDA, consensus is only expecting 0.5% growth. Could you help us in explaining the most important drivers into next year's EBITDA? I'm thinking about FTR, international voice regulation, some – a posted one-off in Q2, so maybe there are some other elements that will play a role. And then lastly, on cable wholesale regulation, so Orange Belgium stated that they expect a five euro reduction on broadband and TV and a 10 euro reduction on broadband standalone. So I would like to hear what you expect on that topic, and on what basis. Thank you.

**Dominique Leroy:** Okay, so Dominique speaking. I think, on the threat of a fourth entrant, I mean, I think, as you read in most of the analyst reports, I think the most estimation is that there is a 50-50 percent chance or risk that the fourth entrant would come. As a company, of course, we are preparing ourselves for the eventuality that the fourth entrant would come.

So we are currently reviewing a bit of our strategy for the three years to come, with a view on how can we even differentiate more on the market, how can we accelerate our transformation, and of course, also how are we able to further decrease costs. I think it's too early to give any indication on that for the time being. I think we have a guidance till end 2019 with 150 million net savings that we announced by the end of 2015. This is still what we expect to achieve in the 2016-2019, and we will come with further savings plan, I think, ahead of that, but that's too early to say, and what type of magnitude is also way too early to give any indication on that.

Perhaps, as I have the mic, I will also try to answer your third questions on the cable regulation. I think it's very difficult to see what type of price the regulator will come up for in the course of next year. For cable, I know that Orange is pretty positive in terms – from their point of view in very low cable price. I'm a bit more cautious on that, because I think the regulator has also a very clear view that what they will bring for cable will also impact fibre, and as of course it's important that we continue to invest on fibre, I think I would be a bit more cautious in terms of expectation on wholesale price regulation for cable. And I don't think that the reduction will be as big as what Orange is speaking currently.

And I will give the floor to Sandrine for your questions on EBITDA guidance 2019, although I think it's quite early to say anything on this one.

**Sandrine Dufour:** Well, on this one, I think Dominique has just answered that typically we give the guidance in February after the full-year results, and so I won't be much more precise. What I can say though is that, indeed, we'll have the adverse impact of fixed termination rate decrease. And by the way, we learned that this decision was going to be potentially enacted in December, which means that we would have 11 months of adverse impact next year. And to your point as well, we will have the negative impact of the international calling new legislation, which will start, I think, in May, so that's also a negative impact. But I think it's too early to give global colour on commenting on the consensus. We will come back on this at the end of February.

**Emmanuel Carlier:** Could you guide us what kind of impact you expect from international voice regulation?

**Sandrine Dufour:** Yeah, I think we said earlier that it would be slightly less than 1% of EBITDA growth.

**Emmanuel Carlier:** But is that on a full-year basis, or is that if it starts in May?

**Sandrine Dufour:** Just for next year, just for next year. So it will continue the year after, yeah. Just for 2019.

**Emmanuel Carlier:** Okay. And is there any other important element that could have a positive or negative impact into next year's EBITDA?

**Sandrine Dufour:** We'll come back on this in February.

**Emmanuel Carlier:** Okay, thank you.

**Sandrine Dufour:** I think I've mentioned the biggest elements that are known in terms of regulatory environment, which are the one that you had mentioned. Okay?

**Emmanuel Carlier:** Thank you.

**Operator:** Thank you, sir. We have another question from Mr Nicolas Cote-Colisson from HSBC. Sir, please go ahead.

**Nicolas Cote-Colisson:** Thank you, hello. First question is on the CBU. If I look at the fixed business, I understand that 2018 did benefit from price increases. I was wondering how comfortable you are in taking prices up next year to fuel growth in a context of a stronger competition? I was just wondering if a more formal strategy could work in the Belgian market. And I've got a second question, still on CBU – on the direct margin this time. If I look at Q2 and Q3, I can see a strong improvement year-on-year in the margin, despite actually this quarter from the impact from the collection process. So I was wondering, what are the drivers there to take quarter-after-quarter the margin up strongly? And do you see room for further improvement in Q4 and next year? Thank you.

