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Dirk Lybaert, Chief corporate affairs officer

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Nancy Goossens, Director Investor Relations

Call Duration: 54:13

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

Nancy Goossens: Thank you. Good afternoon ladies and gentlemen, and thank you for joining us on this conference call. I trust you have all seen the results this morning. All information including a slide deck on the results is available on the Investor Relations website of Proximus.

Similar to our previous earnings calls, we would like to dedicate as much as possible of the available time to the Q&A. So that leaves me just to quickly introduce the people around the table here with me. So we have Dominique Leroy, our CEO, Sandrine Dufour, CFO, Philippe Vandervoort, the Chief Consumer Market Officer, Bart Van Den Meersche, the Chief Enterprise Officer, Geert Standaert the CTO, Dick Lybaert, Chief Corporate Affairs, and Daniel Kurgan, CEO of BICS. They will take your questions after the opening statement of Dominique. So with this I'll turn you over to Dominique. Please go ahead.

Dominique Leroy: Yes, good afternoon everyone. Thank you Nancy, and welcome to our conference call. So let me start by commenting on the performance of our domestic business, for which I am proud we could announce another solid quarter.

For the second quarter 2016, our domestic EBITDA grew by a sound 4.1%. One of the drivers was the continued growth of our customer base. In spite of the changing competitive environment all commercial drivers remained sound, with churn levels improving compared to the previous quarter and we maintained solid market share. Moreover, we continued to improve our customer mix by shifting towards more triple and quadruple play offers, increasing both the value and the loyalty of our customer base.

The other main contributor to the higher domestic EBITDA was our ability to reduce costs. In line with our fit for growth strategy, we continued our transformation towards more a customer focused, agile and efficient company. In the second quarter, our domestic expenses were reduced by 2.9% year over year. With the early leave plan prior to retirement now activated, we also secured an important enabler to further lower our cost base. In total 1,855 full-time equivalents subscribed to the plan and will leave Proximus over the next five years, with the first wave having already departed on 1st July 2016. In addition, we estimate that over the same period, a significant number of employees will retire on the legal retirement age. Therefore, the total outflow is expected to be around 2,750 full-time equivalents by 2020. This doesn't take into account any other natural attrition or external hiring for the domains that require specific skills. The first benefits of the lower headcount will start to show in the second half of this year and will contribute to our announced ambition to reduce our cost base by €100 million by 2018.

As we expected, the strong domestic EBITDA was partly offset by a lower EBITDA for BICS. This year, BICS is facing a tough comparable base, in particular for this quarter, having achieved its record EBITDA one year ago, thanks to some advantageous yet temporary conditions at that time. The domestic and BICS EBITDA combined led to a 1.7% increase of our underlying group EBITDA.

Alongside a high attention point to reducing costs, we also focused on maintaining a sound free cash flow level. The structural changes that we implemented are reflected in the lower cash needed for our business working capital, related to receivables, payables and inventory. This, combined with the growth in underlying EBITDA resulted in a good free cash flow of €255 million for the first six months. With a sound half-year result, we remain well on track to meet our full-year guidance of slight growth of our group EBITDA. We also reiterate our expectation to end the year 2016 with a slightly growing domestic revenue, with a trend for the second half of 2016 expected to be fairly similar to the first half of 2016. We also reconfirm our CAPEX estimation for the year to be around €950 million.

So this was the final point I wanted to make and we are therefore happy to answer your questions now. Thank you.

Operator: Thank you. Ladies and gentlemen, if you wish to ask a question, please dial 0 and 1 on your telephone keypads. We have a question from Louis Rota from Morgan Stanley. Please go ahead.

Louis Prota: Yes, thank you. I have two questions please. First one is on your thoughts on the tariffs from Mobistar and the – sorry, Orange Belgium and the convergent packages from Telenet, how they compare with Proximus, and whether you see any need for data sharing plans, and any big change in market dynamics recently.

And the second question is – on the early leave plan, I'm trying to figure out how – what's the calendar of leavers. So just want to confirm that the €53 million provision in the second quarter is just for those above 60 years old and eligible before 1st July. And if we assume a cost of €255 million for the whole of the plan, the cost per employee will be like €135,000 and while making the maths, that gives us that probably around 50% of the people will be leaving in 2016 and then 30% in 2017 and so on. So just wanted to confirm these numbers and see whether my numbers are right. Thank you.

