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Operator: Good morning, ladies and gentlemen. Welcome to the Proximus Webcast Conference. The presentation can be viewed by the web link provided in the invitation on the Proximus Investor Relations website. The presentation will be followed by a Q&A session. We would like to remind you that questions will only be taken over the phone. If you wish to ask a question during the Q&A, please dial one of the following numbers. For Belgium, +3224029640. If you are in the UK, +442030432440. From the United States, +18778874163. The participant PIN code is 82553736 followed by the pound key. For your information, this conference is being recorded and will be published on the Proximus website.

Before we start, we need to draw your attention to the usual disclaimer on forward-looking statements. Please see the slide.

At this time, I would like to turn the call over to Ms Dominique Leroy, CEO of Proximus. Please go ahead.

Dominique Leroy: Good morning, everyone. Welcome to this conference or this webcast. I think today is quite an important day for Proximus. As you have probably seen, we are announcing a significant investment in our Fiber-to-the-Business and Fiber-to-the-Home project. So the famous, Fiber for Belgium Project. The purpose of that is, of course, to make sure that you or employees and, of course, most of the Belgian population, can be aware of what we are doing and can enjoy the best network we can bring to the country.

So I don't know if you have seen this disclaimer but I think it's important for legal purpose that we show it a bit. So I'll leave it, a few seconds on the slide, and then I can go through the presentation where, of course, the purpose of the Fiber for Belgium Project is, really, to increase the long-term value of the company.

Why do we do Fiber for Belgium? Mainly, because we see that the customer needs are rapidly changing and we want to anticipate on the future customer needs. This is certainly true today for business customers where we see them evolving more and more towards digital and digital transformation requires more and more bandwidth. And in that sense, you see video conferencing, new ways of working, working outside of the offices and mainly also more and more applications and storage going to the Cloud. These are all evolutions we see in business that require more bandwidth and in that sense, fiber that gives both download and upload is certainly the best future-proof technology to serve our business customer as from today already.

If you look at consumer, you see that there the needs are evolving, probably less fast and for business, but we need to anticipate the coming needs of our customer where new video quality, gaming, the use of OTT applications more and more, the multi-usage of different users on different devices at home and also the future of augmented and virtual reality are all things that will require more bandwidth and more speeds at customer's premises, and that's why, there as well, we are very aware that we need, today, to start investing in fiber to serve the future customer needs.

If you look at what we have done as a company over the last year or probably the last two years is that fiber is not something unknown for us. Fiber, we have already quite an experience in laying fiber for business where we have more than 6,000 customers on fiber, mainly point-to-point customers where we really see tractions from the customers, enterprise customer, for fiber. We have just recently started with GPON fiber connection which is, of course, the ability to connect multi sites and there as well, we see some very good tractions from the business customer.

If you look at residential customers, we have now for several years, done deployment of Fiber-to-the-Homes in what we called greenfields projects. So it means new residential zonings and there as well, once we have been able to really streamline our operations, we see some very good tractions of residential customers for fiber.

The thing that we have done most recently is in Brussels where we have done fiber to the home in the brownfield set-up, meaning that we have replaced existing copper with fiber into an area where you have both business and customers. And therefore, it was really important to see how valuable it was and at what cost, we are able to deploy fiber and replacement of copper and all the learnings we have had from those projects are giving us confidence that it's the right moment to deploy further fiber in Belgium.

A few figures concerning that. This year is mainly about the business fiber project where we have already acquired a lot of customer feedback. We see that fiber is really improving customer satisfaction. People are very much interested in having fiber, a lot of fiber installations have been installed on the demand of the customer, people are, for 80%, are very pleased with the installation experience. 83% are very delight – or delighted with the fiber usage and 82% of companies would recommend Proximus fiber to other enterprises. So I think these are very important and very high figures which give us strong confidence that the deployment of Fiber-to-the-Business is a very strong place to increase customer satisfaction and has really got traction from customers.

If we now look at the residential, we have information from the Fiber-to-the-Home greenfields. And there, you see that we have very high activation rates when we deploy fiber in these new residential zonings and that we have been able to really improve our processes over the last year mainly by increasingly cooperating with construction companies. If you look at the satisfaction, we see that 99% of our customers are very – are satisfied or very satisfied by the fiber usage. And this is higher than the current VDSL vectoring technology but it's also significantly higher than the coax or cable technology that you see both in north and south. So you really see there that the customer satisfaction of fiber is higher than any other technology.

On the top right of the slide, you see as well over the – some greenfields deployment that we have done over the last year that we have quite high activation rates on how homes passed which is significantly above or current market average market share. So that's one also of the main drivers for us to deploy Fiber-to-the-Homes. It's high customer satisfaction and high activation rates in the places where we have deployed fiber to the homes.

If you now look at how we will deploy the fiber, we have – we will, short-term, very much accelerate the Fiber-to-the-Business and with a strong target to industrial zonings and places where you have high concentration of enterprises, we will continue to do fiber in greenfields where you have new living units. And, what is very new, and that's the announcement mainly of today, is that we will really go for full-fiber rollout in dense city areas where we want to capture both the potential of the business which are in the dense city area but also the potential of all the residential customers in these city areas.

The objective is that we cover more than 85% of our enterprise with Fiber-to-the-Business and more than 50% of the residentials with Fiber-to-the-Home with a priority first on the business, so that will be our first priority in the coming years to really – to reach this 85% and to build more gradually the Fiber-to-the-Home reaching 50% of the homes in the coming years.

