

**Transcription**  
**Proximus Q3 2021**  
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## Presentation

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### Operator

Good afternoon, ladies and gentlemen, and welcome to the Proximus Q3 2021 Conference Call. For your information, this conference is being recorded. At this time, I would like to turn the call over to Nancy Goossens, Director, Group Investor Relations. Madam please go ahead.

### Nancy Goossens

Thank you, and welcome everyone. Thank you for joining us. We will start the session, as usual, by an introduction by the CEO, Guillaume Boutin. After this, we will turn to your questions. For the Q&A session, we are also joined by the CFO, Mark Reid; Jim Castele, the Chief of the Consumer Unit; Anne-Sophie Lotgering, Chief of the Enterprise Unit; the CTO, Geert Standaert; Dirk Lybaert, the Chief Corporate Affairs; and the CEO of BICS, Matteo Gatta. They will happily take your questions in a moment. But first, Guillaume will take you through the highlights of today.

Guillaume, please go ahead.

### Guillaume Boutin

Thank you, Nancy. Good afternoon to all of you and welcome to this conference call on the Proximus third quarter results. Is it working? I hope so – because I'm receiving a sound, but okay. So before getting into the financial and operational overview of the past quarter, I'd like to spend a few minutes on the progress we've made in our #inspire2022 strategy. As a quick reminder, we have four key strategic pillars, as shown on the slide. We are in full execution mode and have been making progress on all fronts.

I won't elaborate on all of them, but let me highlight just a couple of notable steps that we achieved in our strategy execution. An essential part of our strategy is about building the best gigabit network for Belgium and about bringing the superior network experience to our customers. Both 5G and fibre are crucial. And this is a combination of the two that will be a game changer to the industry and bring undisputed product superiority to Proximus.

The great work of our fibre teams has been acknowledged by the Broadband World Forum, and we proudly received the award of Fibre Operator of the Year worldwide. We are indeed progressing very well with our fibre rollout with a simultaneous active deployment in 18 cities for Proximus standalone footprint. In addition, our two JVs, Fiberklaar and Unifiber, kicked off construction in six cities. And this is only just the start as our fibre rollout is picking up pace and we have already announced deployment in many more cities and municipalities.

With that, we are remaining well on track for our ambition to cover at least 70% of Belgium by 2028. Specifically, in the last quarter, we have kept strong pace even over the summer holiday period, with another 65,000 additional homes passed. This brought us to a total of 686,000 of homes passed at end of September, or just over 11% of all of the Belgian premises. As for mobile, we want to build the most efficient and future-proof network to offer the best customer experience. Already today, the Proximus network is recognised as being of superior quality.

As you know, 5G spectrum auctions have not yet taken place in Belgium. Things are moving with the auction planned now in mid-2022, although we will have to wait for the agreement between the federal government and the regions to confirm the timeline. In the meantime Proximus remained the only operator in the country with a live commercial 5G offer using the reforming of the 2100 megahertz 3G Spectrum. Plus on the B2B side, our 5G innovation platform is gaining a lot of traction, allowing customers across the country to test the full potential of 5G in a collaborative way.

Our growth strategy is articulated around product superiority through our networks, as I said, but as well as on innovation. During this quarter, we have launched Banx, the 100% digital banking experience imagined by Proximus and powered by Belfius. This app is a combination of technological know-how and sustainability, thanks to the unique CO<sub>2</sub> dashboard developed in partnership with the Doconomy. This way, customers can evaluate their spending not only in Europe but also in CO<sub>2</sub> and adapt more sustainable habits.

Still with Belfius, we also officialised the launch of Beats, the offer combining banking offers and telecom services. As such, Proximus services will now be sold in thousands of touchpoints of Belfius.

On the B2B side, we have launched Aug-e that stands for augmented energy. This smart building application platform is a collaboration between Proximus, BESIX and i.Leco. It connects a physical building to a series of useful digital applications that allow us to optimise energy consumption and to reduce your carbon footprint.

Still in B2B, about one month back, we have announced our agreement with HCL. This IT infrastructure agreement will bring us economies of scale, best practices, experience and expertise in the cloud domain. It will not only allow us to assure the development of the best customer offer, but it will make also sure that we are able to retain strong strategic influence in the cloud domain. Moreover, the agreement brings financial benefits, thanks to a lower cost of ownership, which we estimate to go down by around 20%.

Last but not least, we continue our efforts to support a green and digital Belgium with a few new initiatives. The first one is DigitalAll, a digital inclusion alliance sponsored by Proximus and BNP Paribas Fortis, together with about 30 other companies, public bodies and social organisations. Its mission is to narrow the digital divide in Belgium. Another point to highlight is the support Proximus provided to the Walloon region after the severe floods of mid-July. I'm proud of our field engineering and support teams who have been working day and night in very challenging conditions to restore our infrastructure in the impacted areas, ensuring that customers could reconnect with family and friends.

