Company: **Proximus**

Conference Title: **Q3 2015 Results**

Presenter: **Nancy Goossens**

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Operator: Please stand by. This is Premiere Global Services. We are about to begin. Good afternoon, ladies and gentlemen, and welcome to today's Proximus 2015 Q3 Results conference call. For your information, this conference is being recorded. At this time, I would like to turn the conference over to Nancy Goossens, Director of Investor Relations. Please go ahead.

Nancy Goossens: Okay, thank you. So good afternoon, ladies and gentlemen, thank you for joining us on this conference call. I trust you have all seen the results release of this morning. All information including the slide deck on the results is available on the IR website. Similar to our previous earnings calls, we would like to dedicate as much as possible the available time to the Q&A session. So this leaves me only to quickly introduce you the participants from Proximus around this table. So we have CEO Dominique Leroy; CFO Sandrine Dufour; we have Phillip Vandervoort, the Chief Consumer Market Officer; we have Bart Van Den Meersche, Chief Enterprise Market Officer; Geert Standaert, the CTO of the company; Dirk Lybaert, Chief Corporate Affairs Officer; and Daniel Kurgan, the CEO of BICS. They will be happy to take your questions in a moment but first we come to the opening statement of Dominique. Thank you.

Dominique Leroy: Yes, good afternoon, everyone, and welcome to our conference call. I am happy to announce another strong set of financial and operational figures. We are reaping the benefits of our efforts to deliver excellent customer experience, putting the customer at the heart of what we do. This resulted in a continued growth of our customer base for the two main brands, Proximus and Scarlet, with the best quarter so far in 2015 for mobile in terms of net adds. Proximus not only continued to attract new customers but we also better retained our existing customers. The customer growth in the third quarter also benefits our market share, with our TV, fixed internet and mobile market shares again improving. By end September, our TV market share was 34.7% meaning a 2.2 percentage point increase from one year ago, and for fixed internet our market share was 45.8%, up by 1.5 percentage points compared to last year. We also made progress on our mobile postpaid market share that was 0.5 percentage points higher than last year, ending the quarter at 47.1%. This is thanks to good growth gains and low churn, leading to a solid net growth of 41,000 mobile postpaid voice cards.

Our convergence strategy has continued to pay off. Proximus successfully moved customer to triple- and quad-play offers and ended the quarter with 42% of our households and small offices on triple- or quad-play, which is an increase of 3 percentage points year-over-year. Of all multi-play households and small offices, 55% are now combining fixed and mobile services at Proximus.

The sustained good operation of performance clearly benefits the financial performance of our core business. The underlying core revenue grew in the third quarter by 2.4%. Thanks to the positive evolution for both fixed and mobile service revenue, we see the direct margin improving quarter by quarter. For the third quarter 2015, the direct margin of our core business was up by 2.1% versus last year. BICS too showed again a strong direct margin, increasing 13%. This was mainly achieved by maintaining a high voice unit margin in Q3 and BICS could benefit from favourable market conditions. The BICS direct margin was also supported by the continued growth in mobile data and the strong US dollar. The solid performance from our core business and from BICS combined resulted in a 3.3% underlying EBITDA growth for the Group in the third quarter. The free cash flow of the third quarter was good at €306 million. This means that by end September we generate a total free cash flow of €522 million.

With the company’s achievements so far and our best estimates for the last quarter, we are comfortable in adjusting our full year 2015 EBITDA guidance upwards which we now expect to grow by 4-5%. The other guidance metrics remain unchanged, meaning we estimate that we will end the year 2015 with underlying core revenue growth of around 2% and for BICS revenue to be slightly positive. For our capex, we estimate this to be around €900 million excluding the capex for the spectrum renewal.

A final point: I am happy to announce to our shareholders that the Board approved the return of an interim dividend of €0.50 gross per share which will be paid on 11 December 2015. And with this we can now turn to your questions, thank you.

Operator: Thank you. If you would like to ask a question at this time please press the star or asterisk key followed by the digit 1 on your telephone. Please ensure that the mute function on your telephone is switched off to allow your signal to reach our equipment. If you would find your question has been answered, you may remove yourself from the queue by pressing *2. Again please press *1 to ask a question. We will now pause for just a moment to allow everyone to signal.

We will take our first question from Ruben Devos from KBC Securities. Please go ahead, sir.