So if you look at from a more financial point of view what we will do, we have announced today that we will invest around €3 billion over the next ten years to deploy fiber in Belgium, that we will finance that for a big part from rebalancing of our current CAPEX envelope and that these – all investments will bring our CAPEX investments and we give only a guidance for the coming three years of around €1 billion per year at a group level.

What is also, I think, quite important is that we do all that while really having a strong focus on our free cash flow and we are confident that today, we can say that the expected level of free cash flow from our 3-year plan enables us to confirm a stable dividend over the next three years. This is, of course, if everything goes according to our plan, but that has always been the case also three years ago when we have given the guidance on dividend. It was, of course, if our plan comes through. But so far, it has been the case.

We will keep a very sound financial position. We want to keep our ammunition and the purpose is to do all that while keeping our debt to EBITDA level around 1x – so debt 1x versus EBITDA.

So in terms of remuneration, shareholder remuneration, which I think is, of course, very important for you, we can confirm two elements is that we keep our current attractive shareholder return policy where our objective is to return most of the free cash flow to shareholders. And in terms of outlook, we are able, today, to say that we intend to pay a stable yearly dividend of €1.5 per share over the period, 2017–2019.

So this is, for me, the overall highlights of out Fiber for Belgium Project. I will now hand over to Geert Standaert, our CTO, who will give you a bit more details on how we want to develop – to deploy fiber in Belgium. Thank you.

Geert Standaert: Good morning to all of you as well on my behalf. How do we see this fiber rollout and this Fiber for Belgium Project? In first instance, there are two types of components. So in cities, in dense areas, as Dominique explained, we are going to rollout our fiber in a kind of integrated way where we – and connect on enterprises on fiber and we connect as well the residential customer on fiber.

Outside the cities, our approach will be different in this programme. So there, for everything which is enterprise, we will go to a fiber offering where we will bring the Fiber-to-the-Business side, into the business side itself. And for our residential segment, there we will do a further densification. So we will bring our optical nodes, our fiber closer to our residential customers.

In dense areas, we see, in fact, a combination of three components. First, that is the enterprise. And, as Dominique stated, we want to put our priority on bringing enterprises on fiber. But also in those dense areas, we will be confronted with mobile densification. And so we will have small cells that we will have to deploy in these areas and these small cells also are backhauled on the fiber. So we will combine, in fact, three things, fiber to the business, small cell densification with mobile backhauling on fiber and we will bring that as well, our fibers, into the apartment, into the home of our residential customers.

The way we deploy fiber will be based on a point to multipoint technology which is called GPON. This means that we will be deploying some optical flexibility points in the streets and where we will do the feeding from our technical buildings to that optical flexibility point. And there, we will do a splitting of that fiber towards shops, business, homes and our mobile access points.

Second element is that the way we rollout this fiber will be a mix of what we call wall mounting, so where we will bring the fiber, mount it on the facade of the buildings and combined, of course, we cannot do this everywhere and we will do as well as a part on underground. But when we do the design and the rollout of such, Fiber-to-the-Home project, we will, of course, focus as to have as much as possible wall mounting done.

The third element is that after the deployment of fiber in a certain zone, X years after the last deployment, we want to switch off our copper assets there]. And so, because we want to go towards a full, complete fiberisation on those zones. Here you see an example where it is in Belgium as such that in dense areas, you have a high concentration of enterprises. You see that at the left side. In those same zones, we feel as well the need, and that is already today, to further densify our mobile network. So in bigger cities, we are already doing this. And there you see the round points where typically, in this example, you will have a need for additional small cells and small cell densification. And then at the right side, you see that we combine, in fact, the three components. So enterprise, mobile densification, and getting our residential customers connected on fiber.

Outside the dense city areas, the approach is somewhat different. There, our focus is to bring point-to-multipoint, again GPON technology, but there where we will bring the fiber end-to-end only to the enterprises. So there we are talking about industrial zonings, commercial zonings but also areas with high concentration of business. At the right-hand side, you see the example of a city in Belgium, Veurne, which was one of our pilots that we did by applying this methodology. In Veurne, you had about 300 enterprise sites that were there. All those enterprise sites, they were connected as well to a GPON architecture but by reusing the assets that we have in place there.

So you know that when we did our Fiber-to-the-Curb rollout, that we of course brought already fiber to the corner of each street but we had as well some ducts laid in the street. And so we are reusing those assets there to connect the enterprise sites on fiber. We of course will remain – will have our point-to-point offering and that is an on-demand offering. So of course, any enterprise customers can address at any moment in time a demand to connect fiber and we will continue to provide that service as well. Of course this methodology helps us by reusing those Fiber-to-the-Curb assets to scale faster and do this is an efficient way.

Another element outside the dense zones] is that we will bring our fibers closest to our customers. It is today as such that the average distance to an optical node for our residential customers is today 530 metres. We want to reduce that distance, and so outside of dense zones where we do not do the Fiber-to-the-Home fiber into the apartment and into the home, nevertheless, we bring our optical node closer to our customers. And so there you see that we will shorten the average distance from 530 metres to 350 metres. This will be combined with a further performance upgrade of our current vectoring technology and where we will move to ultra vectoring technology at 35 mhz which allows us then to further boost the speeds on those last hundreds of metres.

What are the rollout ambitions that we have and we have given here a timing that goes 10 years, 15 years further in time? First of all, high priority on enterprise where you see that we are going to accelerate even our plans that we announced in the past. So we are going to further accelerate those plans. And you see that we want to reach in three years of time a 40% footprint of enterprises, connected and terminated in fiber and we made that evolve to the 85%. In the residential zone, in – you see there that in the first five years, we are aiming at the footprint of 18% and then further scaling that up to the – above 50% in 15 years' timing.