Phillip Vandervoort: So if I understood the question correctly, then you would like to have some information on how the Orange offer and the Telenet WIGO offer, how they compare to Proximus's. Is that correct?

Louis Prota: Yes, whether you think that the prices are disruptive or not and whether you have comparable tariffs to those, and whether on the back of those new tariffs you have seen any change in the market dynamics recently, or really [inaudible].

Phillip Vandervoort: So, on the prices, are they disruptive or not, I think there's no major market disruption on the prices going on. It is clear on the Orange offer that price seekers in the past, they had two options. They had one option in the past, which was Scarlet and they now have a second option and in some cases the technical installation costs might prevent them, so it's not a price disruption. I think from a technology perspective, there could be some advantages for cable customers to move to Orange and not go through the installation costs. From a pricing perspective, as I said, it's not really disrupting at this point in time. If you look at WIGO, the offer of sharing data – also there it's not directly disruptive. It's relatively complex for the customers to make the calculations. Sharing data is something that the market has to learn and that is new to the market. Customers will have to do their calculations to see whether it's beneficial for them or not. So, there's a change in the market dynamics. We did see and Telenet reported the WIGO transfers in the first nine days. We did see those happening in the market as well and to monitor very closely. On Orange, those are very low numbers at this point in time and we don't see real impact on Proximus.

Sandrine Dufour: So, Louis on your question of the accounting impact on the early leave plan, we've put the details per quarter estimated over the entire period on page 14 of the documents which you may have seen. You should note that accounting rules on the IFRS take us to – take into account the impact of people who are leaving the company 1st July in our book. But then we need to take – to spread the inactivity period of the employees who are going to stay with us for a certain period of time over the future years. So that's why we are spreading it over time. And I don't think you should try and calculate per employee costs. Be aware that, for instance in Q2 this year, it will be employees leaving us as of 1st July, but it's also netting some positive elements we were able to obtain in the negotiation of the collective agreement with the employees. So, the €53 million that you have in Q2 is a net impact, and you see that you have each of the quarters. So, for instance, balance of the year it will be €33 million in Q3, €33 million in Q4 and a total of €255 over the next four years.

Louis Prota: Thank you. But it's more or less about right – that like 50% of the people will be leaving throughout 2016 and then 25%, 30% in 2017 and so on. So, I am trying to figure out how do I have to account for the savings in the next few quarters and years, and the cash outflow as well. The accounting is clear, but in terms of the calendar is what I'm trying to figure out.

Sandrine Dufour: You saw that we said that there was going to be 1,855 FTEs leaving us over the next five years. And when you add people leaving in pension on a regular basis, we come to 2,750. And you should take roughly a pace of more or less 500 per year, just to give you a – sorry, 550 FTEs per year, which should give you an idea of the cost saving that you should build in your model.

Louis Prota: Okay, thank you.

Operator: Thank you. Our next question is from Daniel Morris from Barclays. Please go ahead.

Daniel Morris: Yes, good afternoon. Thanks for taking the questions. I've got two please. Firstly, just wondered if you can make some comments on the EBITDA guidance, which you obviously didn't change. That was looking fairly conservative. You did 2% in 1H and I know there are roaming headwinds in the second half; there should also be cost tailwinds. I was just wondering why no change, and is it just waiting to see how 3Q turns out?

Second question – just a little follow-up on – comment on – question on roaming. I just wondered, what are you seeing in terms of elasticity so far? Are you seeing a strong shift in consumer behaviour or is it really too early to be seeing that kind of thing? Thank you.

Dominique Leroy: So, first on the guidance, what can I say? I think the guidance is slightly growth of EBITDA and I think this is still what we are aiming for. We want to – we have been relatively light in terms of commercial activities in Q2. I think we will be a bit more present in the rest of the year. So that's also important to take into account. And for the rest, perhaps the only thing I can say is that the current consensus, which is around plus1.3% EBITDA growth, is probably slightly conservative.

Phillip Vandervoort: And on roaming, on the roaming elasticity, so indeed we started off from the assumption that in the past, few people paid a lot on roaming charges and we migrated that to – or we expect to migrate that to – many people using roaming at volumes closer to home. So, what we see happening today is that that elasticity is – and of course it's very early days – but that elasticity is manifesting itself. That elasticity has actually two components: it is the amount of roaming volume that is used by the individual, and then the second component is the amount of individuals using the roaming. Both sides are increasing quite nicely in June-July. And we still see quite a good upside potential on the amount of people roaming. The awareness of roaming is not yet fully installed in the consumer base. We see a nice uptake of the amount of people roaming, but there still is quite a potential there.