**Guillaume Boutin:** Guillaume speaking. On your first question, Nicolas, you know, in Belgium every beginning of the year there is a lot of indexations in a lot of sectors, industries, and there is no reason why, as we speak today, that we'd not do something as well. On the second question – direct margin improvements – I would say that the same driver that we have seen for the first two quarters of the years – this means that we are – despite the fact that the market is very competitive, that we are doing some progress commercially, as you have seen in the customer numbers. We managed to have a sound and healthy direct margin improvement quarter-after-quarter if you exclude the fact that, of course, [inaudible] the vendors' fee, as you mentioned. It means that if we continue to – on the same kind of customer development, successful convergent strategy, and still developing our segmented approach – now we have Scarlet, now we have an offer for millennials and now we are still pushing, like, very strongly our convergent offers, there is no reason why we should not continue in the fourth quarter as well.

**Nicolas Cote-Colisson:** Okay. Thanks. That's very helpful. If I may, just taking profit of me being online, any things you can say on TeleSign, because there's a few mentions of it in the press release, but it's been now a year that you've been with this business? Are you positively surprised by what you bought, and does it open new area for M&A in the future?

**Daniel Kurgan:** Well, this is Daniel. We were not positively or negatively surprised. We are happy the company performance to date. We've been, I think, good at realising the synergies using the BICS networks on the back end to deliver the two-factor authentication voice and messages, and that has delivered. Now there are still a wide range of opportunities in this space, this communication platform and service, mobile identity. So we have all – a whole map leveraging on the power of the combination. No more comment on the M&A, I would think.

**Nicolas Cote-Colisson:** Sure. Okay, thank you very much.

**Operator:** Thank you, sir. We have a question from Mr Ulrich Rathe from Jefferies. Sir, please go ahead.

**Ulrich Rathe:** Yeah, thank you. I have several. The first one is, you sort of helpfully mentioned what you see as sort of the market handicapping of the new entrant likelihood. Just wondering whether you would share your view on how likely it is, based on all the conversations you're having? So that will be my first one.

The second one is, the fixed line loss in CBU remains relatively high, I suppose. Would you see the balance between raising price and sort of accepting the volume loss, the right one at this levels, or do you think there's room to maybe cut the volume loss a bit, you know, possibly at the expense of not raising prices? I'm just wondering how you think about that volume loss or the rate of the volume loss.

The third one is on Roam Like Home, sort of two sub-questions there. The first one is, why is the retail effect of the annualisation of Roam Like Home so small in CBU and EBU? And also I was wondering – you explained helpfully the renegotiation of the rates, that it's a net-net benefit. Would you be able to quantify what the net benefit is on the direct margin?

And then my last question is a very simple one. On the device sales, which are sort of coming down a lot – mobile device sales coming down a lot at the moment, I understand you're cutting back on sort of some low-margin third-party sales. Is there any trend in the device sales into your own retail customers that is sort of noteworthy outside of this sort of external business you're running? And if so, could you discuss what the implications are? Thank you.

**Dominique Leroy:** It's Dominique. I will answer your first question on the new entrant. I think, how likely? To be honest, today, there is still quite a lot of discussion between the federal government and the regions before the current auction regulation can be published. And I think we are in the scenario where we will know probably a bit later than anticipated when and if a new entrant would come into Belgium, because the Royal Decree with the new auctions has not yet been published, and there is still some discussion between regions and federal before the whole thing can be published.

So, in that sense, we think that where we expect still the auctions to take place in Q4 next year, it could be that we don't know if there will be a new entrant even for the summer next year. So, so far we thought that we would know about it before the summer. Little discussion we have had with the regulator could even be that the new entrant will only be known at the end of the summer. So the time is also opening up perhaps more potentiality for a new entrant. So for me, it's extremely difficult to say will there be a new entrant, yes or no.