I pass now the word to Sandrine.

Sandrine Dufour: Thank you, Geert. Good morning, everyone. So now I'll take you through the more financial aspects of the fiber investment. I think as Dominique highlighted in the introduction, what's key is that we are able to make this significant investment to support the value and the future growth of Proximus while at the same time, we keep sound free cash flow levels.

So we estimate that the needed CAPEX for fiber over the next ten years will total 3 billion and our investment case is based on a very well thought through fiber deployment. We optimised our investment approach – we've, by the way, used the support of a very innovative data analytic tool and we have had a very local approach to get where we are. And the areas where fiber will be rolled out are zones that combine three elements.

The first one is a high business value, which means that we will deploy fiber only in zones that have the potential of high return in terms of customers, corporate customers, FTTH, socio-demo, etc, etc. Second, we really look at the commercial and the operational efficiency, which means that it has to be sufficiently large to make sense from a commercial and an operational point of view. We have to be – to have some significant skills to make sure that they are the [inaudible].

And then on the cost, we focussed on acceptable deployment cost, which mean that we will use, for instance, wall mounting. We will favour zones where the copper is there older so that we are – we can avoid some reinvestments in the copper maintenance. And so with this approach and with the benefits

that we expect on our market position and the long-term cost efficiencies, we have a positive fiber business case with very solid net present value for both the FTTH and the Fiber-to-the-Business.

So anticipating a question I'm sure you will have, we illustrate on this slide, the cost per home that we anticipate. As you can see, the FTTH per home passed and terminated cost is estimated to be on average €1,000. And I think it's important to understand that this cost is influenced by a number of factors. Some of these factors we are in control of. Some of the factors are much more due to the topography and the historical network that we have in Belgium.

First, we, as much as possible, opted to go for wall mounting. And this means that we can roll out faster but also much cheaper than if we had to do this underground. Second, we also opted for high percentage of pre-termination of the homes that we will pass with fiber. And I think it's very important to understand that as we pass homes, it's more important to terminate as we pass because the cost is optimised and also it maximises the commercial potential of fiber.

But then in contrast with other European countries that you may be familiar with, there are two factors which are very specific to Belgium. First, in Belgium, we only have a low proportion of the population that live in apartments. So first, it will be more expensive to reach out each living unit. And second, ducts have not been widely built in Belgium to distribute either the telecom or the utilities, which means that of course we will reuse as much as we can the feeder] ducts, but on the distribution side, there are more trenching costs than other countries.

When we look at the investment case, there are some very important opportunities to drive the long-term growth of the company. On the consumer segment, the benefits are mainly linked to the regaining market shares in some areas where we would roll out FTTH. As you know, we are a challenger in the consumer market in some large portions of the market. While on the enterprise segments, we already have a very strong share in the market and here the fiber deployment will help us to support and to maintain and to grow our position. But it also provides higher ARPU opportunities because there's a good potential for us to tier up and also to cross-sell fiber with other services. And as Dominique has shown earlier, the customer satisfaction is very high, so first, there's also a potential to better retain our customer and to manage our churn.

On the CAPEX and OPEX front, I think it's important to highlight on top of the top line advantages the fact that the roll out of fiber will bring considerable cost-efficiencies in the future. Well, first, where we will deploy fiber, we will then gradually replace our copper network and then we will avoid some significant renewal cost in that part of the network. As you know, our copper network has been here for a very long time in some areas and the older it gets, the higher maintenance cost it requires. And then at some point in time, we would be facing some renewal cost that, with fiber, we will be avoiding.

When we focus more on the OPEX part of the equation, in the short-term, we will realise a decrease of 20% of our maintenance cost per customer on fiber, versus customer on copper. And then as we gradually out-phase our copper, we will realise an even greater operational cost decrease thanks to the gradual removal of our copper infrastructure. And these cost reductions will be obtained because we will have lower power consumption, lower real estate footprints and a longer equipment lifecycle.

So including the CAPEX need for the fiber rollout, we estimate that our annual group CAPEX will be around 1 billion for the next three years. There might be some fluctuations on the exact CAPEX level from one year to the other. As you know, CAPEX – the fiber rollout will be highly dependent on the rate of deployment. How fast we can deploy it is linked to multiple factors and of course one of them is the necessary planning of the permits from cities.

We believe that our CAPEX to sales ratio will be maintained below 18% even with the fiber rollout. And as the graph shows on the right parts of the slides, a large part of our fiber investments will be covered through the current annual CAPEX run rate. By 2019, almost one-third of our global CAPEX envelope

will be related to fiber and we will be able to rebalance some of our CAPEX within our global envelope. Some of our key investment programmes will be coming to an end.

As you know, we're coming to the final stages for the 4G as well as the vectoring investments. The switching phase-out programme will be finalised over the next three years and we also foresee that we'll have significant reduction in our IT and platform cost as we move more and more to the SDN/NFV trends in the CAPEX deployment and as we use more and more standard software solutions for the IT. Also, as I said, the investment in copper will be gradually reduced as we increase our fiber footprint and we are able to out-phase copper.

Focussing on the cost part of the equation, I think it's important to highlight that this investment in fiber will be also funded through the reduction of our OPEX. You may remember that back in February when we had our meeting, we announced that we would decrease our total operating expenses by a net amount of €100 million over 2015, 2018. We are updating these assumptions. We are adding the view for 2019 as we move to our next three-year plan and we estimate that we will realise a net-saving of 150 million over 2015, 2019 compared to the cost of 2015.