Daniel Morris: Many thanks.

Bart Van Den Meersche: So, maybe I can add something to that is that – so next, one, you have the roaming regulation impact, of course. There is indeed elasticity in the volumes. But then we have another effect that plays – is that due to the, I would say, the terror threat, there are less people travelling. And not only there are less people travelling, but those who are travelling are staying more in Europe. And so that is another effect that we see in our roaming income.

Daniel Morris: Interesting, thank you.

Operator: Thank you. Our next question is from Emmanuel Carlier from ING. Please go ahead.

Emmanuel Carlier: Yes, hi, good afternoon. Three questions, first of all on domestic revenue. Do you expect a similar growth rate in the second half versus the second quarter, or do you expect a bit of a slowdown because of roaming and cable and maybe also ICT, which was pretty strong in Q2?

Secondly, on the cost savings plan, you guide for €100 million savings over 2015–2018, but you give guidance on the people that will leave over a five-year period. So why not giving a guidance, a cost savings target over 2015–2020?

And then lastly on cable, Orange Belgium is subsidising the activation and installation costs. So one of the barriers to change or to leave Proximus has gone away by that. So did you see a pick-up on churn after that move? Thank you.

Phillip Vandervoort: Maybe I'll cover first on the consumer side the revenue roaming impact and Orange Belgium, and then maybe Bart can add to that on his perspective on ICT. First of all, if you look at the mobile services revenue, Bart highlighted the fact that the – I highlighted the fact that the elasticity is manifesting itself and Bart highlighted the fact that the revenue is impacted by the mix. If you look at the numbers, that revenue impact by the country mix where people roam is substantial. If people would have roamed in the countries that they usually go on vacation, we would beat our mobile services revenue in growth numbers. So, is there – will people start behaving differently and start travelling to different countries? I mean the overall economic situation then will tell us. But there, we don't see a big threat from the roaming regulation. As I mentioned, we see opportunity.

Coming to the Orange installation cost and maybe going back to the first question, if you look at the impact that we see, we are gaining market share. We are gaining market share in digital TV and in fixed internet. So we don't see the impact at this point in time. The installation cost is not just the installation that the customer themselves will have to do and that can be subsidised by Orange, but it's also, I mean, installing couple of cables in the house and opening the road and things like that.

On the second component of our revenue, there is no reason to believe that there will be a sudden change in the revenue trend.

Bart Van Den Meersche: Then maybe on the ICT, so you've seen that we have a very strong quarter in ICT with a growth of 14% in EBU. ICT is of course a different business than the telco business in the sense that it's a less recurring business. So, you've seen that on ICT part of that growth, an important part of the growth has been achieved with a number of large product deals. So, these are of course not recurring every quarter. And so that's something that you have to take into account. Now, we have at the same time also growth in services and we continue to focus on services. But the product growth is more volatile of course than the recurring business.

Dominique Leroy: Perhaps as a general remark on revenue, I mean we have been relatively explicit I think on the guidance for revenue where we expect for the second half of the year revenue growth in line with what we have realised for the first half of the year. So it means that indeed what we lose on roaming we will be able to compensate on the product; at least that is where we guide to.

Sandrine Dufour: Okay. Now on your question on the forecast, we gave five year for the early leave plan because people who were eligible to take this plan were people older than 55 years. So, the plan is spanned over a five-year period, and so we gave you the entire estimated number for this plan. On our cycle of forecast, we always operate on a three-year basis. And so we will be working before the end of the year on our 2016–2019 three-year plan. And I am sure we'll be in a position to come back and speak about this by February next year.

Emmanuel Carlier: If I may follow up on that last point, if you look at the pension pyramid that you are showing, then you see that quite some people will retire in the next coming years. So, is it a fair assumption that on a five-year basis that the level of net OpEx savings should be, I would say, much higher than the €100 million that you're guiding for the first three years?

Sandrine Dufour: Well, it's true that beyond €100 million net savings which we announced for 2018, a chunk of this is secured by this early leave plan. But the benefit of the early leave plan will continue to grow beyond 2018, you're correct.