Ruben Devos: Yes, good afternoon, two questions please, the first one on the regulatory environment. This week the European Parliament decided to scrap the roaming charges in mid-2017 with another cut in April of next year. Could you give us any quantitative guidance of the potential impact and how you expect to cope with the roaming cuts? Also recently there have been some mixed signals from the European Courts of Justice on whether taxes on pylons will be levied or not. Mobistar recently decided to no longer provision for it in its third quarter release but however, you have continued to do so. So could you give us an update on this one? Then the second question on the working capital impact, your free cash flows were substantially driven by a strong windfall in terms of working capital, with a €113 million improvement if I'm not mistaken. Could you clarify what has been the main factor driving this differential and whether we should view this as a strong seasonal phasing effect, whereas the majority of it will unwind in Q4? Thank you.

Sandrine Dufour: Okay, so on your first question regarding the roaming 'Like at Home' regulation and the first impacts are April 2016, so as many European operators, so will we be hit by this one. I think we've given globally the impact of our roaming revenue as a whole, which is more than €100 million. Now knowing that it's just in Europe, we should have a negative impact next year, which is going to be higher – estimated to be higher than €50 million on our margins.

On the tax on pylons, the situation, as you know, is not as clear-cut on this case so we had pretty good news, we thought, during Q2 but the most recent decisions which was taken at the level of the European Commission were not that positive. So we had no basis to make any change on the way we provide for the tax on pylons and as you know, we have spread the cost of taxes on pylon provision as opposed to last year it was fully provided for at the end of 2014.

Regarding free cash flow, I think on this one you're right to say that our free cash flow has strongly improved compared to the previous quarter. Now bear in mind that there are some items related to the seasonality of payments, specifically on the tax aspect where we had strong cash out Q3 last year, which was not the case Q3 this year. Part of this may revert in Q4. So when you look at the full year, you should have in mind that Q4 is typically not a huge cash quarter because basically what we do is that we have some items that we pay at the end of the year in our interest, in our bonus, etc. and also there's one additional element which will go out in terms of cash, which is the €120 million that we'd expect to settle the litigation on on-net tariffs.

Ruben Devos: All right, very clear. Thank you.

Operator: We will now take our next question from Emmanuel Carlier from ING. Please go ahead.

Emmanuel Carlier: Hi, good afternoon, three questions from my side, the first one in the underlying EBITDA in Q3. There were quite some negative one-offs included in that. I understand that you don't want to disclose them on a one-by-one basis but could you maybe quantify the combined negative impact in Q3? Then second question on the dividends, your turnaround is ahead of plan. Is your dividend policy actually still to pay out 100% of the free cash flow excluding spectrum costs? And then the third question is to hear your current opinion on the potential negative impact from cable regulation next year. Thank you.

Sandrine Dufour: So that's true we will not disclose all the one-offs which are in the underlying numbers because as you know, we always have some may fluctuate positively or negatively. It so happened that in this Q3, you're right to highlight that we were negatively impact in some aspects by some HR provisions so that was one element which is non-recurring which is explaining, I would say – just I can say the number – around €5 million on our HR costs. That's the biggest item. And then there were other elements, for instance related to the incentive accruals which are basically linked to the performance of the company, the timing of which was different compared to last year. Last year this accrual was changed in Q4. So that's, I think, at this point what I can say. There were other litigations but some plus and minus, but we will not take as a habit to disclose more in the underlying because again, all these elements are fluctuating all the time.

Dominique Leroy : So concerning your questions on the dividend, it's true that our policy is to distribute most of the free cash flow. This is still the case today what – but we have been more precise because we have announced last year that we have given a guidance on dividends for three years being €1.50 gross per share, and for the time being, I mean we haven't reviewed that so this forecast of €1.50 for 2014, '15, '16 will pay out each time one year later or half a euro in December and one euro in April still holds.

Concerning cable impact, I think we are globally favourable to the opening of the cable. I think it's – we would have preferred to have the cable being open on a commercial basis without increased regulation but this was not possible. I think the regulation there needs to kick in, and that's what's happening today. It will be of course open for, in the first instance, for Mobistar which could have some impact indeed on the market with them coming with a new potential triple-play offer, but it's also a potential for us because we have, with all networks, six networks, a coverage of Belgium of 85% in VDSL and as we know that today you need at least a VSDL connection to offer a decent experience for customers, it would enable us to have a means to address the 15 remaining percent of the population in Belgium. So we have already applied also for us for a reasonable opening of cable to be able to offer something on those 15%.