I think it's important to highlight that the cost efforts for the company in terms of gross savings needs to be much higher. We will have to deliver €400 million of gross saving over that same period and it's offset by higher expense which are listed on the right corner of the slide. And of course, wage indexation in Belgium is being a big ticket out of this gross increase of the OPEX. But also the fiber rollouts will trigger some operating costs as well that have been included in the equation.

The cost initiatives are largely the same as the one that we've commented back at the capital markets day. What's important to highlight though is that we are running ahead in 2016 with our cost-reduction plan so the saving has been more favourable this year and this is mainly thanks to a faster optimisation of our distribution physical sales channel, notably with the integration of the phone house.

So quickly summarising the global equation, with the fiber CAPEX, a big part is covered with rebalancing our current CAPEX envelope. Our growth strategy of the company, which long term, we aim to continue to sustain an underlying EBITDA growth, we estimate that we will keep a sound free cash flow level, which will allow us to keep a stable dividend over the next three years of €1.5. And all in all, our net debt to EBITDA ratio is expected to remain fairly stable at around one time EBITDA.

And with this, I give the floor back to Dominique who will continue.

Dominique Leroy: Yes. So I think you have received now a lot of information – our ambition, the way we want to deploy fiber, also the whole financial part. I hope you have a clear understanding of what we do and I think it's a very thought-through plan. And if we come with it today, it's because we are very convinced that it is adding value to the company, increasing customer satisfaction that we are able, technically, to deploy it at the best possible cost, and that we are also able to finance it with a lot of initiatives in the OPEX and CAPEX area that are – have been already initiated and where we see that we are delivering in some part ahead of the plan, and that gives us confidence that we can do all this with what we have said, a stable dividend for the coming three years.

Just as a matter of conclusion, the main reason we do fiber is to enhance the value of the company, but also to strengthen our market position by offering products that are future-proof and can really answer the needs – the future needs of our customers. And we have highlighted here the key elements of fiber. And in terms of commercial strategy, those will be mainly put forward to convince customer that fiber is the future-proof network and that they should better go into fiber than stay either on copper or coax as is the case today.

So fiber is really a technology that enables very large bandwidth and really a matter of building the gigabyte grade infrastructure. And you really are able to get all your content extremely fast.

It's also a virtually unlimited capacity as far it can be scaled up easily. So in that sense, it's a once investment, but it's also a very much future-proof investment. You have seen that the customer experience is much better with fiber than with any other technology, and will also enable to keep the very good customer experience because you have no latency, you can have a lot of different devices at the same time in your house or in your company. You have a very easy way to stream content, to game. You have also a lot of opportunities in the business area where the symmetricality of fiber is a very strong asset where your download and upload speeds are the same.

And as enterprises grow more and more into cloud application, it is very important to have that symmetrical capacity for backup, for cloud usage, for being able to upload and download heavy files, but also to enable the whole new ways of working where companies grow more and more, using video conferences, unified communication, remote work spaces. Therefore, this technology is extremely important.

Also, in terms of security and reliability, fiber is a much better technology than the one that we have today. And I've already said it, that fiber is very much future-proof because you can scale up fiber. We were talking today about 1 gigabyte, but you can scale up fiber up to 40 and even more without too many additional costs, which is not always the case of the other technologies.

So that's what we wanted to give you as a message. I think a well-thought plan, which is really looking at anticipating the needs of the customer funded by a strong project in terms of good free cash flow management, cost reduction, market share growth, ambition, churn reduction, ARPU uplift, and I think all these should really help us create more value for the company and still being able to give you a decent remuneration with relatively currently high yields that we are able to maintain in the coming three years.

So I think we can now open up the set for any remaining questions you may have on this important fiber for Belgium project. Thank you.

Operator: Ladies and gentlemen, we will now begin our question-and-answer session. If you wish to ask a question, please press the code 01 on your telephone keypad and you will enter the queue. After you're announced, please ask your question. We kindly ask you not to use microphones or headsets when asking your question. Once again, please press the code 01 on your telephone keypad.

The first question is from Stephane Beyazian from Raymond James.

Stephane Beyazian: Yes, thank you. Can you comment a little more on the product penetration in the residential market that you – that you plan or the sort of market share gain that you think is possible?

And I have a second question, if I may. In terms of competition access to the infrastructure, should I understand that co-financing is totally not in your plan? And therefore, what are – what is the regulatory framework there in place today regarding the wholesale of the product? Thank you.

Dominique Leroy: Okay. So on product penetration, I think it's quite sensitive information. We have tried to give you a view on the slides that we had for the fiber to home zonings. So I think our objective is indeed to gain substantial market share, mainly in the residential area. In the professional area, it is more about upsell, about retaining customer, putting them on a higher value product and enabling adjacent IT solution sales. For the residential market it is indeed much more a market-share gain objective where we should be able to increase our internet penetration quite significantly where we deploy fiber.

On the competition access, which I think is a very important question, and the co-investments, what I can say today is we have no programme of co-investments as we speak. We will focus on the deployment, as is stated in this presentation. Nevertheless, we are open to look at co-investments if we want to further deploy fiber in rural areas. So in that sense, I think the way Europe is now putting

forward the telecom reform with enabling co-financing and co-investments, it's certainly something that we can look at in a positive stance for deploying fiber further if they want to do that.