As I said earlier, I think today we try to prepare ourselves for the worst, and I think that's what we need to do as management. And we will know perhaps a bit better at least when the Royal Decree with the full details of the conditions will be published and when the regulator will then be able to publish also the execution modalities and knowing when, then, a new entrant would need to signify itself.

So for the time being, as I said, I think it's a 50-50 risk that the new entrant will come, but we are indeed taking that seriously and looking from all sides how we can best prepare. I mean, as something you've probably seen, we are continuously as well increasing the awareness of Scarlet. There's currently 80% awareness in the country, which means that contrary perhaps to other countries that launch the second brand when a new entrant came into the market, we have a strong brand which is sitting there with 80% awareness and that we can, of course, leverage to counter a new entrant.

But that's all measures we take in preparation. The same is true, as I said – we are reviewing our structure, our strategy, but that's all quite early to give indication on that. But it's for sure that we take the risk seriously.

**Guillaume Boutin:** On the question on fixed lines – it's Guillaume speaking. First, what we try to do every quarter is to migrate fixed-line-only customers to more convergent products. This is one element of the strategy we have. But also, on the price indexation, I think that should we do more indexation in the future, what we do is that we can fully monitor the return on investments on those actions. So if we want to act in that front, for sure, we – it's always a trade-off between the risk of churn versus the revenue increase, but I'm not going to disclose what we have in mind for next year.

And third, on device revenues at CBU, most of the decline comes from the role of distributor we do for others. So it's not revenue declines in the volumes of devices we sell in our shops; it's more the impact of devices that we sell as a distributor for others.

**Bart Van Den Meersche:** This is Bart speaking on your question for Roaming Like At Home and why is the retail sector annualisation smaller than what you would have expected in EBU. That's how I understood your question. It's because there is the annualisation, but at the same time there is a continuous decrease of roaming options that still plays a role. And next to that, we have a shift to bundles, so that we have out-of-bundle – less out-of-bundle revenues. Now in total still – I think it's important that we still grow in mobile services. Then to answer your question on – to quantify the benefits of the effect of the benefit, I don't have – I don't think we disclose any information on that one.

**Ulrich Rathe:** That's very helpful. Thank you so much.

**Operator:** Thank you, sir. We have one question from Mr Paul Sidney from Credit Suisse. Sir, please go ahead.

**Paul Sidney:** Yes, thank you. Good afternoon. Just a couple of questions, please. Firstly, on consumer mobile, Orange Belgium seems to have some fairly good traction on the marketing of its unlimited data tariff that it launched, I think, in April of this year, and has introduced some unlimited voice tariffs as well, and again, that seems to have some good traction on that. My question is, do you think you need to introduce your own unlimited mobile data offers or increase the size of your existing data bundles to defend against those offers?

And then just secondly on the fibre build, I think you gave some comments that there were some good early take-up, seems to be progressing well. I was just wondering, is there any way you can give us some data points – some more specific data points on how that build is going in terms of take-up percentages, you know, whether it's on track in terms of the coverage targets? Just really give us a bit more detail around that. Thank you.

**Guillaume Boutin:** Guillaume on your first question on unlimited. Just for your information, we reacted with the Scarlet brand offering unlimited voice on the hot package as soon as end of August, with a good success on this offer on the markets since we launched it, so end of August after the summer. We also launched some kind of unlimited tariff plans for – including data for millennials, because we included all the most used applications in our Epic offers and portfolio end of June. So we think that it's, for sure, is a peace of mind in using data is very important, especially for this segment of the population. And as Dominique said, we had very nice results and traction on this offer since we launched it.

And last but not least, we already have a lot of packages when you are in the convergent offer, when you double your data, and we already are offering for those customers in Tuttimus package more than 20 gigs of data, which is not unlimited, but gives you a lot of security not to be constrained in your data consumption. So this is what we do.

**Paul Sidney:** Okay. Thank you. So just to summarise, you're pretty happy with the way your mobile products are currently?

**Guillaume Boutin:** We're making improvements every quarter. So I'm not saying that we are not going to change anything next quarter, but it means that we are already tackling this subject, and we are happy with the results of this strategy so far.