Emmanuel Carlier: Okay, and on the dividends, I understand that the dividends have been committed so far. On the other hand, you're also ahead of your expectations in terms of EBITDA growth. So based on my assumptions, free cash flow might be well above the dividends, and maybe not this year but next year. So yes, what is the main basis? Is it the commitments to pay €1.50 dividends per share or is it mainly the close to 100% free cash flow that you want to pay out?

Dominique Leroy: I think today it's €1.50 and we will of course give a guidance after the results of 2015 and at that time, if anything would change, we would then announce it at that moment. I think it's too early to give any guidance on that except the €1.50 where we have committed to and we feel confident that we can of course keep it for next year as well.

Emmanuel Carlier: Okay, thank you.

Operator: We will now take our next question from Michael Bishop from RBC. Please go ahead.

Michael Bishop: Thanks, I've got two questions please. Firstly, could you just give us an update on the levels of mobile handset subsidies? I know you changed tariffs during the quarter at the high end but it would be interesting to see if you've also increased the subsidy levels, or even decreased them as Telenet mentioned yesterday. And then secondly, could you just update us on the fixed line dynamics, particularly in the north? Telenet yesterday implied that you'd been incrementally aggressive in the cable regions in Flanders so I was just wondering whether you're actually spending more on that or whether that, you would see that as just part of everyday 3Q marketing? And actually if I could just follow up on the free cash flow, could you give us a sense of where you think you will come out on an underlying basis for the year? It seems that you would come out above the level of the dividend, because I think previously you specifically said you'd expect to broadly cover the dividend with free cash flow. So just bringing together the answers to the couple of questions about working capital, excluding the mobile one-off repayment, where do you think you might end up in absolute levels? Thank you.

Phillip Vandervoort: So on the joint offers, we have a rather conservative approach on joint offers, where part of the subsidy is paid by ourselves, part of the subsidy is paid by the supplier, and part of the subsidy is paid by the consumer itself. We are not intending to change that. One in three of our gross gains are in joint offers and we have a payback in less than a year whilst the contract is a two-year policy. Of course we are continuously monitoring our joint offers but we see quite successful driving of the up-tiering to our current joint offer approach. So we have maintained our policy, and the volumes.

On the second one, specifically on the fixed line, so no, we're not spending more on the fixed line. If you look at the quarter, this was a pretty specific quarter with a very slow July and this was not just in telecom but this was retail in general. Despite that, we consider on fixed lines and digital TV our quarter quite successful. We saw some impact of the Snow migrations that we did in the previous quarters. I mean, those Snow migrations are finished. So we don't – so we're back at the normal trend without Snow integrations. And we see on digital TV and fixed internet, with our approach, our market share increasing. And of course that is driven by several factors. Our network quality is going up. Our commercial focus is improving. Our content offers are better and improving, and our commercial activities are being driven. But we're not spending more on fixed line in the north, if that's your specific question.

Sandrine Dufour: Okay, on your question on free cash flow, just to be more specific, we do not intend to cover our dividend after the payment of the €120 million. So the comments I made last quarter were before this settlement obviously. But now I don't want to be more precise. Q4 is really a very active quarter both commercially in terms of rolling out capex, so I won't give more guidance on where precisely we'll land through the full year free cash flow.

Michael Bishop: No, that's great, thank you very much.

Operator: We will now take our next question from Nicolas Cote-Colisson from HSBC. Please go ahead.

Nicolas Cote-Colisson: Thank you, hello. On fixed networks, I was wondering what coverage you are targeting for vectoring from the current 38%. Also I was wondering where do you stand regarding your price on FTTH? And to follow up on your previous comment on access to cable, you mentioned that 15% of homes that are not VDSL could be accessed with cable. I was wondering where the 15% are. Are they more in the north or the south? And very last question, just to follow up on your last answer, you mentioned that you are not spending more in fixed line in the north but given your increase in TV and broadband market shares, I was wondering if you could provide us any more colour on the dynamics between Flanders and Wallonia when it comes to market shares. Thank you.

Geert Standaert: Okay, with respect to your first question on vectoring, so we are still fully on plan. Our target is to finalise the full vectoring rollout by Quarter 1 2017. So next year will still be a rather heavy deployment year. And what we want to achieve in vectoring is that all customers that are within a range, within a reach of 700 metres from our optical platform, that they are brought into vectoring and that is about 80%, 80% plus of the population. So that is our target – by Q1 2017.

