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Speakers:

Dominique Leroy – CEO
Sandrine Dufour – CFO
Guillaume Boutin – Chief Consumer Market Officer Nancy
Goossens -Director Investor Relations
Bart Van Den Meersche - Chief Enterprise Market Officer

Call Duration: 1:00:23

Operator: Good afternoon ladies and gentlemen and welcome to the Proximus Q2 2019 results conference call. For your information, this conference is being recorded. At this time I would like to turn the call to Madame Nancy Goossens, Director, Group Investor Relations. Madame, please go ahead.

Nancy Goossens: Thank you and good afternoon ladies and gentlemen. Hope you all received well our documents published this morning and that you have been able to go through the results. We keep our usual format for this call, meaning that we will use most of the time to answer your questions. I have here with me the CEO, Dominique Leroy and CFO, Sandrine Dufour, as well as other members of the executive committee; they will all be happy to take your questions in a minute but before we get to that, we will first listen to the introduction of Dominique. Please go ahead.

Dominique Leroy: Thank you Nancy. Hello everybody and welcome to our second quarter conference call. As you can read in our announcement of this morning, we managed to further grow our customer base in the second quarter, strengthened by our dual-brand strategy and this in a market which remains highly competitive. We further attracted new customers to our main products, growing our customer base both for fixed internet and TV and this for both Proximus and Scarlet. On the mobile side, the Proximus consumer segment turned its growth in mobile back to normal, increasing its mobile postpaid customer base by 19,000 customers.

More and more of our customers take both fixed and mobile subscription, hence our convergent customer base progressed further. This was especially driven by enticing families to our all-in offers, Tuttimus and Bizz All-In but also on our Minimus offer and the Epic Combo offer, which is more oriented towards millennials. As a result, the average revenue per household showed a further slight progress and grew to €66.80.

On the enterprise side we also achieved to further grow our mobile customers on an already-high base. Competition is, however, increasing in this domain, which is reflected in the net mobile customer growth and ARPU. On the fixed side, we see, however, encouraging support from our point-to-point fibre park, benefiting the new data activity solutions and therefore softening the impact of the ongoing erosion of legacy services.

On the ICT front, we continued to post a positive revenue variance, including the support of acquired high-specialised companies. Revenue from ICT is typically more volatile, more precisely for one-shot products and services. We posted higher revenue too in advanced business services, essentially for our subsidiary, Be-Mobile, active in the field of smart mobility and benefiting from its acquisition of Mediamobile.

With positive commercial drivers in both the consumer and enterprise segments and revenue pressure partly on low-margin income, we kept a sound underlying domestic direct margin. Remember that in Q2 2018, we benefited from significant tailwinds. These aside, we would see our direct margin being slightly positive year on year. This is, including regulatory impact, with lower fixed termination rates and since mid-May, also lowered international calling rates impacting our margin.

As we further progress on our digital journey, we are able to materialise cost efficiencies in our domestic operations which have helped to achieve a stable cost level, despite the higher personnel costs related to ICT. For the second quarter, this has led to our domestic EBITDA to be 0.8% lower compared to a high base in 2018.

For BICS, the international carrier segment, the trend of moving from voice to data continued and we saw again a strong support from TeleSign, showing a solid increase in the application-to-person messages. The direct margin of BICS was up year on year, yet more than offset by some higher OPEX costs, amongst others, to support the current and future growth of TeleSign.

Based on the achievements so far, we reiterate our full-year guidance. For our domestic revenue, excluding terminals, we expect the next half of the year evolution to be in line, or slightly better, than the first half, depending on the more volatile part of the ICT revenue. The group EBITDA is expected to be stable with, within the mix, a slight increase of our domestic EBITDA, offset by a lower EBITDA for BICS. So far the announced renewed agreement with MTN, which foresees is progressively insourcing by MTN of their Africa and Middle East operations did not have a significant impact on BICS. We expect a more pronounced impact as from Q3.

Our CAPEX outlook over the year remains unchanged as well, so we expect to end 2019 with CAPEX stable to the previous year, excluding spectrum-related CAPEX.

On a different topic, as you can imagine, the next month we will work hard to further develop the outline mobile access network sharing agreement with Orange Belgium. We were pleased with the 11th July announcement, seeing the numerous benefits it will bring for our customers and for us as a company. As a final point on the regulator consolidation on cable wholesale tariffs issued early July, I have to say we were surprised by the low cable wholesale pricing. We are now awaiting the consultation on the fibre pricing, which we expect in the course of September. As we have clearly stated before, we consider a fair regulation, which means that the conditions to invest remain appropriate, as a key for any future decision on our fibre deployment. We will give some more news on that with the full-year results of 2019.