**Sandrine Dufour:** Okay. On your question on fibre project, as you know, it's very small numbers. Now we're now deploying fibre in eight cities. So in terms of coverage, it's a good sample but it's a small sample. But since – we are seeing good traction. We are seeing good traction on the uptake of – the pace of putting customers on the fibre footprint is moving nicely, month after month. The weight of win-back versus migration is turning out to be better than our expectation, and the ARPU uplift on the migration is also slightly better than our anticipation. So, I mean, again, small sample, too early to give numbers, but the first indications are positive.

**Paul Sidney:** Great. Thank you very much.

**Operator:** We have another question from Mr Michael Bishop from Goldman Sachs. Sir, please go ahead.

**Michael Bishop:** Yes, hi, everyone. Good afternoon. Just a quick follow-up, actually, on the fibre-to-the-home. I was just wondering if you could give us roughly what the ARPU uplift is, maybe just from a retail perspective, you know, ie, what are you offering customers who're actually taking it?

And then secondly, if I look in the UK, BT – they've seen a considerably lower cost for their initial fibre-to-the-home build versus a couple of years ago, and some of that is effectively driven by improvements in technology and standardisation of the boxes and the kits, meaning that a lot of it's plug-and-play and you don't need to splice and get lots of engineers out into the field for a long time. So I was just wondering whether you're seeing any potential deviation away from your €1,000 per home cost? That'd be great. Thanks.

**Sandrine Dufour:** So, on the ARPU, I believe it's too early to give numbers. Again, as I said, it's a small sample, so I prefer to have more hindsight and come to the market with, you know, very solid and based on a larger footprint. So be patient; we'll come back to you with the progress when we have larger footprint.

**Geert Standaert:** This is Geert speaking for your question on the cost side. Of course, we started our deployment since two years, and continuously we are improving on different levels. As you stated, improvements on the technology side itself, but also on the way we approach this, so process-wise. And with this, we are confident that we can aim for that €1,000 unit cost that we have brought in the past towards you.

**Michael Bishop:** Thanks. And if I could just follow up, are you seeing any savings on the civil side, or is that probably not likely to happen in Belgium because, as I remember, you were deploying a lot more over-grounds – you're effectively not reusing a huge amount of your existing infrastructure – or are you finding some incremental synergies on the civil side?

**Geert Standaert:** I mean, on the civil side – and that is typically for Belgium, so Belgium is not a ducted country. But what we do is that we work a lot on façade, and that is the way that we overcome, in fact, the trenching costs. And so the balance we have between underground and façade is a crucial parameter in those civil works.

**Michael Bishop:** Okay. But are you finding extra efficiencies, do you think, or is it very much in line with expectations?

**Geert Standaert:** We are constantly looking towards extra efficiencies, of course. But as I said, the €1,000 indication that we gave, that is our first target. And of course – we will of course never stop, if we see additional synergies, to capture these, but first target is to get there.

**Michael Bishop:** That's great. It's really helpful. Thanks.

**Operator:** Thank you, sir. We have another question from Mr Alexandre Roncier from Exane. Sir, please go ahead.

**Alexandre Roncier:** Hello, thanks for taking the question. Just coming back on your guidance upgrade of 2% to 3% growth. Obviously there's been a couple of acquisition in B2B and ICT. Just wondering if you could give us maybe a little bit of colour and remind us of what is the inorganic contribution of those assets for the guidance?

Then secondly, focusing on Wallonia, I'm wondering what impact you're seeing from the increased promotional activity on mobile data from VOO that has been, you know, fairly recent? And also fairly recent, but still at VOO, the newly offered broadband speed of 400 megabytes. Maybe it's a bit early, but are you seeing any change of trends here or even regarding portabilities? Thanks.

**Sandrine Dufour:** So, on your question on the guidance, so it's true that since last quarter, we've integrated the newly acquired company Codit in the ICT domain, but contribution as a whole is very limited. So it does not – it's not what's behind the increase of the guidance from 2% to 3%. It has more to do with the removal of uncertainty around the roaming, specifically on the volume growth and some other elements, but ICT integration is minimal.