In terms of the regulation we have today, a regulation in place for the Fiber-to-the-home, where we have a commercial offer, so the fiber is currently not regulated in Belgium, so it's a technology that, contrary to copper and to a certain extent coax, fiber, is not regulated. And what we are aiming for is to make sure that we have already a commercial offer available for non-infrastructure competitive players whereby there is no need to further regulate fiber in the country. And I think that's today, the view we have on the future of the regulation so far.

Stephane Beyazian: Very clear. Thank you.

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

Nawar Cristini: Thank you very much. Good morning. I have three questions, please. Firstly, could you discuss the saving of the 3 billion investment envelope over the next ten years. In particular, it would be helpful to understand the trajectory beyond the three years guidelines if we assume that you – which seems to be the case, that you'll be prioritising Fiber-to-the-Business and then Fiber-to-the-Home. Is it fair to expect a peak of investments after these three years?

And secondly, I wanted to ask about the scope of the CAPEX envelope. Does it include in-house wiring or is it outside of that envelope, given that it is access-based? And overall, could you share any data points about the cost of enhancement in place?

And lastly, my third question is on the demand. Could you discuss the appetite that you are seeing from clients for FTTH? Just looking at the French precedent, for instance, we could see that Orange had to to set its fiber cheaper than copper at inception, given that the in-house wiring and other aspects were problematic for the take-up. So it would be interesting to understand in which extent Belgium compares or is different from France. Thank you very much.

Geert Standaert: On your first question, so with respect to the phasing, as Sandrine already stated, the phasing is happening in a very data-driven way. And so we have looked at what is the potential out there from an enterprise perspective, from a residential perspective, what are the costs associated to the deployment. And based on that, we do a kind of phasing, where in the first years we prioritise, of course, investments there where we have high concentrations of enterprises. So in the first years, the balance will be more towards those zones, where you have the highest concentration of enterprise customers: corporate, medium, and Small Enterprises.

Now, with respect to the CAPEX spend beyond the 2019, it is clear that our first three years there, it's about scaling up the machinery to get at a certain CAPEX amount that we will invest in fiber. Afterwards, the current intention that we have is to keep that rather flattish. That flattish is important because for such type of deployment programmes to do this in an efficient way at a certain moment in time, you need to keep your factory running at a certain stable pace.

With respect to your second question, the CAPEX also includes, of course, not only the Fiber-to-the-Home passed, not only the Fiber-to-the-Home terminated, which means that we go with the fiber into the apartment, but of course, we have as well a certain percentage of activations in mind, and the in-home wiring of the cost of that in-home wiring is used – included in our plan.

Dominique Leroy: And so concerning your third question, I think we are a bit later than some neighbouring countries. And to that sense, I think people are much more aware of what fiber can bring to them, and that's what we see in the greenfields. So to that extent, I think there is much more traction from customers, and much more knowledge from customers about the advantage of fiber. So that's certainly an advantage we have versus countries that started earlier.

We will have a commercial offer that I don't want to detail too much here but where we will have different price points, depending on what the customer wants to have. And in that sense, we'll be rather flexible in the commercial offer that we can give, with the main purpose to first increase penetration and then upsell and cross-sell when the needs will come through in the customer usage.

Operator: The next question is from Nicolas Cote-Colisson of HSBC.

Nicolas Cote-Colisson: Morning. Just back to regulation and how your fiber is open to competitors, you mentioned that there are some commercial offers already on fiber. I was wondering if it was the case for both consumer fiber and the enterprise fiber, and also having a bit more details on the pricing points there.

And also, on your comment on co-investment, I'm not completely clear on that. Are you open to co-investment? Are you calling for co-investment or would you prefer to do it yourself?

Dominique Leroy: So on regulation, we have mainly wholesale price for Fiber-to-the-Home, because still now, Fiber-to-the-Business is very much point to point on the demand on the enterprises. So it was a very dedicated line for the enterprise. When we develop more and more GPON it is something that will indeed need to be reviewed. And we will have to do some commercial offer on the fiber.

We currently do not have a lot of customers. We have some customers on fiber with the commercial price, but so far, our offer was relatively limited, but we are open to open it up. But I said, to companies that currently do not have network infrastructure in the same area. And I think that's also important and it's also, I think, in line with what the regulator wants because in Belgium we have I think a very good infrastructure because there has been competition on infrastructure. And I think this is something we would like to keep. So in that sense, if we open fiber, it will be for players that do not have infrastructure today.

What else? So co-investments. So just to try to say again what I've said in the beginning, we – the plan that we have today with our €3 billion investments on 10 years and the coverage of most of the dense city areas and the dense business areas, we plan to do it on our own without co-investment. So it's fully funded by Proximus and we prefer to do it on our own and be the owner of the fiber that we lay in these areas.

If we see that there is traction and demands to further invest fiber in different zones, which are more rural zone, where the return on investment is probably less obvious on an immediate analysis, there one way to make sure that we can further invest in fiber and make it still business profitable could be to do it in a co-investment mode with either utilities or other players. And this is something for which we are open to but currently is not in our plan and it's currently not our priority.

I hope I have made that clear.

Nicolas Cote-Colisson: No, that's very clear. Thank you. May I ask two very short follow-up questions? The first one is have you already presented your plans to the regulator? And if yes, any feedback from them? And secondly, could you indicate the size of the dense and non-dense area in terms of home or our businesses if possible.

Geert Standaert: Yeah. With respect to your first question, so we have had already multiple discussions with the local regulator, the BIPT. And these were constructive discussions that we had. And out of the discussions, we understand that they are open to a different regulatory approach for fiber.