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

Operator: Ladies and gentlemen, we will begin with the question and answer session. If you wish to ask a question, you may press 01 on your telephone keypad.

Michael Bishop: Yes, thanks and good afternoon. Just two questions from me, please. Firstly, you mentioned that you were quite surprised by the low cable wholesale pricing. Do you think that provides any read-across in terms of FTTH pricing or do you think the direction could be independent? And maybe just a quick follow-up on that, how much do you think that really, even if the FTTH pricing is higher, the fact that the cable pricing has now been cut, or proposed to be cut by so much, that that provides a disincentive to invest from your side?

And then, just secondly, I was just keen to get any early signs on how you're seeing the uptake of the Epic combo deals, particularly with relation to Orange Belgium also announcing its standalone broadband offers recently. Thanks.

Dominique Leroy: So, concerning your first question on the cable wholesale price versus fibre to the home, I mean the regulator in Belgium and already in this market analysis has come with the hypothesis that there were two markets in Belgium: one market which was the fibre and copper market and another which was the coax market. And I think they will do their cost model very differently on the two sides. On the coax, the fact they come with a low price is very much linked to the fact that everything which has been amortised is not taken into account in the cost model, which was a surprise for us and will, of course, be the comments we will make on the consultation period, which is open now till the end of – until 6th September, it's – we see here.

So, on the coax, it's mainly amortised costs which are not taken into account and this will be mainly the comments we will give. I don't think there will be a read-across on the fibre because on fibre there is not a lot that has been amortised, so in that sense we guess that the wholesale price for – from the regulator for fibre will be higher and more in line with what we currently have as commercial price. Of course the issue is that the market is not two markets and that fibre and coax are one market. And so the read-across you can do for the fibre investments is most probably that it will be more complicated for us to attract wholesale customers on our fibre networks because the coax will be, sensibly, cheaper than the fibre. So that's why we are now currently waiting, indeed, to have the final fibre prices. We will also wait to have the final coax price and we will then come back to the market with our fibre deployment plan, which will most probably be together with the year-end results that we will bring in February 2020. For the other side, on the fibre, we are currently continuing the deployment. We are currently in 11 cities in the country. Deployment is proceeding according to plan. Win-back and migration is also proceeding according to plan, so I think from a business perspective, fibre deployment and fibre take-up are in line with our plan. I think the main uncertainty which is still open for the future acceleration, or not, of fibre is mainly linked to regulation.

I'll let Guillaume answer you on the Epic combo question.

Guillaume Boutin: On the Epic combo question, first just to remind you of the strategy that we have started to deploy, we wanted to drive conversions through our segmented approach with a multi-brand strategy. So what we did in the previous quarters and before the announcement of Orange is that we did two main things. First, for the pure price-seekers, we launched a new 1P Scarlet offer to reinforce the leadership of Scarlet for the price-seekers and we launched that in early – end of May this year and prior to that we indeed launched our new Epic combo offer for the higher end of the market, and also for a segment of millennials that are looking for worry-free mobile data bundles and internet access, so a double play, mobile plus broadband. And it's way too soon to say how everything is performing, as we speak, because the arrangement is very recent but what we can say is that we are growing on every segment of our customer base of Scarlet, Proximus and Epic.

And last but not least, the way we designed Epic combo, we think it's a much better proposition for this segment. Why is that? Because on top of mobile subscription and broadband access, we also provide OTT TV, which is very important for this segment of the market, including of course live streaming of television and broadcasters, across channels on all devices.

So we think that we are very well prepared, that we anticipated very well the competitive move of Orange and we are quite confident that we'll be able to continue growing on every brand till the end of the year.

Michael Bishop: Thanks, so can I infer from that, basically, you're not seeing a big increase in the proportion of gross ads coming through the Scarlet brand? I think in the past you'd said it was – was it around 10%?

Guillaume Boutin: Sorry, could you repeat the question because it was a little bit noisy here?

Michael Bishop: Yes. I was just picking up on the Scarlet point and just asking if we can infer from that that you're not seeing a big increase in the proportion of gross adds coming from the Scarlet brand? I think, from memory, you've said in the past that it was a fairly low proportion, around 10% or so.

Guillaume Boutin: We don't see any major evolution of the share of Scarlet's gross adds within the total mix of Proximus, that's correct.

Michael Bishop: Okay, great, thanks very much.