Emmanuel Carlier: Thank you.

Operator: Our next question is from Ruben Devos from KBC Securities. Please go ahead.

Ruben Devos: Yes. Good afternoon. Two questions from me, please, the first one on the network. Obviously, you've stepped up investment for this year with a majority of CAPEX flowing to your fixed network. But given your target of identifying your fibre network and upgrading the VDSL through vectoring and bonding, I was wondering what this would actually mean in terms of your network investment budget post-2016. And then, if you could remind me what speeds you'll be able to deliver once these projects are finalised in the mid to long term.

Second question on B2B, to come back on B2B, you said that most of the growth comes from ICT, while the traditional telco services are more volatile. There is not a lot of visibility for the business segment – none of the Belgian telcos is providing much granularity, let's say. Could you discuss the market dynamics here in terms of churn and competitive intensity and whether you'd expect that trends we see today will continue going forward? Thank you.

Geert Standaert: First of all on your question on the networks, I'll start maybe with mobile. You have seen that we have indeed invested this year a lot in further coverage expansion, that we are pretty close even to the 100% on our outdoor 4G coverage. We have best performance on coverage, best in the market, not only on outdoors but also on indoors and deep indoors, and this is crucial for customer experience. But maybe more important than that, we also measured more than 100 parameters where we try to measure the real customer experience and this on voice, on mobile surfing and mobile video. And in 90% of those parameters, Proximus brings best experience.

Now, it is true that part of the 4G investments, they are behind us, and that's on the mobile side we can expect that the number of our investments will in the coming next years a bit slow down. Of course, afterwards, you know that new technologies are in front of us and where we talk not only about 5G but more as well about 4.5G. And based of course on the data patterns, data growth patterns that we will see, we will have to step into those new technologies as well.

On the fixed side, we're doing two things. We're of course further rolling out our vectoring. Vectoring, we're now at 60% coverage and we will further extend that this year and also still we do part next year. Average speeds are now at about 57 megabits per second, and it is as such that today about 40% of our customers, they can have a 100 megabit per second line. For us, this 100 megabit is in the coming years a kind of bandwidth, hygienic bandwidth that we're aiming for.

Meanwhile, we will also start testing what we call ultra-vectoring, and so that is the vectoring using 35 megahertz. We will start our first field trials by the end of this year and more extensive field trials will be then done by end of 2017 where we aim to further boost those speed levels. Our current intention is to do a V-35 megahertz rollout where we aim speeds at 200 megabits per second.

Now, what we do in the same time is that – and we've announced that as well in the past – is that we're also accelerating our fibre footprint and mainly for fibre to the business. And as there we see nevertheless positive market signs, our plan is to keep pace in those investments. Now, if we net that all up, it is not as such that we can say that towards the near future that we expect that our CAPEX will go down, but there will be effectively a rebalancing between the different types of investments.

Bart Van Den Meersche: And your question on the market dynamics – was your question specifically related to ICT?

Ruben Devos: No, well, I was just – I was just wondering because you know the major driver has been ICT, but of course you said that the traditional telco services, you know, there is more like a volatile environment, as you said before. And so I was just wondering, you know, there is not a lot of information, not a lot of detail disclosed by none of the telco operators. So, if you could just discuss the market dynamics in general, in terms of churn and just the intensity since, I mean, Telenet has been quite vocal in breaking into the [inaudible]] SME market and the same goes for Orange basically.

Bart Van Den Meersche: I think what I said is that the ICT market is more volatile, not the telco market.

Ruben Devos: Ah, okay.

Bart Van Den Meersche: So the ICT market is more volatile for two reasons. One, there is quite some product deals. I mean, that is binary – I mean you make it or you don't make it. And second, there are much more players. So, we have a lot of players in the ICT market. So that is for the ICT market.

As far as the telco market, it's a less diversified market in a sense that we have the main players that you know of. I think there is no secret that both Telenet and Orange are trying to enter more into the enterprise market and that they are targeting the enterprise market. As I always said, we anticipate that and we try to sustain our leadership. And for the time being, that's what we're doing.

Ruben Devos: Okay. So, so far you've been basically able to defend your market share in the small to medium enterprise segment, or how has that evolved?

Bart Van Den Meersche: So, for the time being, we're pretty indeed sustaining that and so for instance in mobile, we're still growing. So, we had 9,000 net adds in this quarter. So we're still gaining market share there.