Now the BIPT is currently updating the regulation for networks and is expected to publish a draft early of next year. So this will be, of course, important for our future fiber plans.

With respect to your next question, size of dense and non-dense in terms of homes and businesses, I wonder if I captured well the question. But you have seen in our roll-out plan where we have shown you the evolution on the three years and the five years. That, of course, we go much faster in percentage of past on enterprise than we do on the residential part. And that is indeed because the first waves where we will do fiber –to-the- home roll-outs will be in those zones where that concentration is the highest.

So you can get it kind out of the different charts that we've shown on the previous slide.

Nicolas Cote-Colisson: Okay. That's great. Thank you.

Operator: The next question is from Vikram Karnany of UBS.

Vikram Karnany: Yes. Thank you. I've got two questions.

Firstly, in terms of the consumer target over the next three years, it's only 7%. I was wondering if the lower targets that you have laid out today is because of delay in getting permits or do you think the business case over there would build up over time?

Secondly, in terms of the CAPEX outlook, you said that envelope will be around 18%. Can you say – I mean this 18% is like over the next 10 years or is it just 3 years? And also when I look at the consensus expectation for revenue translating into CAPEX, you know, it works out to be above your range of 1 billion. So I just wanted to clarify that both particular point when it comes to CAPEX to sales.

And the final question is, when we talk about, you know, probably fiber in terms of three years from now and then looking at the targets, you know, how well do you think your position in terms of the densification required for that particular technology? Thanks.

Geert Standaert: Yes. With respect to your first point, the 7%, there are two reasons, in fact. That is, one is that, of course, in the first years as I stated, our focus will be heavily oriented towards enterprise segment and that is taking into account so that our – as well industrial zonings, commercial zonings, clusters in cities where you have high enterprise concentration, where we will go first. Which means that, of course, the percentage of residential customers you have there in those zones is a bit less than in the outer years.

Then a second element is of course that we have now to scale up the machinery. And the scaling up of the machinery is, of course, you do this type of projects together with the cities. This means indeed that with respect to permits, etc., you have some timing aspect there. But also scaling the machinery itself, it takes some time.

Now, we have a very – compare – we compare this with other countries. And we – the best comparison that we could make was with what happened in the Netherlands. Because if you look at the Netherlands with respect to percentage of households in an SDU/MDU environment, the type of underground that you have there, it is rather comparable with what we have in Belgium.

When KPN was rolling out its fiber at top speed, they reached about 4% of rollout speed in Fiber-to-the-Home each year. In our first five years, we have an ambition here as well of that 4% and a little bit higher. But this is even in the first years where we have to scale up the machine.

Sandrine Dufour: Okay. Then your question on the CAPEX, the 18% CAPEX to revenue that I gave is valid for the three years. That's our 2016 to 2019 plan. And as we said, the guidance we gave on CAPEX is around 1 billion, which means it can be slightly below or slightly above in terms of exact numbers, and I think explains the reason why it's highly dependent on our ability and the timing of rolling out fiber.

Geert Standaert: And on the 5G question, it is clear that 5G and even the road towards 5G, so also the different changes that we will see on the mobile networks between now and the moment we will have the real 5G technology, that one of the elements to cope with the exponential data growth that we still see and we expect to see also in the near future is small cells densification. So it's not only about technology but it's also about bringing small cells closer in dense areas.

We start to see the needs, in fact, today. And there are cities where we have been already rolling out those small cells. As data needs will grow, the capacity that those small cells will have to be capable to absorb will be very high. And for us, it is clear that most of those small cells will have to be backhauled on fiber as well.

So to do this project, in fact, we foresee in those cities, the necessary flexibility points as well to connect our small cells for 5G but also the road towards 5G.

Vikram Karnany: That's very helpful. Thank you.

Operator: The next question is from Wilton Fry of Royal Bank of Canada.

Wilson Fry: Yeah. Hi. Congratulations on your announcement today. I just wanted to ask about your comments on ARPU. You said ARPU would be generally going up but more so on the business side than the residential. Can you just help us think about how you sort of trade off, take up on the – on the new residential network versus higher ARPU?

And secondly, just a more general question on speed, I was wondering if you could give us an indication of sort of the speed that we'll be seeing obviously on all fiber to home, but more interestingly, probably around the less dense areas where you're doing more vectoring. Thank you.

Dominique Leroy: So I think for ARPU, first what's important is of course in the business area when you do point to point which, with a dedicated line, it's a very different ARPU than you do multisites. I think for enterprises, fiber will indeed enable higher ARPU between adjacent products for the residential areas. As our purpose is also to phase out copper in the area where we deploy fiber, we will come with different types of product on fiber where people will not always be forced to take a much higher fiber price where we can retain them on the relatively normal products with normal specification, and also have fiber products so we can indeed get the OPEX savings that we want to get with the copper phase-out.

So I think on the residential, we want to first increase our market share. We will normally see some ARPU increase, but I think this will come more gradually and some people will see the needs to have higher capacity and higher speed in the home. So that's why we say that the phasing of ARPU will probably be first in the business and then a bit later on the consumer where the first purpose is to increase penetration, market share, and decrease churn.

Geert Standaert: With respect to your question on speed and then mainly outside the fiber-to-the-home zones. So there, we've opted in fact to do a further densification, which means that we bring our optical nodes closer to our customers. Today, the average distance that we have from the optical nodes is 530 metres. By doing this in these zones, we will get that below the 350 metres.