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

Nicolas Cote-Colisson: Hi, thank you. Can I come back on what I'm reading as kind of a weak mobile net adds in the quarter, especially for EBU, considering that you had, if I remember well, a big contract win in Q1 which was supposed to have some spill-over effects in Q2? So if you can give us a bit more colour on the trends and who do you think is the most active competitor, both in business but also in the consumer segment?

And a similar question regarding ICT: I hear what you said, Dominique, about the volatility of the business there but given there is still one effect of – some effect of acquisitions in Q2, it seems there's very little organic growth left here for the quarter. So if you can give us more colour about longer trend – sorry, longer-term trends here, thank you?

Bart Van Den Meersche: Okay, this is Bart speaking. I hope you can hear me because we have here some problems with the –

Nicolas Cote-Colisson: Yes, we hear you well.

Bart Van Den Meersche: – conference call system. One, it is indeed so that in terms of mobile adds, we still grew in this quarter, with about 5,000 net adds but it is also true that we had a large contract with the Flemish government, of which most of the cards have been activated in Q1 but still an important part has been activated in Q2. So you're right, in the sense that Dominique already indicated in her introduction, that competition is increasing on mobile in enterprise. That we don't keep growing at the same pace as in the past quarters is not such a surprise given the high market share that we have in this environment. So that is for mobile.

On your question on ICT, indeed ICT is a volatile – more volatile market. And you're right, from one side we still had the impact of the M&A of Codit and UMBRiO, mainly but – so what you see is that the M&A impact is not fully – how you say – leveraged in the ICT results because there is – next to that there are lower results in the core ICT market. Now, what is important, in that sense, is that it's mainly products, low-margin products and one-shot services and I think what is important is that we keep growing in the higher-value services, especially in those affiliates so that we get to a better mix in terms of profitability and that is completely reflected in the direct-margin evolution, where we see a direct margin evolution of plus – more than 3% direct margin growth, just given we have those higher-margin services and a better mix in the portfolio.

Nicolas Cote-Colisson: And Bart, if I may, just to follow up on your first point on EBU and mobile, so you are mentioning that as a fight for subscribers in the market but how does it go in terms of negotiation, pricing negotiation? Can you give us a feel of what type of discount you have to offer to companies in order to win big contracts – obviously a range, not giving secrets away?

Bart Van Den Meersche: I didn't get your full question but I think your question was, one, who is the main competitor and two, what are the discounts that we have to give to keep winning?

Nicolas Cote-Colisson: Yeah.

Bart Van Den Meersche: The main competitor of mobile in the enterprise market is certainly Orange but also Telenet is active but its main competitor is Orange. In terms of the discounts, well, I can only say you have seen that our ARPU had a decline in mobile and that decline is from one side linked to the competitive pressure, from the other side linked to the move to bundles, where we have less out of bundle. So those are the two impacts that we have in terms of pricing.

Nicolas Cote-Colisson: Okay, that's very clear. Thank you very much.

Operator: Thank you, sir. We have one – a question from Mr David Vagman from ING. Sir, go ahead.

David Vagman: Yes, thanks. Good afternoon everyone, thanks for taking my question. First, if we can come back on regulation and the – let's say your interpretation of the wholesale cable rates, the pricing and the cost model, should we understand that – let's say that these models and pricing are confirmed, should we understand that you would be ready to slow down your fibre rollout because of regulation and what kind of conclusion should we draw?

And then secondly, on consumer mobile and on the commercial momentum, could you help us to understand the dynamics of that Q2 performance, so let's see distinguish between Scarlet on the one hand, Epic combo, the normal Proximus offer also and then finally the – let's say the collapse of the Mobile Vikings client base. So I think they lost something like 100,000 customers in Q2. So did you see a flow of Mobile Vikings clients? Thank you.

Dominique Leroy: Okay. Coming back on the regulation, I didn't say we would slow down the fibre rollouts. I think what we have said very often to the market is that we were considering to accelerate, potentially, the deployment of fibre and that's something we would consider based on the deployment costs, the business case win-back and migration upsell and the regulation. So I think what we see now is that, on the parameters we can control, I think we are in line with our business case. If we look at regulation, it doesn't help the fibre case to have a coax cost which is extremely low in terms of price because on the fibre, of course, we have always planned to roll out our own fibre but we were also looking at having wholesale customers on our fibre. And today you know that Orange is on the coax, which is the biggest wholesale in the fibre to the home business. I think on the fibre to the enterprise, I think our fibre and our copper are still very much answering the needs of our own customers but also on wholesale customers. So the debate is currently, mainly, on how will we be able to attract potential wholesale customers on our fibre deployment for the fibre to the home. And that's something, if prices stay on the coax as low as it is, it will be probably more complicated, so in that sense we will have to redo the whole maths, which we have foreseen, by the end of the year and we will come back to you with more information by then. So I think so far we continue the plan as it is and we will come with an update by February next year, with our full-year results, to give more colour on our further fibre rollout. But at this stage, nothing has been changed to the current deployment plan of the fibre.