Ruben Devos: Alright, thank you.

Bart Van Den Meersche: You're welcome.

Operator: Our next question is from Stephane Behazian from Raymond James. Please go ahead.

Stephane Beyazian: Thank you. Two questions if I may. The first is, I was quite intrigued by the fact that the roaming impact, the €6 million is actually also what Mobistar, if I am correct, reported. So I was just wondering, do you think it's a factor of definition or you've done a better job since, you know, you have a bigger customer base than them? So, any comment, any colour on possible differences in elasticity, volume elasticity in your opinion?

My second question – could you just comment a little bit on the percentage of customers who currently are making top-ups for data? And what have been your sort of top-selling plans recently and/or the change in the mix of your top-selling plans lately? Just trying to understand the dynamic behind 4G traffic in the market. Thank you.

Sandrine Dufour: So, on your first question regarding the €6 million impact, to be fair with you, I have no clue how Orange calculate their €6 million. What I can say is the way we calculate it, which is basically taking the volumes of last year, applying the price impact of this year. The €6 million doesn't take into account the elasticity impact that could be triggered by the price decrease.

Stephane Beyazian: Okay, thank you.

Operator: Our next question is from Marc Hesselink from ABN Amro. Please go ahead.

Marc Hesselink: Thank you. First question is on the business segment – still doing fairly well, even if you take out the ICT part. You see in other European markets that there is a lot of price pressure in the segment. Is there something structurally different here in the Belgian market or are you doing something structurally different while you're able to keep prices at least stable?

And secondly, what is your outlook for direct margins in consumer? I can imagine there are quite a lot of moving parts. So the roaming obviously in the second half of the year, but also still [inaudible] like single play [inaudible] customers, but therefore also more multi-play, which should be good. What's your view like all the moving parts on the direct margin? Because we saw some improvement in the first half of the year. Can we still expect that in the second half of the year?

And then, the final question is on the refinancing. If I am correct, there is quite a large bond redemption this year. What do you think will be your impact on the – what can be your new financing rates there?

Bart Van Den Meersche: Okay, for your first question – first of all, thank you for asking the question in front of my boss. But no, are we doing something structurally different? Quite honestly, yes, we are. We are working very structurally on all the different levers that we believe are differentiating us from our competitors. But that is – I mean it's not one element. I mean, it goes from of course our network leadership. It's our coverage – I mean our account coverage with our account managers, with our indirect. We're focusing very much on markets – on customer satisfaction, and that means services, SLAs. We have, I think, the best – I can say the best SLAs in the markets. We're focusing on end-to-end servicing. So all those elements together.

And then next to that of course we have our ICT. So I think we have today in terms of convergence, we're not only playing convergence in terms of fixed mobile voice/data but also convergence between telco and IT, which becomes more and more important in the context of cloud computing. We're focusing very much on innovation. You have seen what we're doing in terms of machine-to-machine, IoT, we're working very hard on data analytics, we're working very hard on security. So overall, what we're trying to do is be much more relevant to our customers than what our competitors are doing. And that's really the objective that we have and that's how we continue and that's how we want to sustain our leadership.

Phillip Vandervoort: So the first component on revenue of devices, that market is slower. There is a substantial less amount of devices being sold. And we expect that to continue for the rest of the year. If we look at the direct margin dynamics that you are talking about, I think our multi-play and our convergence strategy reflects well how we're driving our overall revenue and our direct margin. Our household revenue trend is driven by that convergence strategy.

If you look at our multi-play, revenues are growing for the multi-play – are growing by 3.1% year-over-year. And if you look at the revenues for quadruple and triple-play households, they represent today 65% of the total household revenues. And they're growing respectively by 8% and 4.5%.

If you look at the operational indicators on that, triple-play, quadruple-play households, they represent 45% of the total household base, and they're growing at a very steady strong momentum of 6% on a very large install base. You can go further in looking at 87% of the households that have multiple plays do have those impact and 53% of the households are convergent and they combine mobile and fixed. So we continue to drive that. And linking that to the top-ups question that was asked, that is indeed a way we drive our customers from a lower-end plan towards a convergent pack so that they have additional data in those packs. So that roughly – we confirm that strategy, we confirm that approach, and it's resulting in market share growth on the fixed and internet, on TV and internet.