Turning now to the second part of my introduction. I'm sure you have looked at our results already closely. So let me just focus on some of the key achievements, starting with the commercial momentum. Over the past quarter, we once more posted growth for all our main customer bases with a strong mobile growth, adding 58,000 mobile accounts. For both internet and TV we grew our respective customer bases by 5,000 subscriptions each. The slower pace compared to prior quarters broadly resulted from less customer rotation and the severe floods, while our overall customer initiative churn was down from the previous year.

We continued to do well in the higher value consumer segments, as demonstrated by the growing number of fibre subscriptions. By end September, we had 104,000 households enjoying the advantages of fibre. We expect this to build up going forward as a fibre rollout continues to accelerate.

Convergence is core to our strategy, and we see our Flex offers providing continued support to drive an increasing number of multi mobile customers in our base. This benefits to the overall RGUs and consequently drives the ARPC up. With the convergence ARPC is significantly above the overall average, the ongoing move to convergence is value accretive. As a result of the growing importance of convergence in our revenues and customer base, we see indeed a growing ARPC up by 0.6% year-over-year, from a high comparable base in 2020, as last year, we benefited from an exceptional high usage, mainly on fixed voice traffic.

Now turning to our B2B unit, which is holding quite well despite the ongoing intense competitive dynamics in the market. Let's first have a look at the ICT domain. Within the mix of our ICT revenues, we achieved a 4.3% growth in IT services, demonstrating that our B2B transformation is being well managed. The recent trends in digital adoption are bringing structural opportunities. In this context, our convergent telco and ICT solutions and our emerging end-to-end servicing offers are gaining traction.

In contrast, revenues for low margin asset products declined. This is mainly resulted from shortages in chipset supplies, which implied that some of our other products could not be delivered to our customers. Within the B2B telco domain, we maintain a good revenue momentum for internet, and especially mobile services, which was up by 2.9%, thanks to a growing volume, while the ARPU decline remained mitigated. The fixed voice part continued to erode even though the ARPU evolution was kept positive, supported by the price indexation and the rather non-structural traffic related to the vaccination centres.

For wholesale, you see on this chart in the middle that we turned around an historical decline trend in our wholesale broadband park supported by our fibre rollout. Wholesale revenues from fixed and mobile services are now stabilising. Overall, this part of our domestic business is still very limited today, which means that it's a significant growth opportunity for the future.

This brings me to the total domestic revenues for the third quarter, 0.8% down, supported by the ongoing sound operational performance and the contribution of Mobile Vikings. As demonstrated on the slide, the decline for a large part resulted from low margin revenues from Interconnect and ICT hardware. Furthermore, as expected, fixed and mobile usage has come back from its unusual high levels in 2020.

Now turning to the international activities starting with TeleSign. TeleSign is positioned at a unique intersection between digital identity and communication, two booming markets. And this combination makes it the only one-stop shop for fraud management,

authentication and access management and secured CPaaS, which is essential to enable the trust that is required in all our digital lives of today.

TeleSign ended the third quarter with a strong performance on new signed contracts. We can see some of the names on the page. TeleSign is attracting all major internet players like TikTok or Viber. In addition, TeleSign continued its geographical expansion, bringing its Digital Identity Solutions in both Europe and Asia. The financial results show another strong sales quarter with revenue up by more than 20%. The newly signed contracts will continue to support the double-digit revenue growth for the remainder of the year. As we communicated before, we expect TeleSign to end the year with around 20% of revenue growth and direct margin of around 10% on constant currency.

So significant investments in the acceleration of this growth profile are ongoing. Nonetheless, TeleSign keeps a positive EBITDA. Q3 was clearly a strong quarter for BICS. The core services posted a material revenue increase, thanks to the combination of high A2P messaging volumes and a favourable destination mix, reflecting the trading nature of this part of BICS business. We also saw international travel picking up, in particular within Europe, and a strong traction for cloud communication services. At the same time, BICS continued its firm cost control, all in all, leading to 15.8% increase in EBITDA for the quarter.

Moving now to the operating cost of the Group. Here, I just want to highlight that our domestic OpEx remains well under control with increase limited for the quarter to 0.4% on an organic basis, and this thanks to our ongoing cost efficiency programme.

This brings me to the EBITDA for the Group totalling for the third quarter €457 million, a decrease from last year by 2.6% or minus 4% on an organic level and moderating in line with our expectations. As for our CapEx level, the acceleration of the fibre project is raising the total investments for the first nine months of 2021, all according to our plan. Fibre is now representing one third of our total group CapEx envelope. Besides fibre, we also stepped up investment in the area of digitisation and IT transformation, and we also have some more CapEx coming from the increased customer installations, mainly linked to the fibre migrations.

The free cash flow generation remains strong over the quarter with €146 million on adjusted basis, bringing the total normalised free cash flow to €408 million.