**Guillaume Boutin:** Regarding VOO and new offers, it's obviously too soon to see any kind of impact. But what we saw recently is more an impact of – a good traction of Orange is offers, as you saw in the numbers as well, but nothing else apart from that on the market, so not really specific impact to describe for VOO at the moment.

**Alexandre Roncier:** All right, thank you. And maybe just one follow-up on that VOO, if I may. You know, in your introductory remarks, you did mention that fibre was actually having good traction. I think in previous call, you mentioned that you were not willing to accelerate fibre deployment without any concrete business case. With that, you know, broadband speed upgrade at VOO in the south, are you feeling a little bit more pressured, or are you seeing maybe incremental benefits of rolling out fibre faster? Thanks.

**Guillaume Boutin:** Again, we are very cautious, but we are not seeing any kind of additional competitive pressure coming from VOO, nor on the offers – neither on the offer nor on the broadband technological aspect. For sure, fibre is going to help us be more relevant on the market, but it is going to be in front of us mainly, and then in the one region. So we are betting on fibre to be more successful in the future. But so far we are not turning our plan because of small change in the VOO portfolio or offers.

**Alexandre Roncier:** That's very clear. Thank you.

**Operator:** Thank you. We have one question from Mr Ruben Devos from KBC. Sir, please go ahead.

**Ruben Devos:** Yes, good afternoon. Thanks for taking my questions. I got three small ones. The first one is basically on Scarlet. So I guess there has been a bit less talk on Scarlet this year than last year, I feel. Just wondering, on the hybrid brand strategy, how we should view to balance both brands driving net adds in the last few quarters, and how that has compared in the first nine months of 2018 compared to last year?

Then the second question, I understood your comments on the renegotiation of wholesale rates, but could you maybe give some additional colour on the scope of that renegotiation and whether we should bear in mind a further step down, possibly beyond 2019?

Then lastly, just on the decline of the revenues in consumer regarding the renewed collection process, so is it right that there was a change in pricing for these so-called reminder fees and that you therefore

earn less incoming fees going forward, or are there other elements we should take into consideration regarding the renewed collection process? Thank you.

**Guillaume Boutin:** Regarding – Guillaume again. Regarding Scarlet and the dual brand strategy, we are not disclosing the share of Scarlet versus Proximus growth gains. But what we can say is that, despite the fact that the development of the no-frills segment is a reality on the Belgian market, and we are very happy with it because we are the leader in that segment, we still manage to have a value-accretive customer mix because, as you saw in our publication, the average revenue per home is still increasing. So this is what we want to achieve to take benefit of the development of this no-frills market, but still have a value approach and to try to continue to grow our revenue per homes.

**Sandrine Dufour:** Okay. On the renegotiation of wholesale, so it's a yearly discussion to try and rearrange our wholesale agreements with all potential partners worldwide. The biggest discussions are taking place as we speak and are all going to set the colour for next year, so it's a bit early to tell you what's the outcome. But of course the mandate is to see if we are able to get better terms, and that would certainly help the businesses, knowing that now we are most probably in a net sender position. I mean, the time when we were in a net receiver is behind us, considering the fact that the roaming-out growth is higher than the roaming-in growth. So definitely our interest is to see how we can further decrease these rates, but I cannot give more colour as to whether that will help next year.

And on the new collection process, well, there's actually two elements. One has to do with we change our own internal process, and that is decreasing the volumes of the reminder fees that we are sending. So it helps customer experience, it decreases the volumes, and we are charging less reminder fees. Another aspect has to do more with the regulatory environment, where we typically send the first reminder for free to our customers, but the second one used to be charged €15, and by regulation since the beginning of July it's now priced at €10. So this is the pricing impact, which is the second impact. And so this element will continue over the next quarters.