Sandrine Dufour: Okay, so regarding your question on refinancing, so it's true we have the debt maturing in November this year for €675 million. We currently have a gross debt of €2.4 billion and we ended Q2 with a net debt of €2 billion. So basically, this means we have cash, and this cash would go up till the maturity period, end of November this year. So we are considering repaying the debt and not necessarily reissuing a bond at this point in time because we can afford it, and specifically because of the current yield curve that you're familiar with, with negative rates for cash, exploring why to do it this way so that we can secure a strong decrease of our financial expenses next year.

Marc Hesselink: Okay, that's clear. I think maybe I say one follow-up on the previous one, so all the things combined, you expect, despite some headwinds in the second half of the year, that the direct margin should further improve over the year-end and maybe also in the coming years.

Phillip Vandervoort: No, I didn't say it will improve dramatically. I think our approach is really working and it will stay there, and we will count on that direct margin levels. What I was highlighting was on the devices, which is a zero margin business for us – that market has been under pressure. And whether it will evolve or not, I mean geopolitical situation will – and economic situation will tell. But that's a zero margin business.

Marc Hesselink: Okay, thanks.

Operator: Thank you. Our next question is from Ulrich Rathe from Jefferies. Please go ahead.

Ulrich Rathe: Yeah, thanks very much. Three questions please. The first one is on the ICT business. Could you first explain what you mean by large product deals? Are they sort of big service deals or meaning sort of big hardware sort of box deals? And related to that, has the ICT margin – but of course you are not disclosing, but has that margin been very different this quarter compared to usual quarters because of these product deals? That would be my first question.

Second one, please, on the early leavers. You seem to be saying that the uptake of the offer was a bit lower but that you also have now clear visibility that a lot of people – more people than you initially thought – would retire on the normal deal. How do you get there? How do you get to this 2,750 sort of number that you mentioned at the beginning? Is this because you actually have indications from people that this would happen? Or where do you take that from?

And my last question is on the CBU KPIs on the intake, which was probably a bit on the soft side in fixed and in TV and broadband, and you mentioned that you haven't marketed very much in the second quarter and that you will ramp up maybe marketing in the second half. Would you expect the KPIs to reaccelerate in the current competitive environment?

Those are three questions. Can I just also – hopefully [inaudible] my ledger but there was a prior question which you didn't answer, I think from Stephane, about your top-selling plans in mobile. I think that's an interesting question you didn't answer. Not sure whether you would be willing to go back to that one as well. Thank you.

Bart Van Den Meersche: Coming to your first question, when I talk about large product deals, I mean indeed mainly hardware product deals, and that means indeed lower-margin deals than the services deals. Now, in terms of what that means for your margin, so what you have now is you've seen that our direct margin in total has grown, also in ICT; that is a growth in absolute value. But then, I mean we always make a distinction for ourselves and between recurring businesses, one time – recurring services, one-time services and product deals. So, it's true that this quarter we have a higher percentage of product deals. That makes that absolute value will grow in direct margin. In percentage, there is a decrease because there are more product deals.

Dominique Leroy: So if we look at the early leave plan, so it's true that the take-up rates on the plan is lower than we had anticipated, but I think the main reason for that is that people, while looking at the early leave plan, really asked their real possible pension age. And so in that sense, they realised that – because of lot of people that are entitled to this plan are people with a very long career at the company, they were able to take their pension on a relatively short period. So, the first year of the plan we will see more people taking normal pension and so not taking the early leave plan, which means that for us it's good because it's less cost and we don't need to afford the early leave plan for those people. But in terms of exit ratio, we come to the same amount where we have 1,855 full-time equivalents taking up the early leave plan, and we have an additional around 900 people that have highlighted very clearly – which was not the case in the past – that they will take their pension during this same period. And that's why we said that we will have around 500-550 full-time equivalents leaving the company for the next five years. And that comes back to the same savings but the positive news is that it is less upfront investments to get there.

Phillip Vandervoort: So on whether we will ramp up in H2, Q2 is a rather slow quarter for us historically. We have not done large promotions, despite lots of activities from the competition, as you mentioned. Orange rebranding was quite visible and Telenet WIGO launch. Despite that low activity from our side, we gained market share. Typically in the larger part of the year, we do have quite some activity, some commercial activities in the market. We will continue to do that, but not just on fixed but across our portfolio. When you're asking about the top-selling plans in mobile, the top-selling plans in mobile is the low end; it's on the smart 15. But we have a 30% top year acquisition. It's mainly joint offer driven, and that leaves us with an increasingly healthy [inaudible].