Guillaume Boutin: On the dynamics of the Q2, you know that we are not disclosing precise numbers on the evolution of every brand and sub-brand but what I can say is that we are growing both on the Proximus brands and – including Epic combo and on the Scarlet brand. This is true for broadband and it is obviously also true for mobile. So, on broadband, I think we were quite happy with the performance of Q2 thanks to good acquisition but also a stable churn on both products and we achieved this without being very aggressive in terms of promotions. So it's been, for us – despite a very intensive competitive environment for us, it's been, for us, a reasonable promotions activity, so we are quite comfortable with also the remaining part of the year, where we think that we can also play a good position on this very competitive environment.

David Vagman: Okay, thank you and maybe on Medialaan and Mobile Vikings, did you see any – some inflow?

Guillaume Boutin: On Mobile Vikings, the impacts are rather minor as we speak and there is no massive impact of the launch of Mobile Vikings on the market, so I would say it's too early, maybe, to see what could be the traction for this kind of offer but so far we see no impact, neither on Scarlet nor on Proximus.

David Vagman: Okay, thank you.

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

Emmanuel Carlier: Yes, hi, good afternoon, a couple of questions, first of all on the subscriber ambitions. So I think it's fair to say that the trend remained quite soft. If I remember well in the Q1 call you guided that momentum would improve in the coming quarters, partly driven by more aggressive marketing from your end. Is that still something that you expect and if not, why not? What has changed?

That's the first question. Then the second question is on the launch of Orange Belgium's Love Duo offer. So, I think it's fair to say that broadband, on a standalone basis, is still not that popular in Belgium but could you share your view on how important this market might get in a couple of years' time and how you believe you can avoid, I would say, unbundling and also avoid value getting lost here? Thank you.

Guillaume Boutin: So, as I said, on net additions, as you said, we said in Q1 that Q1, generally, for – traditionally, for Proximus, is not the best period of the year because we have the churn rates of the big volumes of the Christmas market and as foreseen, we improved significantly the net add performance on mobile with a little bit more marketing activities but without being excessive in that domain. So we managed to go back to the normal pace of growth of Proximus on mobile without being very aggressive in terms of promotion, which is important to note.

The second part of the year, of course, is back to school, then you have Black Friday and then the Christmas market, so in terms of promotional activities, it's always, for Proximus, a much intense period so we do think that it's going to be the same this year, so it's nothing different from what we did in the previous year but for sure it's going to be more intense in terms of marketing means and commercial activities on both brands, both Scarlet and Proximus.

On your question about the size of the 1P market, for sure it's not going to be more than 20% in terms of a maximum market size for a 1P-only offer in the medium term. And for us what is very important is to work on the brands – on the positioning of the brand, on the relevance of the brand. This is why we did announce major innovations, on 30th June, a repositioning of the brand with the 'think possible' tagline and also a lot of new services around gaming, around digital services that could help – in the future help the brand as a Proximus brand and all our asset brands being relevant for our customers and doing so, we should sustain the value creation for our customer base. So this is the way we want to differentiate ourselves, being innovative, launching relevant digital services, including gaming and pursue brand differentiations around conversions and digital services. And of course, for the price-seekers and those people that want to really have a 1P offer, we do have, today, the best offer on the market, with a 1P broadband offer at €32 per month, which is really attractive and that is today, with Scarlet, meeting its audience.

Emmanuel Carlier: Yeah, thank you but if I look at unbundling, is that something that you expect in the coming years? Because if I look at what clients want, they basically just want straight broadband plus mobile. Maybe they want a bit of TV content but they don't want to pay a very high price for that. So that's the main risk, I would say, to the sector and with the cable regulation, it's a bigger threat in Belgium, probably, than in other markets. So could you share some thoughts on not next quarter but maybe on a 3–5-year view how you think about this topic.