**Ruben Devos:** All right, thank you very much.

**Operator:** Thank you, sir. We have our next question from Mr Alexandre Latrides from ODDO. Sir, please go ahead.

**Alexandre Latrides:** Hi. Thanks for taking my question. Two, if I may. First, I would like to have maybe a little bit more colour on the 5G spectrum and maybe first 5G CAPEX that we could expect? There is a lot of spectrum that is going to come next year, a lot of renewal, 900, 1800, 2.1 and some new one. I mean, I suppose it all depends if there is a fourth player or not, but maybe can you give us some guidance of what do you expect in terms of prices or competition there, and also if you expect first 5G CAPEX to – when do you expect them?

And the second would be on the guidance and the comments you made last conference call, Q2. If we look at our current guidance, and if I understand well, 2% would represent flat or even slightly negative EBITDA in Q4. You are saying that you had some negative basis effect in H2 that would make the H2 a little bit more difficult than the Q2 that was excellent. Is this possible that this basis effect make Q4 being a negative in terms of EBITDA, or is it, I mean, Q3 could be a good assumption of what's going to be the Q4?

**Geert Standaert:** Yeah, this is Geert speaking. With respect to the spectrum, yeah, there the only thing we can say is like you yourself stated, is that of course the spectrum auction will be very different depending on the situation we'll be in with the fourth entrant or not, but more information than that we cannot give on that.

On 5G, at the other hand, what we can say is that on 5G, this will be more an evolutionary take-up, not a revolutionary one. So the first case that we will embed in our network will be linked, in fact, with capacity growth and where it becomes more efficient to use 5G to deal with that capacity growth than with other

technologies. But of course, this goes hand-in-hand with the device penetration. And so we will see some of 5G effect in our three-year plan, but this is not to be considered as a very disruptive impact there. It's a gradual impact in our total mobile investment scheme.

**Sandrine Dufour:** So, for the guidance, indeed we give this yearly guidance from 2% to 3%. I think now for Q4, the uncertainty over roaming volumes is behind us because it's largely impacted Q3. But, as you know, Q4 is quite an intense quarter in terms of promotion with the year-end Christmas season, and so we prefer to have this view in terms of a commercial intensity and that's why we give this type of band and Q4 not being more narrowly defined. I think it's important you keep this in mind.

**Operator:** So we have another question from Mr David Wright from Bank of America. Sir, please go ahead.

**David Wright:** Yes, two questions. One is actually just following on from a recent comment. But the spectrum auction, I think you mentioned, you could expect in Q4 next year. I guess, whether there is so much competitive tension or not, we could expect a price for the spectrum. It's clearly not going to be free. The reason I ask is that consensus net debt really doesn't move '18, '19, which, given your payout policy, suggests that consensus has practically no 5G spectrum CAPEX in next year. Is that because the spectrum payment could be more stepped? Is there anything we don't understand here, or is consensus just maybe thinking it's more like a 2020 event? I'm not so sure. Either way, it looks a little light.

And then my second question, I guess, is a question we're just starting to ask a little wider across the industry. And I hear exactly what you've just said about 5G CAPEX, but just conceptually, why is the industry so frightened of 5G? Why is it trying to defend 5G and saying, 'Oh, don't worry, it's evolutionary, don't worry about the CAPEX?' Why are the ambitions not bigger? Every other industry seems to be asking and talking about 5G. Why is the provider of this, the telecoms industry, so afraid of talking up this opportunity? Why not commit more CAPEX? I guess, why does the ambition seem to be so stilted? Thank you.

**Sandrine Dufour:** Okay, on your first question, one element – the auction will be next year, but the license of the new spectrum kicks in 2020 and the renewal of the existing spectrum is 2021, so cash out is not before 2020, 2021. But most importantly, the payment of the spectrum is spread over 20 years. So I would say the yearly impact is not as high and would not be felt in the net debt next year.