Ulrich Rathe: Thank you, that's very helpful.

Operator: Thank you. We have a next question from Vikram Karnany from UBS. Please go ahead.

Vikram Karnany: Yes, hi, thank you. I've got a couple of questions. Firstly, in the enterprise, if I look at your mobile ARPUs overall, you know, they were still down like 4% sequentially and annually as well, which is sharper than the drag you saw in the consumer segment. I am wondering if you are seeing some sort of competitive pressure building up in Q2, which probably explains a decline beyond the roaming explanations you gave earlier.

Secondly, on the early leave programme, I mean of the planned workforce reduction of 2,750, can I check if you can disclose the mix between civil servants and other employees? Thanks.

Phillip Vandervoort: So, on the mobile services revenue, the Q2 decline that you see by 1.6% is fully explained by the roaming regulation. If you look at it in detail, if you would exclude the roaming regulation, you would observe a healthy 4% growth for post-paid. But in addition, we also see a very different travel mix, as Bart mentioned a while ago. Actually, in the more exotic destinations, we see simply 50% less of the travellers there. If you would make abstraction of those components, then we would be actually in a growing ARPU on post-paid.

Commenting on the roaming regulation elasticity, we definitely – as I mentioned before – we definitely expect to further increase the number of roamers as well as the usage per roamer. And in June, we already observed increases in both in terms of individual users as in volume per users. So far, basically there is volume growth to be seen but the real take-up is yet to come. So we do see some of that roaming effect disappearing. But as you described, the mobile services revenue is 100% driven by roaming. And if you take it – if you're comparing us to some of the competition, then you have to realise that the way ARPU, or way the ARPU is calculated, is not always the same for us in the ARPU calculation on mobile services. We do have included – we include the roaming impact immediately, so we have the full impact in June and July, where some of our competitors they are spreading it out over a rolling 12 months. That needs to be taken into account comparing – if you want to compare like for likes.

Dominique Leroy: For your second question, I understood well that you're asking how much civil servants were in the early leave plan versus other.

Vikram Karnany: Yes.

Dominique Leroy: Okay. So it's close to – it's around 85%. So it's the vast majority of civil servants.

Vikram Karnany: Okay, that's helpful. Thank you.

Operator: Thank you. We have a next question from Nicolas Cote-Colisson from HSBC. Please go ahead.

Nicolas Cote-Colisson: Thank you. You mentioned earlier in the call that you want to be more active in the second half from a commercial point of view. So, my question I guess is how confident you are in your capacity to protect the value in the current customer base, or more generically, do you see some pricing power in the market the same way Telenet can increase prices every year?

Phillip Vandervoort: Be more active – be more active in the second half or in the third quarter. This is going to be pretty much in line with what we do every year. As I said before, our multi-play and convergence strategy is well reflected in our cross play reporting. That is driving our revenue trend and our convergence strategy. So, if you look at the strength of the brand, if you look at the strength of our product, we're very confident that we can continue to maintain a very strong position in the market. If you look at, referring to a previous question, all the investments that have been made in the network, our network coverage, our 4G coverage, our speed – all those are components that drive up our confidence that we definitely will be able to maintain our convergence approach and our multi-play approach and we're confident that we'll have more and more – as reported in the household reporting, that you can see that we'll have more and more people converging in convergent packs as we stated.

Dominique Leroy: I can add on the pricing that we have a two-brand strategy. So we have Scarlet, which is a no-frill, low-price brand, and we have Proximus brand where we always go for more-for-more. So in that sense, I think we will still be able, as we used to do in the Belgium market, to have a differentiated strategy and go with price increases, offering more value to customer for the main brand and making sure that we are price competitive on the low-end segment with Scarlet. So, I don't see any reason why we should change the way the market has behaved in the past where Orange, which is more on the low end, will compete with Scarlet and where the Telenet and Proximus brands are competed in their segments with the same more-for-more strategy.

Nicolas Cote-Colisson: That makes sense. Do you mind if I just follow up rapidly? I think Dominique just said something in the line that the consensus forecast of EBITDA growth of about 1.3% this year – you were saying it was conservative. Is that correct?