Dominique Leroy: Okay, I think I will try to answer a bit on this question. I think – I don't think the Belgian market is so different from other markets. I think Belgium has been a market which has been a market with a lot of convergence quite early and we see that trend is still there. What you see on convergence is that, even on convergence, you see to start some more segments. You have people that really want the full product, with the 4P and the content, where they can find that in Tuttimus. We see, indeed, more people now wanting to have a triple play, mobile-fixed offer, with the mobile, internet and TV and that's what we currently offer on the Minimus proposal and you see more millennials, which are more, indeed, in the mobile fixed internet and with an OTT proposal, which we offer on the Epic combo. The broadband-only segment is a segment that has always been available, both under Scarlet and Proximus. Scarlet has broadband at €23 and €32, with the unlimited offer at €32. We see that that offer is increasing but it's not increasing more today than it was over the last few years and so we – I don't think that you will see a lot of unbundling. I think unbundling will be there for a small part of the population in Belgium, like millennials, they will take unbundling but not pure broadband only. They want broadband and mobile and OTT content and I think that's what we offer. And if you look more at families, they want an offer with more content because they have kids, they have teens, they want gaming, they want content. So I understand your questions and I understand it comes from, probably, some talks that have been recently held by Orange on the launch of their proposition but I am not convinced that there is such a big market for broadband only. I think the market is segmented according to the various segments of the population and I think, with our portfolio, we are probably the only player in the country that is able to really offer the right solution for each segment and I think that's what makes us way more resilient than some others to all the movements in the market and that's what makes us confident that we can still continue to grow our customer base and drive value in the Belgian market.

Emmanuel Carlier: Okay, thank you.

Operator: Thank you sir. We have another question from Mr Roshan Ranjit from Deutsche Bank. Please go ahead.

Roshan Ranjit: Great. Afternoon. Thank you for the questions. Two from me please on the mobile side. Just referring to your network sharing announcement with Orange Belgium, can I just check, on the open tower regulated structure, does that apply to both macro sites and rooftop sites and therefore, if so, will the incremental sites that you are looking to build, I think around 800 – will the open tower regulation apply to those. Part of that question: how are the discussions going because I think Telenet was looking to get involved with your partnership with Orange Belgium and yourself. And secondly, Dominique, you mentioned the scope for maybe accelerating the fibre rollout. Now, given your agreement with Orange Belgium on the mobile side – and there's still a keenness to potentially co-invest – is there still an opportunity for that to happen and therefore accelerate your fibre rollout? Thank you.

Dominique Leroy: Okay, so I'll try to answer all your questions. Concerning the mobile network sharing and the tower regulation, it's indeed true that in Belgium you have a passive sharing obligation, which is both for the macro antenna but also for the rooftop antennas, so that's something which is there and which will apply to all the sites, so that's for big and small sites.

Concerning the request and the demand, indeed, from Telenet to join, I think that's something we are open to, same as Orange. I think what we will need to consider in that is that is there a technical feasibility to us on the new equipment for the 2G, 3G, 4G and tomorrow 5G, three operators on the – on one site, which is not obvious but of course we will look into that. So far the discussions with Telenet have not really started, there is holiday period. We are looking at all the NDA process because you know all this network sharing between competitors needs to be taken care of extremely carefully because there is a lot of sensitive information, so it's all about setting the right process and the right structure, so today we are more looking at how to organise ourselves to have Telenet trying to join the party and then we will look how to do it, what is the feasibility and if, indeed, it makes also economical sense but we are open to look at that.

On the fact that we are now a bit closer to Orange thanks to the network sharing, that's true but we are still strong competitors. And while we found a deal on the mobile network sharing because we think there we can really create value first for the customers because we will have better coverage, better indoor coverage and faster rollout of 5G, so the main goal is to bring, indeed, the best network at the lowest cost but as fast as possible, also 5G. We remain strong competitors and we remain strong competitors in the mobile but we also remain strong competitors in the future of fixed and I think there we of course would like to co-invest with OBel, or having OBel on our fibre network but that will be a discussion based on economic reality and also on the wholesale pricing, which we are still waiting for and then I refer to some of my answers of previous questions.

Roshan Ranjit: Great. That's very helpful. Thank you.

Operator: Thank you sir. Next question from Mr Ulrich Rathe from Jeffries. Sir, please go ahead.

Ulrich Rathe: Yes, thanks very much. I wanted to address the question of customer intake, in particular with regards to the split between the X play. It looks as if the quad play intake slowed down further from the first quarter and I'm just wondering whether that's sort of an element of the situation in the market or whether that's just the way you direct your marketing efforts at the moment or whether that's, indeed, a competitive issue that you think could be transitory. That would be my first question.

The second one is you highlighted the underlying growth in the gross profit. I think the domestic business, it grew when you exclude the one-off, I think, on your numbers. That's obviously a key point on the revenue decline. Do you think that sort of stable-ish gross profit can be carried over into the second half of the year and then maybe even into the – in 2020, if you are already willing to discuss at that level? Or is the revenue decline at some point going to affect gross profit and really put the cost-cutting measures in OPEX sort of under pressure?