So in conclusion, I'm very pleased with where we stand today in terms of our results and progress on our strategy. Our organic underlying domestic revenues remains broadly on track while we kept strong momentum on our international businesses. We continue to monitor the global supply chain shortages that can have an impact on low margin and handset revenues. In addition, we keep a high focus on our company-wide cost program and we remain on target to achieve €400 million of gross savings by end 2025.

So overall, very confident that our organic underlying Group EBITDA will land in the mid to upper part of our guidance range. And with the fibre rollout progressing very well, we reiterate our full year outlook on CapEx, close to €1.2 billion excluding spectrum and football rights.

With this, I've come to an end of my introduction and we can now go to your questions.

## Q&A Session

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### Operator

Thank you. Ladies and gentlemen, if you wish to ask a question, please press 01 on your telephone keypad and you will enter the queue. After you are announced, please ask your question. We have a first question from David Vagman from ING. Sir, please go ahead.

### David Vagman

Yes. Good afternoon, everyone, and thanks for taking my question. First, on your fibre overbuild intentions, what is your reaction to the incoming Fluvius-Telenet deal with the network, which is supposed to be fully open and looking for partnership and strategic

investor? Does it make you rethink your strategic option so intensions? Would this push you to be more open to strategic partnership, say with Orange Belgium to get them on your network? That's my first question. Then secondly, on your FTTH rollout costs. How do you think you will compare to this JV, let's say, of Fluvius-Telenet? So it seems Telenet is inclined to believe that they can achieve materially lower cost. So I'm curious about that. And last question from my side, what is now the state of affairs on the mobile spectrum auction as the Council of State validated the registration of spectrum? And what is your view on the recent change decision by the federal government on the reservation? Thank you.

### Guillaume Boutin

So I'll start with your first question on Telenet-Fluvius. So, first, I think this is really an announcement that do confirm that we have the right strategy around fibre. And I think the fact that we speed up and accelerated the rollout of fibre throughout Belgium was really the right thing to do for Proximus. And there is only one future-proof technology going forward, which is fibre.

So currently, it's a little bit too early to make a lot of different comment on the announcements. But of course, it did not come as a surprise as you may imagine. And a few points around that. First, we always say that we wanted to build an open fibre network and we are equally open for discussion when the time would be appropriate. Telenet says it will be open, which we see as a positive. But it will time – of course, it will take some more time of course on their end to get to a truly functioning netco. You know that you need first to finalise the MoU and then you're going to have to get a regulatory approval. So it could take some time. And we're not going to adapt our strategy. For the time being, we will continue the acceleration. We're going to beat 300k new fibre plugs this year.

We shared with you that we're going to be close to 600k new plugs next year and we're going to meet that objective and continue to accelerate on that fibre rollout. So that not impacting the way we're going to continue accelerating of fibre rollout.

So that's a little bit where we stand. We want to build an open network. We're open for discussions. They said they wanted to build an open network and also be open for discussion. So let's see where it goes. But for the short-term really acceleration of the rollout is clearly what we have to do.

Now building this rollout machine and scaling it is very, very difficult to do it. It takes time. And I think we have a clear advantage today, a time advantage. And the faster we go, the better it is for Proximus shareholders. And so it's a race. And as you know when you are the first to plant the fibre flag in a given region or cities or municipalities, I think you're creating a very important advantage. So that's a little bit of what I wanted to say on the Fluvius-Telenet deal.

You had also the question that on the cost rollout and Geert can answer that question.

### Geert Standaert

What I would say is that, I think we're very well positioned with respect to fibre to the home costs. I would dare to say that we will be the best ones on deploying this fibre in a cost efficient way. And there are a number of reasons to that. First of all, there is our topology. You know that we work with two type of topologies: a point to multipoint and point to point that is extremely tuned to the situation that we're in. So in high dense we go to point to multipoint, which allows us to do a fibre rollout with minimal trenching.

And more beyond the high dense, there we do the plan through point to point. We have been working with our partners that are trusted partners now since years. So our learning years they're fully over and I hope that you might have noticed that even while we scale fibre rollout, we're even further reducing the unit costs. So each year we're doing better. And for the footprint now, so we came from above the 1,000 or around 1,000, we're now at 940 to deploy our standalone footprint.

The other thing is that with the JVs, we signed those JVs up with partners that came as well with experience and expertise. And we see now that – because those JVs are now launched, that indeed the best practices that we have from both parties, we blend these together. But it's not only about the topology, the engineering, the partnership and the trusted relationships, the capacities that you've built, 2,500 people now active on this programme. We go very far. For example, on everything which is process. With processes, we use AI, we use process mining. So in all the aspects of this topology, I think we are pretty leading.

Now if I talk as well with some of the consultants that see fibre rollouts happening elsewhere, etc., they say that we absolutely should not be shy about the way we do that now. So that's why I'm pretty confident and I think that, yeah, we're ahead of competition.