Dominique Leroy: I said that indeed. The current EBITDA consensus at 1.3% is slightly conservative, I said.

Nicolas Cote-Colisson: Okay, I'll take it that way. Thank you.

Operator: Thank you. We have no further questions for the moment. Ladies and gentlemen, I would like to remind you that if you wish to ask a question, please dial 0 and 1 on your telephone keypads. We have a question from Emmanuel Carlier from ING. Please go ahead.

Emmanuel Carlier: Yes, I have still one question left actually on the fixed line losses. That was in line with Q1 of this year, but it was higher compared to previous quarters. And I thought that Q1 included a one-off. I'm just wondering if something has changed there and if you think that the current run rate is the one that you should expect for the coming quarters. Thank you.

Nancy Goossens: Sorry, Emmanuel. Can you please repeat your question? We didn't get that one.

Emmanuel Carlier: Okay. So, the fixed line losses I think were down something like 30k in Q2. In Q1, it was similar. But if we would compare with last year, last year it was much lower. So, I am wondering if going forward, we should expect something more like 30k, or if there was a one-off included in Q2.

Phillip Vandervoort: Well, if you compare it to last year, there was the snow effect. What we see is an evolution that's in line with the market decline. We observed that national erosion on the install base and we're up-gearing with triple and quadruple play quite nicely, and bundling. But if you look at that delta, that was snow driven.

Emmanuel Carlier: Okay, thank you.

Operator: Thank you. We have a next question from Usman Ghazi from Berenberg. Please go ahead.

Usman Ghazi: Hello. Thank you for taking my question. I have two questions please. The first one, I just wanted to follow up on the EBU mobile trends. When you say that the less traffic, I guess to international destinations, because of the terror threat had an impact, and you mentioned exotic locations, I would have assumed that that would have largely impacted the consumer segment rather than be an explanation for why the business mobile ARPU has come under pressure. That was my first question.

The second question was just on the cash cost for the early leaver programme. I mean, if I kind of try and back out what the annual cash cost is implied by the provision that is being taken, this €255 million, it's pretty low, right? I mean for each one of those 1,855 employees, it comes up to around €15,000 to €20,000 per annum. So, is it that the government is taking part of the burden? Thank you.

Bart Van Den Meersche: On your first question, so the enterprise mobile trends, I think there are three elements that play in there. So, first you have to roaming regulation impact, as we mentioned earlier on, and that is definitely also having an impact in the enterprise market because we have of course quite some roaming. Second is this – what I said, the changing travel behaviour where, as mentioned earlier, we have less people travelling and still we see this also in the enterprise market, and we have less people going to exotic destinations or out of Europe destinations, and that counts also for the enterprise market. There is a third element that plays of course and that is competitive pressure, as I mentioned to you earlier. As well as Orange as Telenet are targeting the enterprise market and so there is indeed increasing competitive pressure there.

Usman Ghazi: Okay, thank you.

Sandrine Dufour: On your question on the cash costs for the early leave plan, the way you should look at it is that it's cash accretive as of this year because basically the saving that we're making is that every people – every employee who will be inactive – we will pay them 75% of their base salary. So, the cash saving that we're making is the difference between this and the full costs. And this will spread over the period at the rhythm of people leaving us.

Usman Ghazi: Is it that the provision will grow over time as more people leave; the €255 million will actually become a higher number?

Sandrine Dufour: You have the detailed provision on page 14 of the document, which is quarter by quarter. So you can see it. And this is more linked to IFRS rules, so it's different from the cash impact.

Usman Ghazi: Can I just have one last follow-up? Would it – is it right that the provision at the moment is being taken at €255 million and then as we proceed through Q3/Q4 next year, that €255 million just grows by the charges that have been laid out?

Sandrine Dufour: I don't know if you have the document I am referring to, but basically I can read the provision, which is being booked in Q2. So it's €53 million in Q2, €33 million in Q3, €33 million in Q4 as I mentioned, and then, it's €74 million 2017, €44 million 2018, and €19 million in 2019 for a total of €255 million.

Usman Ghazi: Okay, thank you.

Sandrine Dufour: You're welcome.

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

Nancy Goossens: Okay. Thank you. So, I think we can end this call. Thank you everybody for participating. If you would have any follow-up calls, you can contact the Investor Relations team. Thank you very much.

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