Thank you.

Guillaume Boutin: On the first question, with the slowdown of our 4-play on that quarter, I would say it's a bit too early to speak of real trends on this one but we do see, indeed, a nice take up on conversion to 3P, so conversions to mobile plus a 3P offer.

What is very important for us in the longer term is to stimulate conversions, being through 3P mobile or 4P. And we're going to drive our strategy to grow the average revenue per home and as long as the average revenue per home is growing I think that we are doing a good job on the customer value-based management and this is what we're going to do in the future, focusing on the value of our customer base and focusing on conversions being 4P or 3P. The main, obvious, reason for that being that a convergent customer home being 3P or 4P has a way lower churn than the other customers.

Sandrine Dufour: On your second question, I think it's a bit early to discuss the 2020 trends but if I focus on the second half of the year, when indeed we had a bit of a soft revenue – at least this is consensus but as you saw we were able to cope quite well at the level of direct margin and this is also linked to the fact that part of the revenue which is under pressure comes with low margin. It's in the ICT or we discussed as well some trends in the mobile with inbound revenues which is decreasing and has no impact on our margin.

So, when we look at the second half of the year, we aim to continue to have a very good cost control, as we did deliver in H1, so that we are in a position to deliver on our guidance of a slight growth at the level of the domestic EBITDA and stable at the level of the global group EBITDA.

Ulrich Rathe: Thanks. If I may follow up on that answer, I think there's the sort of difference between having to offset declining gross profit with OPEX measures because that's a sort of treadmill in telecoms but it's a different thing if you essentially drive efficiencies and you have more or less stable gross margin. So it was particularly interesting the way you wouldn't give us any indication on the gross margin, or the gross profit, rather, in the second half of the year, then?

Sandrine Dufour: Well, if you exclude the one-off, it shouldn't be very different from H1, that's in terms of expectations for the second half.

Ulrich Rathe: Thank you.

Operator: Thank you sir. We have another question from Mr Alexandre Roncier from Exane.

Alexandre Roncier: Hi, thanks for taking the question. I was just wondering if you could update us on the current negotiation with the unions, if you were seeing progress here, or when was the next date we could see any announcement, perhaps? Thanks.

Dominique Leroy: So on – concerning the discussion with the unions, we started beginning of January with the information and consultation phase, so we had a lot of explanation, discussion, dialogue on the various plans. As from beginning of June, so 10th June, we started in a negotiation phase but due, now, to the holiday, I mean we were not able to go very far in the negotiation also because we also had the network sharing, which was also a moment where we had some discussions with unions, so we are now still continuing from all sides preparing all necessary documents and details, plans, so that we can start back with the union negotiation on, hopefully, a much faster speed as from 20th August and our objective is then to end – to land the negotiation certainly before the end of the year so that we can hopefully have already some of the benefits of the fit-for-purpose plan for next year. What you see in this year's cost control is that we still have some waves of the former early-level plan, which still impacted 2019 and we will still have some departures beginning of 2020 and we of course – this year in the cost control we are also not hiring as many employees as we used to do. So if we have natural leave and natural attritions, we tend to cope with them on the short term to be able to then, through the fit-for-purpose plan, train and reskill people to and fill then the vacancies as we go so that we can then have potentially a lower impact on dismissal and a lower number of hirings by trying to reskill, retrain, our own employees into the vacancies we have and we will have after the next quarter.

So I hope that gives a bit more clearness and clarity, sorry, on where we are but we will resume the negotiation 20th August and we hope from then to be able to go fast because we will already have – a lot has been discussed and a lot will be ready in terms of detailed documents.

Alexandre Roncier: That's very helpful. Thank you.

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

Paul Sidney: Thank you very much, good afternoon. Just two questions from me, please. Just the first one, on the balance between customer acquisition and profitability: you obviously lost a little bit of traction in H1 2019 and I know some of that was Proximus' own decision but how should we think about the balance between profitability and your desire to maintain EBITDA stable or even grow EBITDA in the future and balancing that with subscriber growth in an increasingly saturated market?

And then just secondly, coming back to the cable wholesale debate and your own FTTH ambitions, I mean if the FTTH rates are significantly lower than you originally planned and the rates that were proposed in December, what can you – to what extent can you resell cable from a practical point of view, from a regulatory and a political point of view? I mean I know, obviously, the June 2018 but if you don't build any of your next-generation network, does that mean you can potentially sell cable across most of Belgium? I'm just wondering how you think about that. Thank you.