**Geert Standaert:** Yeah. This is Geert speaking again. So on 5G, in fact, if you look at the different use cases that are out there, and if I refer first to an IoT use cases, a lot can be done today still with 4G, plus in addition, there is still some standardisation work that is ongoing. So the first real use case that we see coming is the one that is linked with capacity growth and dealing with capacity, and where at a certain moment in time you reach a certain threshold on your 4G and you need more performance technology. So that is the use case that is now embedded into our plan and which leads to a more step-by-step investment towards this new technology.

**David Wright:** Okay. Any comments, Dominique, on the ambition for 5G – the bigger picture for telco?

**Dominique Leroy:** Well, I think Geert said it. I think 5G is first for us a capacity enhancing. Of course, if you deploy 5G, you need more spectrum. So the first prerequisite for 5G is of course to have the spectrum in the high band and the very low band, so there is no way we can deploy 5G before 2020-2021.

Secondly, there is indeed the standardisation and the fact that you need devices to really be able to lift the 5G. And I think the first use case we see will most probably be in the enterprise market, where slicing is certainly a potential, but it will also take some time. So I think there are, of course, opportunity for 5G. We will do 5G. We've never said that we will not do 5G. I don't know think there is any urgency to go to 5G. And when I discuss with people from the automobile industry things like that, they all are asking for 5G. But when I say, I mean, 'Are you ready to pay for it?', then of course they look at me with a question mark.

So I think we will also need to make sure that, before we go into a lot of new type of use case, that we also align with those type of industries on how we can monetise it. And I think that's still a bit unclear today. It's unclear on the spectrum price. It's unclear on the standardisation. It's still unclear on the monetisation of the specific use case you can see. And it will also be linked to standards in terms of slicings and agreement with other industry. So we will go there, but I don't think there is any urgency to go there. And that's probably what you hear from most of the telco.

**David Wright:** It would seem so. Thank you very much.

**Operator:** Thank you, sir. We have another question from Stefaan Genoe from Degroof Petercam.

**Stefaan Genoe:** Yes, thank you. Stefaan Genoe, Degroof Petercam. Two questions. On the personnel expense evolution in the quarter, could you indicate at a constant consolidation scope what has been that evolution, and how should we see this in the coming quarters? Is there any kind of indexation that might be coming up in the coming quarters?

And then a second question on the trend in the customer loss to Orange convergence offer. Have you seen a change, or a significant change, in the third quarter versus the previous quarters? Thank you.

**Sandrine Dufour:** So on your first question – it's Sandrine – workforce expenses would have decreased at constant perimeter. And in Q4, there is an impact of indexation that's starting in October. That was not the case in Q3.

**Guillaume Boutin:** On Orange, what is very important to see in our numbers is that, despite the fact they launched the unlimited offers on mobile, we improved the trends year-over-year in terms of mobile postpaid subscriptions. So this is one. Second, on convergent offers, there we do not see any change in the market dynamics, and we are still developing very nicely our convergent offers and not that much being hurt by the offers of Orange. And so we can say that we have been very, very resilient despite this aggressive move from Orange.

**Stefaan Genoe:** Okay, thank you.

**Operator:** Thank you, sir. We have another question from Mr Guy Pddy from Macquarie. Sir, go ahead.

**Guy Pddy:** Hi team. Two quick questions. One, a bit more of a clarity. I think Geert mentioned that he was looking to get or target the €1,000 per home passed on fibre. Is that because you can't actually deliver that number yet and that is still a target, or are you already delivering at that level and therefore it's a reiteration? That's the first point.

On the second point, also on your same CAPEX slide, you talked interestingly about renewed and simplified IT systems. Can you just explain what you mean by a new mass market IT chain, please? Thank you.

**Geert Standaert:** Okay. This is Geert speaking. With respect to your first question, indeed, so we are not there yet at this moment, but we have all the actions in place and we're confident that we will reach that level of the €1,000 per fibre, so you well understood this one.

On the new market IT chain, it's in fact a new digital chain that we did put in production, where we are now putting the last hand on it. We have been migrating already more than two million customers towards this new mass market chain, but we will be completing this next year. So next year, in fact, all mass market CBU customers will be moved on this new mass market IT chain.