## Dirk Lybaert

So, David, then on your third question related to the spectrum auction, in fact, two questions in that part. So the first, our takeaway on the current text start, were indeed approved up to the level of the federal government. If we look at the latest version of this text and we compare it with the initial proposal in fact, what we see is that on the reservations for the new entrant, the correction that was made by the government is minimal. We have two times 35 megahertz in the first proposal. We now have two times 30 megahertz, so it's only five megahertz in the 2100 band that they took away. But for the rest, the amount of reserved spectrum for a potential fourth entrant is still very material. So it allows both a B2C or a B2B entrant to the market. So that's a first remark.

Second remark that they introduced indeed in the new text, a kind of waterfall approach. So they offer the possibility for a new entrants to take the full pack and if there is someone who is ready to take the full pack of the spectrum, other candidates do not get anything. But if there's no one taking the full pack, then operators can do cherry picking. And that is a bit written, I would say, to the measure of Cegeka-Citymesh, where they are interested in having only the 700 megahertz, so that is well possible with the new text. So we still have to see and wait, who is candidate for that spectrum.

Now on the procedure, it's correct your statement to say that there was a negative advice of the Council of State is correct. The Council of State indeed made the remark that the government does not sufficiently demonstrate the necessity to have a fourth entrant. So the famous Article 52 we're always talking about, the Council of State says that the motivation of the government is insufficient on that element. We know that the government has sent new texts to the Council of State. Has asked the Council of State to review those new text in an urgent way, so within 30 days.

Latest news we have is that the Council of State has informed the government that they are not capable to answer within that short delay and that they would go for the normal delay, which would bring us to the end of year to have that advice of the Council of State. We had a discussion with the minister. She said that even if the advice comes by the end of the year, she still believes that the auction can take place in the months May, June next year. But if indeed its end of the year, it will rather be June than May.

That there is still one important step to take for the government that is in consultation committee between the region and the federal state. That consultation committee is planned on 24<sup>th</sup> November, so a bit before they will now have the final advice of the Council of State. So I'm not sure how the government will deal with that.

## David Vagman

Yes, no, exactly if I may, a quick follow-up. Indeed how can it be that they basically decide with the coordination committee if they don't have the advice of the Council of State that I don't really get. So that seems like the sequence is a bit illogical, isn't it?

## Dirk Lybaert

Yeah, I think that probably, yeah, because they were quite public to say that this consultation committee would take place on 24<sup>th</sup> November. I think with the latest news we have, probably they will also postpone that consultation committee. I find it hard to take a decision at that level without an approval of the final text.

## David Vagman

Okay. Thanks very much. Thanks, everyone.

## Operator

Thank you. Next question from Nicholas Cote-Colisson from HSBC. Sir Please go ahead.

## Nicholas Cote-Colisson

Thank you. I've got a couple of questions. Just first as a follow-up. Guillaume, you said about fibre, it's a race. So my question is, do you think there is room for the joint venture to accelerate further, especially Flanders, in a way to cut the opportunity for Telenet to convince other tenants in the future? And maybe more generally around fibre. Would you mind sharing your view about vertical integration because you've stated in the past that you would own 70% to 80% of your fibre network. So do you still think that the control of infrastructure is preferable compared to a situation where you could save further CapEx? And I may have a follow-up on TeleSign as well.



## Guillaume Boutin

All right, so first on the fibre rollout. So what we always say that we want to be as fast as possible is true for our Proximus rollout, but it's also true for the JV rollout. So, the plan is just to go at max speed. So if we can do faster also with the JV, we're going to try to rollout that network even faster. But we know what it takes to scale the machinery of rolling out fibre. So it's really – what we have in our plan that we shared with you at the beginning of the year during the Investor Day is really very, very ambitious plan in terms of speed to rollout.

But if we can beat that, we'll be more than happy, especially if it's achieved through our partners and the JVs. So that's probably the first answer to your question.

On the integration between the network and the services, this is quite important. And really I am convinced that telco is still for a long period of time is going to be a game of product superiority. You know that when you have the superior product, especially in mobile and fixed and Wi-Fi, internet, low latency, when you can combine that product superiority and prove that product superiority on a daily basis, you have a competitive edge, which is really, really, really important. So I'm a true believer that there is value in keeping network and services very close to one another. And that's really what I think.

And others could have a different opinion. This is not mine. And that's why we, as a CEO, I always said I wanted to come back to the DNA of Proximus and the DNA of Proximus is building networks. And that's why we launched this amazing ambitious programme in reaching 70% of fibre rollout in less than eight years, and that's why I do believe that integration in between services and network is so important.

It does not mean that we can't be open, open to accept all the operators to participate and to be also using our network. But that's a different story. I think integration – I think the competitive edge that integration between services and network is giving to you was the history of telecom and will continue to be the future success of operators going forward.