Dominique Leroy: So I'm not sure I fully understood your first questions but I think, for me, it's an and-and. I mean we need to continue to have strong customer acquisition and I think everything we do, both on developing new solutions for enterprise business and building a strong brand platform we think possible with Pickx and the whole segmentation offer at the CBU side should help us and drive us into further customer acquisition and at the same time, like most of our colleagues, we are really trying to see where can we generate more profitability, more efficiency, drive our costs down by being more efficient, doing things first time right, doing more digitalisation, doing more automation, doing sharing deals, as we have done one with Orange on the mobile.

So, for me, I would not oppose one versus the other. I think we should continue to get good customer acquisition and we should continue to get cost down and drive profitability, as we have been doing over the last years.

On your second question, so concerning the access for – of Proximus to coax, I mean unfortunately we do not have free hands there. We have fought a lot to be able to have access to coax in the past. After very long legal battles and debates, which lasted several years, we have now been granted what we call a reasonable access to coax and what is currently defined as reasonable access is that we would be able to get access to coax in zones where we are not able to provide 30 megabit per second network speed. So, so far, with the quality of the network we have, it's not a lot of Belgium. I think it's currently estimated between 5–10% of the population, so the possibility for us to get onto cable and resell our proposition on cable is there but it's relatively limited and that's of course also something we will need to see as we evolve and as the needs of the customer evolve. Is there anything we can do about that limit of 30 megabits per second but so far it is quite restrictive. So we will do that and we have said that we would be interested in having access to cable but in the short term it's a relatively small part of the Belgian population.

Paul Sidney: That's very clear, thank you.

Operator: Thank you sir. Next question from Mr Stefaan Genoe from Degroof Petercam. Sir, please go ahead.

Stefaan Genoe: Yes, thank you, two follow-up questions. On the trends we see in the market today, with lower television net adds, the launch of the Epic combo product and the trends we're seeing in the market today. How do you believe this mix – or what do you anticipate this mix to impact your direct margin, let's say, for the coming 2–3 years purely from this point of view? And secondly, on the union negotiations, did the network sharing deal have an impact on these negotiations and have you, I would say, reviewed your initial anticipations of savings from the union deal versus the start of the negotiations? Thank you.

Guillaume Boutin: So, firstly, on the low TV net adds, what we are seeing in the market is that, indeed, in Q2 we did a little bit less TV net adds than broadband net adds. It means that we sold less set-up boxes on the market. It doesn't mean that we are not selling less access to OTT TV and OTT platforms. And what we foresee for the coming quarters and more is that sometimes we are going to sell TV access without having a box to rent, or a set-up box to give to our customers due to the new ways of consuming television services. So it doesn't mean that it's going to be less value for us, maybe less hardware but not less value for us in the coming 2–3 years, especially if we are quite good in executing our Pickx platform strategy, which means to provide relevant traditional TV but also innovative services around a Proximus platform around content and entertainment. So I don't see this having an impact on our direct margin. On the contrary, it could also have an impact on the cost to serve and to sell to customers because we are going to have less hardware to provide to the homes of our customers.

Sandrine Dufour: So, on your question regarding the network sharing deal and the impact on our cost plan, well first the cost ambition we gave was for the years 2019–2021. €240 million gross OPEX reduction is a programme for the next three years, including 2019, while the ambition that we have given as part of the network sharing deal, in terms of global CAPEX and OPEX reduction, was a ten-year ambition but the beginning of the savings will not be visible within this three-year span because it takes time to put the enablement and to change the – to create the common grid, so that's – we do not change, as of now, the programme of our reduction in costs for the next three years.

Stefaan Genoe: Okay, thank you.

Operator: Thank you sir. We have another question from Ms Nawar Cristini. Madame, please go ahead.

Nawar Cristini: Thank you very much. So, I have three questions please: two quick follow-ups on network sharing to start with. In your announcement, you have not mentioned that this network sharing would need – is subject to regulatory approval, so it would be helpful to hear your views on – in terms of any possible intervention from the anti-trust authority. So that's the first question.

Then, secondly, some operators elsewhere in Europe have been excluding high-density urban areas from their network sharing and they've been citing that it's because of data traffic management issues. So it would be helpful to hear your thoughts on this particular issue.

And lastly, we've been talking about possible changes of ownership at the group for many, many years now but it seems that things are moving on that front. If that change of ownership were to crystallise, how would you think about protecting the business? In particular, would this be of any relevance to your fibre plan? Thank you very much.