On FTTH or fibre in general, I think two messages. So fibre to the home we do in greenfield. So all greenfields are designed in fibre and we are activating there first customers. But what we do next to that is as well focus on what we call fibre to the business. There we see traction in the market and there we plan to further accelerate our plans. So so far, we did all the industrial zonings in Belgium but we will start to deploy as well some more fibre to the business in high-density business zones.

With respect to access to the cable, so the 15%, of course the 15% there is more in the very distant rural areas. And so that it's rather – the differences are not that big between the north and the south but you have a bit more of rural in the south of the country.

Nicolas Cote-Colisson: And on the market share dynamics for TV and broadband between north and south?

Phillip Vandervoort: So yes, I'll add a little bit more colour to that statement. As I said, we have not been investing differently. We have taken a slightly different approach in our communication. We are basically on the same team. We are in the same brand of course. We are putting different accents in the north and the south. Over the quarter, we have also worked on our content offering and I think Eleven Sports Network agreement is one prime example of that. We see nice momentum with our new TV experience, our Proximus TV and Proximus TV App that we started to roll out, but we've communicated that in Q3. Important also to mention is that after the Snow migration with the critical mass achieved on Scarlet, we started also communicating on Scarlet Trio, which was the first time we've ever done that. So I think the focus is really on putting the same execution sharper, putting the same communication sharper. So we're not investing more.

Nicolas Cote-Colisson: Thank you very much.

Operator: We will now take our next question from Ulrich Rat he from Jefferies. Please go ahead.

Ulrich Rathe: Thank you, I have three and the first one is on CBU, the handset sales which were obviously down a lot this quarter despite the fact that the subscriber intake and paying postpaid customers was up, and relatively strong compared to historic patterns. How does this fit together please? The second one is with regards to you narrowing the guidance range for EBITDA, is any part of that actually related to Mobistar's announcement that they would defer the launch of their cable resale into next year, i.e. have you essentially reserved a bit of a defence budget that you ultimately decided you don't need because of that or is it all related to the operating performance of the company itself? And my last one is just a clarification. You mentioned earlier that some of the subsidies are paid by vendors, and I think you've said that before. I was just wondering, what I'm not entirely sure about is how this goes through your accounts. Is this actually sort of revenues and costs or is this simply an external payment that never enters your P&L and cash flow? Thank you very much.

Phillip Vandervoort: So on the handset sales that are down despite the net adds, I mentioned already earlier, July was a slow month in the quarter not just for telecoms but also for retail in general. That has impacted to some extent. I think Q3 2014 was an exceptional quarter, and that was basically driven by Apple introducing new handsets in the deal. Those are two very important components I think. Then another component is that we're distributing handsets beyond our own direct shops, as we mentioned also last time, and we've taken a closer look at that and really are driving profitability in the execution. So those are the three reasons I think this July is slow. Last quarter, last Q3 quite aggressive with Apple, and optimising the profitable distribution.

Dominique Leroy: On the EBITDA guidance, I mean it has nothing to do with the Mobistar delay. It's really driven by our strong operational results which we also see translated in financial performance where I think the main factor for us which is very encouraging is that we are able to acquire new customers. The ARPU is going up, the churn is reducing and the direct margin is increasing, and that's really what drives the EBITDA growth. And so there was nothing specifically foreseen for Mobistar that we would discuss. It's we just execute the plan as foreseen and the results are better than what we initially expected and that's why we reviewed the guidance on EBITDA growth to 4-5%.

Sandrine Dufour: And on your last question regarding subsidies by vendors, this is booked in COGS and it's decreasing our cost of handsets.

Ulrich Rathe: Thank you very much.

Operator: We will now take our next question from Paul Sidney from Credit Suisse. Please go ahead.

Paul Sidney: Thank you, good afternoon, just two questions please. Firstly on Belgian mobile, I mean it looks likely this quarter that Belgian mobile service revenues will go positive again in the quarter given the results we've had so far. I was just wondering your view sort of looking out a bit more longer term, you've got stable prices in Belgian mobile. Smartphone penetration is still relatively low, lower levels of subsidies, and you know, consolidation likely to happen early next year. I was just wondering, do you think we're in for a number of years of positive mobile revenue growth now? And the second question, I guess following on from some of the questions we've already had, does Proximus intend to make any changes to its fixed or converged offers or its marketing strategy ahead of Mobistar entering the wired market again next year? Thank you.