## Nicholas Cote-Colisson

That's very clear. Thank you very much. And just a quick one on TeleSign, looking at the gross margins as a kind of a constant erosion quarter-after-quarter. So can you tell us a bit more about the revenue mix and when and how all the recruitments you're making in the investment in new products you're making could inverse the direction of travel at the gross margin level? Thanks.

## Guillaume Boutin

Yeah. I think as I said during the presentation and we are keeping our 2010 – 20% growth for the full year on the revenues and 10% growth on direct margin on a constant currency basis. I think those evaluations you can see quarter-over-quarter is not significant. On the long run what is important to see that the bookings, the new customers that are being acquired since Q1 is just increasing. So this is going to fuel the revenue trends and the margin trends of next year.

But we are very confident that TeleSign is going to be on a growing trajectory for the years to come, both in terms of revenues and direct margin. They are on the booming market, intersection of digital identity and secured Cpaas. Those markets are buoyant, really growing very, very fast and be one the leader of those markets. And we are very, very confident that we can grow even faster than the market. Trends, both at revenues and direct margin levels.

Of course, we are reinvesting in the go-to-market at the moment and also in the product because we want to scale the offers. Today, 80% of the revenues of TeleSign are made in the US, 20% elsewhere. I think there is a huge opportunity to grow geographically. Also in terms of segment, today it's only the biggest platforms of the internet that are customers of TeleSign. We could expand that to the more lower end of market using APIs to use the fantastic score platform of TeleSign also for smaller sites and apps.

And I know the value chain progression is also a way to further develop the activity of the company. So we can expand geographically. We can move up the value chain and we can address different segments going to the smaller size customers. So there is only but opportunities to continue develop TeleSign on a profitable manner, also with the mix of our digital identity products being more and more important going forward.

## Nicholas Cote-Colisson

Thank you very much, Guillaume.

## Operator

Thank you. Next question from Roshan Ranjit from Deutsche Bank. Sir, please go ahead.

## Roshan Ranjit

Good afternoon, everyone. Thanks for the questions. I've got three, please, very quick ones. First, just to follow-up on the fibre and I guess, Fluvius and Telenet aside. And you've got two JVs which are going to be ramping up their rollout, I guess imminently or one this quarter. Would you be open to having further JVs with other financial investors, clearly cognizant of the discussions around overlap and exclusivity? But is that an option if there is – we're seeing obviously good, good interest and good demand from the infrastructure side? Secondly, on the CapEx. Guillaume, you said that you're already accelerating the roll out on the fibre front. I saw CapEx came in a bit lower this quarter than expectations. Again, I'm aware that you are reiterating your full year guidance. Is there anything to read into the slight slowdown this quarter on the CapEx run or is that just some form of seasonality? And then lastly just on the cost side. You have maintained a very tight control on the non-workforce expenses on the domestic side. Can you remind me is there any benefit from the Mobile Vikings integration? Is there any synergies there or is that just underlying tight cost control on the non-workforce side? Thank you.

## Guillaume Boutin

So first on the JVs. We say it when we announced the creation of the two JVs that at some point we wanted to get back the ownership of the network. That's also really important. So on the long run, we want to be the owner of also of the fibre network of the JVs. That's the way we have constructed the two JVs.

At the moment what we said also that we were open to welcome industrial partners in the JVs, but don't think we need also at that moment other financial partners. But of course, as I said strategic partners, this is something we said as from the start. We welcome discussions with every strategic partner that would be willing to discuss with us. And as I said before, I think this is just the same message that Telenet conveyed yesterday. So we see where it goes at the end. On the CapEx, I will... Mark?

## Mark Reid

Thank you. Let me take the CapEx question. So maybe start off with Q3. It was exactly in line with our expectations. There is a bit of seasonality during the summer, specifically in the fibre build, as the construction industry tends to take a period of that off. And then as you start to see the sequential rise in Q4 again, in a normalised year, we would normally see that as transformation projects effectively start to come out of the kind of maturation phase to be fully capitalised. And we also have some timing on content rights that would normally come in Q4 over Q3, and that's nuanced this year.

On top of that, effectively as you're well aware of the ramp-up to get to our targets for fibre increases in Q4. And so that effectively flows through in terms of the sequencing that you should think of. And then probably the last point is the mobile consolidation point. So again, the ramp-up there is progressing and we'll start to see kind of bigger numbers in CapEx related to that in Q4. So that really kind of is how you bridge the sequential piece.

If I then touch on Mobile Vikings. In terms of OpEx, there's not a material synergies on the operating OpEx side. I think there's a lot of learning and crosspollination across the bands, which we really value. On the COGS side, obviously, the MNO side will be a large synergy as and when we move off that.

## Roshan Ranjit

That's great. That's helpful. Thank you.

## Operator

Thank you. Next question from Ulrich Rathe from Jefferies. Sir please go ahead.