Dominique Leroy: On your first question the network sharing the way the agreement will be set up is it's just services that will operate and maintain the network and so the OPEX will remain with the parent and in that sense there is no ex-ante approval. So in that sense we may still have questions from the regulator, we could have questions from the competition authority but that's something we could not anticipate and that's why we will proceed with the JV of course be available for all questions of authorities but there is no possibility for us to ask for approval before setting up the JV. So it's indeed a potential risk but we think today in the current set up, with the size of Belgium, with the competition that is still there, with the fact that we are just doing more network sharing and it will keep the core separated, the spectrum separated and all the offers we bring in the market will remain very competitive offers from both sides of the table, we don't think there will be a major issue on the JV.

I think, excluding part of the high-density of the spectrum, I mean we have looked at different opportunities but I think Belgium is a very small territory so as soon as you start to exclude part of the territory, it's extremely difficult to define what would you exclude and also the fact that we want to go faster and deploy faster 5G, which is one of the main drivers of creation of the JV. It's also very difficult for us to exclude any other frequency bands because you know today JV is an known standalone network and you need to have the integration of 3G, 4G and 5G to be able to build the right 5G, so that's why we have proposed and we have agreed on a network sharing which is for the full country and all frequency bands but of course limited to the active network equipment.

Concerning VOO, I also read the newspaper, as you most probably do and we read, indeed, that VOO is – that Nethys is preparing itself [inaudible] is a very separated entity which has been down a bit over the summer. They are discussions with Brutelé to finalise a deal to integrate fully the Brussels cable business into their investment company and we hear as well that there would be discussions to sell the entity even potentially to a private equity, which is also mentioned next to the obvious other Belgian player. Would that impact – would the sale of VOO impact our plan? I would say no. I think today we have our own strategy of deployment of fibre, we have our strategy of deployment of 5G together with Orange on the network sharing and I think, in that sense, a sale of VOO would not impact the strategy of Proximus and most probably not impact short-term or delivery.

Nawar Cristini: Thank you. Thank you very much.

Operator: Thank you Madam. We have one last question from Mr Nicolas Prys-Owen from UBS. Please go ahead.

Nicolas Prys-Owen: Good afternoon, thank you very much for taking my questions. I just had a couple of follow ups on the earlier question around the ICT business. Firstly, just on the performance in Q2, I wondered if you could help us disaggregate the impact between the weakness in the low-margin products this quarter versus the impact of the two acquisitions you acquired in 2018. Then, just on – I suppose you've chosen to highlight the volatility in the ICT a bit more in this quarter, I suppose it wasn't really mentioned in Q1, so I suppose I wanted to clarify how much, if any, of the low-margin revenue was a timing effect? Do you expect to support the Q3 ICT growth?

And then, just finally, given your comments around the revenue guidance and the volatility in ICT, I wondered if you could perhaps give us some more colour around what proportion of the ICT revenue base you have good visibility on for H2 and what proportion of the revenue base is accounted for by revenue streams you think of as volatile? Thank you very much.

Bart Van den Meersche: I'll take your first question. So, on the impact of the low margin ICT business, so when you look into our figures you see that ICT is still growing overall. Now, the impact of the M&A, which has been highlighted, I think, the last quarter by Sandrine also, I mean it's still relatively small figures in the total – I think you should take that into consideration – so small but growing. The impact of the low margin probably is there but it's not huge, of course especially not in the margin. You should also take into consideration that we had in Q2 of 2019 relatively high product revenues also in ICT. Q3 impact, I think I will leave the question, together with the revenue guidance, to Sandrine.

Sandrine Dufour: On the guidance for revenue, I don't think we can be much more precise than what we said. Certainly we look at H2. We expect in H2 about the same level of performance that we had in H1. That could be improved if our – what we see in the pipe of ICT is being delivered. So definitely we have better pipe in H2 than the one we had in H1. Now, there are elements of timing which can play, so I mean I will – I cannot really venture on the number but it can be between – around €10 million of revenue that can be in the next H2, or slip over the next year, just to give you a sense of what we're talking about for the second half of the year and that gives you a bit more understanding as to why we phrased the revenue guidance as we phrased it but again I want to insist on the fact that the impact on our profitability will be minimal and I think this is important, that we are comfortable on our level of direct margin and level of EBITDA guidance.

Nicolas Prys-Owen: Thank you very much. That's very clear.

Operator: Thank you sir. We have no other questions. I give you back the floor for the conclusions.

Nancy Goossens: So, thank you all for participating to this call. I realise we have quite some audio issues so should anybody have follow-up questions then contact the investor relations team.

Operator: Ladies and gentlemen, this concludes today's conference call. Thank you for your participation, you may now disconnect.