The testings that we are doing now with the 35 megahertz technologies, and these are still, you know, versions that we will further improve in the future, they show that we can go for an ambition where within a 300 metres range we can go up to that 250 megabits per second. Within a 400 metre range, that our ambition would be to go to that up to 200 megabits per second.

So by doing this fiber densification in the zones outside dense areas, we will be capable as well to bring the speeds to hundreds of megabyte per second to everybody in the country as well outside the dense.

Wilton Fry: Thank you.

Operator: The next question is from Ulrich Rathe of Jefferies

Ulrich Rathe: Yeah. Thank you. I have two questions and a clarification please.

My first question is about the planned share gains in the residential area. I mean, an extreme point, just also for the sake of the argument to see how you react to this. I mean, obviously Telenet has a DOCSIS 3.1 project. They are saying one gigabyte per second everywhere in their footprint by 2019. Someone could argue that what you are announcing here in some ways is sort of catching up with them. So on what basis would you then argue – do you have room for significant share gains with this upgrade? I realise it's a bit sort of sharpening the pencil here, but I just wondering how you would react to that.

And related to this, is there not a risk that you're also rocking the boat with regards to, you know, the Belgium market obviously showing a nice price inflationary environment over time with a relatively minor share shift. I know you sort of go for a big share gain in B2C as you are now saying you are, is now to risk – that you are sort of risking that sort of inflationary price environment. That would be my first question.

My second question is why are you going FTTB or P or whatever you want to call it? Why are you not going for the more gradual upgrade options that other incumbents in the sector are discussing like G.fast or other things? Why are you going essentially the whole way?

And my clarification is, when you discuss the free cash flow supposedly sustainably covering the dividend, so sustainably supporting the dividend, do you actually mean explicitly that the free cash flow is meant to cover the dividend? Would you verify saying that or is there an element here that, you know, obviously the leverage sort of would allow for over distribution for some years at least? Or is it essentially sort of a way to get away from committing to covering the dividend when you say support sustainably? Thank you.

Dominique Leroy: So first, on the first one and then Geert here can comment a bit more on the technicity. I think they are differences between DOCSIS 3.1 and fiber. I think fiber is a very symmetrical means. And of course, coax has always claimed a lot about speed, but fiber is much more than speed. Fiber is about latency, fiber is about symmetrical, and fiber is about reliability. So I think they are very important and clear elements where fiber gives a better technology and a better customer experience than coax or even the DOCSIS 3.1.

It is also what we have shown in some of the slides where we currently ask customers on their satisfaction on the various technologies they own. We see clearly that there are more satisfied customers on fiber than even on coax today. So I think that's an important point. And I think also what you see is that the price of houses increases when you have fiber in the house. We see from the Netherlands, they reached around to 3% value increase of the price of houses when you have fiber. So that's also quite an important argument for customers to let us install fiber in the house and hopefully then take on fiber in that it increases the value of the house and you still get a better experience on fiber and it's very much future-proof even versus cable.

Geert Standaert: Maybe the element that I would like to add on that one is that out of the enterprise, we see a clear demand on the technology capabilities now. Where before we did kind of on-demand kind of connections on that fiber technology. We believe that within this and X years everybody will be needing that technology and so it's better to do this in a proactive way.

As Dominique stated as well towards the residential world, of course, most of the experiences can be delivered today through copper technologies and coax technologies. But this is a technology that we

believe is connect once and for all. So this technology gives all the type of possibilities to further expand for any type of new service we might have.

Into data-driven approach, we have of course looked at what is the best way to get to that final end destination. And do you go into different steps in a kind of gradual mode or is it in some areas, sometimes not better to go in one step. And that is why our approach is hybrid. In fact, what we bring here is that in some zones where it makes sense, data-driven sense, to go into one step we will take this. Where it makes more sense to go in an in-between step through fiber densification, we will do that.

So in some cities, you might have that there will be zones complete done in Fiber-to-the-Home but, for example, outer rings will be done through the 35 MHz ultra vectoring technology.

On the G.fast, maybe one comment. We look at G.fast – the G.fast is a technology that gives you high speeds but at very low distance. So the applicability of G.fast, we see it more there where for example we have entered into the basement of an MDU and where there are problems to do the last cabling between the basement and the apartments. And so there is it where we typically can use the G.fast technology. We want to limit this as much as possible and go for solutions where into the building we can connect through with fiber. But for example if no vertical shafts are available, etc, the more cost efficient option might be to bring there G.fast technology, which gives you there on shorter distances as well as very high speed experience.

Dominique Leroy: First, to come back on your question on pricing. I think first of all Belgium has always been a very rational country and I think we have rational players. So we really have the objective to remain like that certainly ourselves. And if you look at fiber, fiber is very much a value creation product.

So the whole thinking in Belgium where we say we want to bring more for more and to have more speed, more capacity, more content, more services it is certainly the intention that we have to bring fiber and of course gain market share. But gain market share not on a price war but gain market share more on the service and the value-added product.

So today, there is no willingness from us certainly to start a very difficult price element. I think what you see today that you have a range with some lower price. So there are some more price competition on the more sensitive side of the market but that currently hasn't changed the dynamic of the market which is mainly value accreditive market where people are willing to pay more for more service and more value.

And on your last clarification point, I can clarify that in our three-year plan, our free cash flow estimation will cover the dividend.

Ulrich Rathe: Thank you so much.