## Ulrich Rathe

Yeah. Thank you. I have two please. The first one is at the Telenet conference call yesterday, management suggested that your fibre rollout is mostly GPON as they understand it, and that this sort of gives them the ability to not push too hard because they have one gigabit per second on DOCSIS 3.1 anyway. So essentially, they sort of argue that if you were to go to XGS-PON, that would put potentially pressure on them. Implicitly that's not bad but Proximus GPON would. Could you comment on that technology question, please? The second one is more general one. I mean, open networks are, of course, a sort of a hint to the to the regulator, but at the end of the day if everybody works together, it's a remodulation of their network, and in particular in Belgium, I think much of the regulatory approach over the last 20 years has been informed by the fact that there are two competing infrastructures across the whole country. And the regulators approach has been driven by that. So is – it changes because everybody start to



work together that potentially could change the regulators approach. Do you see it that way and do you see there's a benefit also from the regulatory point of view – from your point of view, of course, to two networks, or do you think these are not concerns to the regulator and ultimately the industrial policy of just getting the whole country fibre up as quickly as possible is the overriding concern there? Thank you.

### Geert Standaert

Okay. This is Geert. I'll take your first question. So on GPON, GPON in fact is a technology that we're currently offering to our customers, and there is a commercial proposal indeed that is today up to one gig. But the technology itself is able to support up to 2.5 gig. Now, besides that, what I want to see that is that all the physical equipments that we are installing in the streets, on the facades, in the trenching up to the houses, supports more than a GPON technology. So there is different versions that are already there in other countries like the XGS-PON, which goes up to 10 gig.

And even we were front-running at world level to show in Antwerp this year that we could run already 25 gig on a fibre line on our production network. So I would say is that fibre is really the technology that is capable to deliver multi-gig speeds, where up to 10 gig is already in other countries, a kind of the new standard, but is even capable to go further than that. And I was very pleased as well to see that there we were global premier in Belgium to even show that on our live production network that if we want to, we can go up to the 25 gig.

And again, nothing of the cost that we've made and for all the deployments in the streets has to be changed for that. The only thing that needs to happen is that you need to upgrade some cards at your technical buildings, and of course, the equipment that you are installing at the customer premise, which is, of course, as you can imagine, a minor part of the investment.

### Guillaume Boutin

And it goes back also to your second question, we want to differentiate ourselves based on product superiority. And this is what the thing that I'm repeating for quite a while now. We want to be perceived as and to deliver the best product experience, internet experience for all Belgian premises. So we are rolling out a network today, which can support the latest technologies. So I think you stay tuned. You're going to see much more further evolution of our commercial offers on the coming quarters.

We also want to have a sufficient footprint coverage before also accelerating the marketing communications. So far we are really targeted and really using a local approach to communication, but it could evolve as we continue to rollout the network and you're going to see that probably happening next year.

That's one. Second, I think in all the discussion we have had with the regulator, I think they're always been pushing for a framework that would encourage the rollout of the gigabit fibre network as fast as possible, but also as far as possible. So that's really the aim of the regulator. It's creating a framework that will encourage the players to reach 100% of gigabit coverage as soon as possible for the country. That's really, I think, the main driver that dictates the regulatory strategy of Belgium. That's one.

Second, it might be that in some areas we see two networks, some overbuilt, especially in the most dense part of the country. But we'll see what would be the strategy of the netco of the Telenet-Fluvius. But we are not against having a form of competition on infrastructure on the dense areas. I think this is good and healthy for the markets. But I think the less dense areas, it probably does not make a lot of sense to have too many infrastructure competing for the same volumes of data. So this is a little bit where I stand.

But I think to come back to your first question, the main priority for the regulator, which is good because it's also our main priority is to cover as fast as possible the Belgium homes with gigabit technologies.

### Ulrich Rathe

It's very helpful. Can I just follow-up on that last point? So in the less dense areas in Belgium, the situation would go prospectively from today two networks to, in the long-term, one network in your vision. How would that affect the regulatory environment in your own view?

### Guillaume Boutin

I think first, we are not yet there. For the moment, there is only one fibre network being rollout in Belgium, which is one of Proximus. It's a bit too soon to comment on what would be the position of the regulator, but I think if we can show that we have a vision to go fast and to cover the maximum homes of Belgium, I think we can have a very constructive discussion with the regulator.

## Ulrich Rathe

That's helpful. Thank you very much.

## Operator

Thank you. And the next question from Joshua Mills from Exane. Sir please go ahead.