**Guy Pddy:** Thank you.

**Operator:** Thank you, sir. We have another question from Mr Didio Nicolas from Berenberg. Sir, please go ahead.

**Nicolas Didio:** Yes, thank you. Yeah, just three questions, if I may. The first is to get a bit of clarification on the CAPEX guidance. I mean, you mentioned around 1 billion, which is, in terms of communication, a bit vague, because if I look at where the consensus is, it's spot on 1 billion, but around 1 billion to me means from 951 to 1,049. So maybe the way to ask the question is the consensus is expecting something around 300 million. Are you okay with that number, considering that last year when you say the 1 billion excluding from broadcast, we could not check actually if you were around 1 billion. So that's the first question on CAPEX.

The second is to come back on your comments on fibre and the impact of cable pricing on fibre rollout. I mean, if I wanted to look the glass half empty – I don't get it. If there is more competition on convergence, would the impact be positive in terms of pushing you to roll out faster fibre, rather than to slow you down? Thank you.

**Sandrine Dufour:** Okay. On your first question, I think the consensus of CAPEX is at around –1 billion. The consensus is 1 billion, and we're very close to that. So I hope it helps narrow the bracket.

**Dominique Leroy:** So, on the – Dominique speaking. On your second question, I think what we see, of course, the risk – if cable is open and the price of cable is low, you can attract more wholesale competition and you can have a price decrease of the internet offer and also the convergent offer. And of course, if you have price decreases, you have less leeway to have profits and investments. So that's what I was saying that there is a relationship between cable prices and fibre price, because those price will make sure that – will open up the network for wholesale offers, and that creates a dynamic in the market which is indeed a competitive dynamic that could be damageable if prices are getting too low.

And, of course, there are two markets according to the regulator, but we all know that wholesale players are looking for their internet at all the available technology on the market, being copper, being fibre, being coax, and they will take their decision based on technology and pricing.

**Nicolas Didio:** Thank you.

**Operator:** Thank you, sir. We have another question from Mr Matthijs Van Leijenhorst. Sir, please go ahead.

**Matthijs Van Leijenhorst:** Yes, actually my question has been answered. It was related to the last question. But yeah, just pro forma, if I look at the balance sheet, you have best-in-class leverage at circa 1.1. Can you remind me your strategic priorities? Apparently, the chance of an increased CAPEX and increased fibre rollout is somewhat limited due to cable wholesale, so could it be the case that you might increase your dividends or do a share buyback or so?

**Dominique Leroy:** So perhaps first on the element you said on fibre, I think what we have always been saying, and quite explicitly, is that we have a portion of our current 1 billion CAPEX which is on fibre and increasing over the years, but that currently there are still three unknown on the fibre, which is the take-up rate of fibre. There, we see first traction are positive, but it's a small sample, so we need to have more comfort on the take-up and customer satisfaction.

The second one is indeed the cost of deployment, where we are still in early phase. And, as Geert said, we are looking towards the €1,000 but we are not there yet. And the third one is about the regulatory price of coax and fibre that we will know around next year. So depending on those three elements, we have always said that we could, if those are positive, accelerate our fibre rollout, and to do that, as we would use our balance sheet to do that, if there is a strong business case. So that's certainly one of the possibilities to use our balance sheet is to accelerate the fibre rollout.

The second one is about M&A. We have always said that, on M&A, we would use the balance sheet to finance M&A. We have done some M&A last year. We can still see if there are some opportunities within the market to further do M&A, and that would be our first usage of our current debt level, and not so much dividend or share buyback.

**Matthijs Van Leijenhorst:** That's very helpful. Thanks a lot.

**Operator:** Thank you. We have no further questions. I'll now return the floor to Mrs Goossens. Madam?

**Nancy Goossens:** Thank you. Thank you all for calling in, and thank you for your questions. Should you have any follow-up questions, you can contact the Investor Relations team. Thank you.

**Operator:** Ladies and gentlemen, this concludes the conference call. Thank you all for your participation. You may now disconnect.