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

Stefaan Genoe: Yes. Good morning. Thank you. If I understood well it was mentioned that you expect CAPEX after the 2019 period to remain flattish. Could you give us some more colour on the trade-off between the initial investments in the business areas afterwards more residential areas because I can assume the latter are more CAPEX intensive in terms of rollout?

Related to debt, you mentioned the €1,000 per home CAPEX level. We've seen at KPN for example in the Netherlands and other incumbents that after some years this amount tends to decline. Do you also expect this to decline in the coming years and could you indicate for what reason?

And lastly, do you anticipate different rollout speeds in Flanders versus Wallonia? Of course, there are more business segments in Flanders but the topology in Wallonia is also very different.

Yeah. Could you give some more indication on the timing in those two different areas? Thank you.

Geert Standaert: On your first question with respect to the CAPEX after 2019, so indeed what we clearly said is that now in the first years it will be a scale up to get to a certain level. And then it makes absolute sense from an operational perspective and financial perspective to keep that engine stable for the further deployments.

On the tradeoffs on investments between residential and business, it is as such that to connect businesses on fiber, there are some higher costs associated than for residential. So it's the inverse, as I think, that you're comment was. But of course, the need is there. The most near, the most urgent. And of course, the value that we get out of there is as well higher.

With respect to the comparison that we made with KPN and the Netherlands, it's very comparable. There is one difference between the Netherlands and Belgium which is the type of underground that we have. So in the Netherlands, you have the underground under the pavements and the sidewalks is mainly in sand. That is different in Belgium. And so in the trenching, there is somewhat a higher cost in Belgium versus the Netherlands.

Now one way to overcome that is of course that we – and that's one of the reasons why we go and aim for wall mounting. Of course, as we learn through learning, we will – of course, if we can further optimise we will of course not hesitate to do that.

Dominique Leroy: On the Flanders and Wallonia question, I think as we said that we will go into dense area. I think we will do all the dense areas in Flanders and Wallonia but taking of course into account the topology of both regions. But we will have the same criteria for deployment in the two regions.

Stefaan Genoe: Okay. Thank you.

Operator: The next question is from Marc Hesselink of ABN AMRO.

Marc Hesselink: Thank you. I've got three questions. The first is a bit of clarification on the OPEX savings. Are those related to the rollout? So does it mean – sorry. Does it mean that the OPEX savings are coming from the fact that you're doing this Fiber-to-the-Home rollouts, for example, for the lower energy cost?

The second one is on your comment that this is a positive NPV. And can you talk a little bit about the timelines that you are using for positive NPV? I can imagine this because it's a network investment that's quite relatively long.

And then finally, I would like to have some extra explanation on the comment on your press release from Charles Michel. He said that the federal government will make sure that the conditions are favourable for these investments in fiber. What does that exactly mean? Is he going to support that on what kind of way?

Sandrine Dufour: So on the OPEX, I think you should look into maybe more short term than longer term. On the short term, when we replace our customer and put them on fiber, the cost of maintenance are lower because fiber is in ducts, the repair etc is lower. And we have said that we're going to decrease this cost by 20% per customer on fiber.

And the more longer term as we are able to remove copper and replace copper by fiber, this is where we see more cost decrease, which is due to the lower energy, lower real estate, longer life cycle of fiber and that's coming on the longer run.

On your second question on NPV, of course, investment in fiber is a very long-term investment. And we think that when you look at our copper, some of it was invested after Second World War. So we're talking about long-term investment. And we tend to look at this on the long-term basis for our NPV as well. Specifically as you see the timing to investment that Geert has done where we plan to achieve coverage over the next 10 to 15 years.

And then on your last question concerning the remark of our prime minister, I think what is meant by that is that Belgium – he started a programme which is called Investment Plan for Belgium where three areas are in focus, which are mobility, infrastructure and digitalisation, that the fiber investments we do is very much part of the programme. And it's everywhere where he can support mainly through helping permits, making sure that we can go wall-mounted instead of underground. So where the government can facilitate the operations and for instance the cost of deployment that we have a kind of engagement from his side to do that.

The discussion we have had with the regulator is different sets of discussions but there as well – there is a clear understanding that investments in new infrastructure is needed. That company needs a return on investment of that. And if we do it in a way where we open the network on commercial conditions, that this is seen as a sufficient element of course, if we see that there are abuses or whatsoever, then regulation will kick in, but the whole plea we do is no ex-ante regulation a bit in line with what Europe is doing. And I think so far that we have received enough reassurance on that element.

Marc Hesselink: Okay, that's clear. Thanks.

Operator: The final question is from Lizzie Dove of Goldman Sachs.

Lizzie Dove: Hi. Lizzie Dove here. 3 billion investment, is that going to be linear over the next ten years and how much is the old CAPEX] offset the new in those seven years? And then my second question is, so you're given guidance on the 1 billion CAPEX levels for the next three years, are you able to give any colour on this post 2019?

Sandrine Dufour: I think we've already commented a lot on the question phasing. And I think what has been said is indeed that the final investment will be increasing and we will try to maintain those investments in an envelope which is around 1 billion. So I don't think we can give more comment on the phasing of our investments. Thank you.

Lizzie Dove: Thank you.

Operator: There are no more questions in the queue. We will therefore handover the call to Nancy Goossens, Director of Investor Relations for closing comments.

Nancy Goossens: Okay. Thank you. So ladies and gentlemen, this concludes today – the webcast conference. So thank you all for attending. The slides and the webcast itself will be available on the Investor Relations website pretty soon. If in the meantime you would have some more questions, you can obviously also contact the Investor Relations Team.

Thank you very much. You may disconnect now.