## Joshua Mills

Hi, guys. Thank you for the question. A few from me. The first was following up on a comment that Telenet made yesterday during the conference call, which is that whenever someone in the Belgium market digs a trench, all operators have the right to come a lay duct. I just wanted to check that that's your understanding of the situation and whether you are already allowing the cable operators to kind of gain access when you do that kind of works? And following up as part of this on the comment you made about the P2P and point to multipoint networks. How many of the homes in Belgium do you think you're going to have to dig trenches to when you do the fibre build out? So that's kind of a couple of questions together, I guess. And then the second thing just regarding the announcement and confirmation that Telenet is launching a strategic review of their tower assets, how do you think that could potentially impact the market, the potential for a fourth entrant? And can you just give us an update on your own thinking around your own mobile infrastructure? Thank you.

## Geert Standaert

This is Geert. I'll take your first two questions. So indeed, so in Belgium, when you are doing trenching, in fact, you need to make this public in advance to all other infrastructure players that are out there, not only telecom players, but also energy. And then they can decide, in fact, to join that those trenches. So we see that sometimes happening. Of course, the speed that we are now working and doing deployments everywhere in that many cities, sometimes we see that other parties go with us, but it's not like I would say a kind of the normal that is happening.

Now, of course, we can do the same. So when we see energy providers, for example, open up trenches and we're interested there as well because it fits into our design, we can as well participate to that. But that is a common way of working in Belgium.

With respect to the trenching and how much trenching you need to do, that is, of course, highly depending in which topology you are, yeah. When we were in high dense, we could, with our designs, limit that really to a few single digit to three metres per home passed or at level of trenching.

Now, of course, as you go towards the more lower dense, then of course, there you will see higher numbers like that. What we have done in our topology and that is different that what we have understood yesterday as well is that, in fact, we combine point to multi-point and point to point. And a point to multi-point is tuned in high dense in such a way that you can do the maximum on facade. And we have become really great. You can say really good in that to reduce the trenching and the metres of trenching in this domain. When you go more beyond the high dense, of course, there – also in high dense you have to know, for example, 60% of the living units are in MDUs.

But when you go to beyond to higher dense there, of course, people living in MDUs is less, so you have more, what I would call, isolated houses. So there, of course, the mix is a bit different. Now the topology that we are making is a topology that allows us very easily to decide, okay, where do we trench, where do we put on a facade and also where can we do things on pilots. And we can very smoothly and frictionless kind of make a combination of these three methodologies, which makes that, yeah, I could say with respect to trenching, I really believe there that we have minimised that optimally.

## Guillaume Boutin

On the tower sales of Telenet, I think this is a more question for Telenet. I don't see that tower sales impacting the way forward and could consider entering into Belgium. There is a regulatory framework to access to the towers. It's known. It's something that is a publicly published on the BIPT website. So I don't know why the announcement of yesterday could favour as a probability or hence the probability of having a fourth entrant looking at the Belgium market.

## Joshua Mills

Great. Thank you.

## Operator

Thank you. Our next question from Martin Hammerschmidt from Citi. Sir, please go ahead.

## Martin Hammerschmidt

Yeah. Thank you very much. I just have a couple as well. On the broadband targets that you sort of announced on the last CMD of 2.1 million by the end of next year. In order to get there, you would need to accelerate the net adds quite a bit. I know you've just talked about new commercial offers launching soon. But so are you planning to increase your commercial activity beyond just launching offers also maybe in terms of pricing? And to reach that goal, are you willing to step back a little bit from that target? And then on the second question is on the last CMD, you also announced a couple of 700 million tonnes of possible disposes. We haven't seen so much at the moment as far as I can remember. So if you could give us an update on that one please. Thank you.

## Jim Castelee

Thank you, Martin. This is Jim speaking. So indeed on the target for the €2.1 million, it's true that today we have a minor delay on that. At the same time, we are confident that we're going to be able to reach that target or to stay very close to that target by the end of 2022. As you know and as you have seen, we are continuously accelerating the deployment of fibre, and fibre deployment is really an important driver to get to that target.

And to the point of Geert as well and the questions linked to performance of fibre versus the coax technology, we will be able as of somewhere next year to really start making a technological difference between both to the point of Guillaume to really show that we have a product superiority from a technological perspective versus cable. So that's what we continue to work and to aim for. So that's the plan.

## Mark Reid

Hi Martin. Yeah, on your second question, I think we continue to look at our balance sheet. I think you're very clear that we have a very strong balance sheet for telcos. And we look at our asset portfolio on a regular basis that you expect us to do. But in terms of the mix of debt and asset sales, that's not something that we're currently – we're disclosing at that level. But as we would always be looking at it to optimise that as we go forward. So that's where we are on that overall item.

## Martin Hammerschmidt

Thank you. And if I could just sneak in a third one on the cost side. We seem to have inflation in possibly salaries and also energy costs. To what extent do you think you can sort of offset them with price increases? And at the same time, when you want to win market share. And if you could confirm how high the indexation of wages will be from next year? Thank you.

## Mark Reid

So just on overall inflation, again, I think we're quite well hedged in many respects in terms of kind of long term contracts on various domains. I think on energy, we're hedged through the full part of 2022 and partially into 2023, so we have no worries there. I think we've talked on a couple of calls now in terms of our overall programme of 400 million gross cost savings through 2025. So that programme continues to be a focus for the management team and really kind of one of the main levers for mitigating our hedge against inflationary costs. So we continue to progress there and it's going very well so far.

In terms of pricing and maybe Jim you can jump in here. But, again, we continue to look at that very carefully, as you'd expect us to do. And we expect to pass pricing at levels that have been – we've been trailing out in the past. So I think that's basically where we are at.

## Martin Hammerschmidt

Thank you very much.

## Operator

Thank you. There are no more questions for the moment. Ladies and gentlemen, let me remind you that if you wish to ask a question, please press 01 on your telephone keypad. We have a new question from Ulrich Rathe. Sir please go ahead.

## Ulrich Rathe

Yes, thanks. So first thanks for the time. I'd like to come back to the spectrum auction, please. When you discuss the nitty-gritty of where the process is and where it's confusing, if you take a step back and look at where these proposals – what these proposals would boil down to today, how concerned are you that you would have to deal with a new entrant in two years' time?

## Guillaume Boutin

It's difficult to say something which is a belief or not based on facts. I think there is still tension between the regions and the federal government on the matter. I think when you read the press in Belgium after the announcement of last week, you had Citymesh and Cegeka are happy and you had some other player that were less happy. So we just know that this economic space for fourth entrant is quite limited today compared to where the market was four or five years ago. That's one.

Second. It doesn't make a lot of sense from a societal point of view to create overcapacity, to create a new network, where there is no need in terms of traffic or data. So you're creating overcapacity in those days and those worlds. And it's a question mark for me and I guess that today Citymesh and Cegeka, they're already acting on our network using the network of Proximus to service B2B customers and they will probably continue to do it, whether they get some spectrum or just MVNO access to the Proximus network.

So I think the competition is already there, so we can really manage that probably by also spectrum. So I'm not that worried. I think there is still some lot of discussions to be happening in the coming weeks. And I think we have never been so close to get some more clarity. But I think we still have to wait a little bit to be – to get some full clarity on how it will be organised.

## Ulrich Rathe

Thanks for the colour. Thank you.

## Operator

Thank you. We have a new question from Nicolas Cote-Colisson. Sir please go ahead.

## Nicolas Cote-Colisson

Yeah, thank you. It's going to be a short one. Obviously, you spoke about the performance of the quarter. The broadband net ads were a bit weak while mobile was very strong. Can you give us an indication of the progress so far in the current quarter? Thank you.

## Jim Castele

So this is Jim again. So indeed, from a commercial perspective, the third quarter is always a rather slow quarter because of the holiday season, especially on the broadband side, and then typically picks up with the back-to-school promotions. And so we continue to grow in the premium segment of the market, which is visible on the combination of internet and TV. And as you said, also a very good performance on mobile, which is again driven as well by continued migrations of our Flex portfolio on our existing customer base.

On the internet part itself, what we have seen there is that, of course, in July, we had quite severe floodings in the Walloon part of the region, which has impacted our performance on the one hand, a little bit more churn because unfortunately some people lost their homes, at the same time, you also had to reorient quite some capacity to repair in that environment to make sure that our customers got back to service as soon as possible, and of course, this impacts your installation capacity to connect to new customers. So in that area we had a bit of additional delay on connecting new customers. And we also saw a somewhat softer commercial performance at the lower end of the market. So this is what has driven a bit on the internet performance.

And the mobile performance is, of course, not impacted by the flooding because you don't have any physical installations to be done and we continue to see good traction of Flex both on migration, new customers and the joint offers in the back-to-school campaign also continue to function very well. So that explains a bit indeed the different views on postpaid versus the broadband part.

## Nicolas Cote-Colisson

Yeah. Thank you.

## Operator

Thank you. Last question from Martin Hammerschmidt. Sir, please go ahead.

## Martin Hammerschmidt

Yeah, thank you. Very quick one for me. On Citymesh, I think they wanted to launch MVNO services by the end of September on your networks. I haven't seen anything since. So maybe if you could just quickly update on the latest. Thank you.

## Guillaume Boutin

Yeah, they launched already on our network but it's very small operation. So for the moment, there is no visible effect on the market. They are really – Citymesh is very small operation at the moment. They can scale and they can further develop. But for the moment, there is no impact on the markets whatsoever.

## Martin Hammerschmidt

Thank you.

## Operator

Thank you. There are no more question in the queue. We will therefore hand over the call to Nancy Goossens, Director, Group Investor Relations, for closing comments.

## Nancy Goossens

Thank you all for your participation and wish you a lovely weekend. Should you have any follow-up questions, you can reach out to me. Thank you. Bye.

## Operator

Thank you, ladies and gentlemen. This concludes today's conference call. Thank you all for your participation. You may now disconnect.