Phillip Vandervoort: So on the mobile services revenues, I think we're aligned with what you said. There's still quite some headroom in Belgium. Smartphone penetration is increasing and that of course is an opportunity. What we have to say there as well is though that, I mean the early adopters, those that are eager to get a smartphone, I mean those have taken their smartphones so we're now at the laggards pretty much so the opportunity is not as much as the early adopters but still wonderful opportunity to drive there. As we mentioned already, we have quite a conservative approach on joint offers but it is a wonderful tool to drive tiering up, and we see the increase of data consumption also steadily increasing and specifically there 4G. We also just announced 4G+ last week; that will also drive better experience and hence better consumption.

Dominique Leroy: Yes, just too, I think everything what Phillip says is true for the time being. I mean we have just to make sure that if you try to extrapolate mobile growth, there are a few elements that you need to take into account. First of all is the roaming, which has been mentioned and will impact significantly the mobile revenue in the two coming years. I think this is a negative one. I think Phillip has explained quite a lot of positive elements and I think on CBU, the smartphone penetration, the more usage of data is certainly a positive one. I would put some cautions on the EBU side where we see more and more, a more aggressiveness from Mobistar and most probably also from Telenet BASE as from next year – they have been quite explicit on that, that one of their priorities was to penetrate the business, the enterprise market. So we are expecting there to have to find much stronger and aggressive offers of competition. So these are two elements which would moderate the projection of mobile revenue growth, the roaming and the enterprise market, whereas on the consumer market I think we could indeed be more positive on the long-term evolution of mobile revenue growth driven by the smartphone penetration and data usage.

Phillip Vandervoort: Then on the changes to our offers for the Mobistar launch, we think that we're very well positioned with our Proximus brand and with our Scarlet brand to basically address whatever position that Mobistar will come in at the market, be that at the high end, be that focusing on quality, be that focusing on the lower end, be that focusing on millennials, be that focusing on a mobile-driven. I mean we think we're very well prepared and positioned to react to that once they come on the market.

Paul Sidney: And maybe can I just have a quick follow-on? Do you think it'll be more difficult to put through price increases on wireline, maybe for the whole market not just yourselves, but with the new competitor coming in?

Phillip Vandervoort: Well, there always has been activity on the low end of the market. I mean, Snow was an example. Mobistar tried it before. There always is that market on the lower end, smart pricing; we think we're very well positioned with our Scarlet offer. That really is very well positioned in the market. So that market is there. Is there room for five or six players to play there? That's a different question.

Paul Sidney: Very helpful, thank you very much.

Operator: We will now take our next question from Joshua Mills from Goldman Sachs. Please go ahead.

Joshua Mills: Hi there, thanks for taking the question. We've spoken already a bit about vectoring but in the past you've discussed other kinds of copper technology such as G.fast, and the opportunity to use that to deploy faster speeds to the network rather than do fibre to the home. So my question is: has there been any more development on that side from your technology team say in the last few months? And going forward, if this technology comes onstream at some point in the future, do you think it gives you scope to bring your capex down on an absolute basis below the €900 million which you're targeting for this year? Thank you.

Geert Standaert: Yes, of course we are looking at what I would call the next generation technologies that run on copper, and in fact we are looking at two types of technologies. So first technology is what we call G.fast. This is typically a technology where we believe that it's very suited when you are very close with the fibre to your customers, say for example you bring your fibre into the basement of a building, then to use the G.fast technology for the last metres in that building that run on the existing copper. And because G.fast is a technology which is very performant, it can get to the hundreds of megabits per second performances and even more, but the distance that you can travel should be below a certain threshold. So that is one route that we are investigating and where we are doing even joint developments at this moment with one of our suppliers.

The other technology is in fact the next version of vectoring. So the current vectoring is based on VDSL technology 17 MHz. Well, there is a new technology coming which is called the V 35 MHz, where you double the spectrum but that allows you for, typically, customers that are within a distance of 300 metres to further substantially increase their experience. So you know that today with our vectoring technology we deliver now 100 Mb per second to our customers. With such technologies like the Vectoring Plus technology or enhanced vectoring technology, you can bring this again to several hundreds of megabits. These are technologies that are in a lab phase available, and that's our belief to be commercialised by beginning – by 2018 timing.

With respect to the capex question, it is clear that whatever these technologies – so these new technologies, they're all based on a further densification as well of your fibre footprint. So in that sense, I think it's a bit too early to make any comments on your request there.

Joshua Mills: That’s very clear, thank you.

Operator: We will now take our next question from Marc Hesselinck from ABN Amro. Please go ahead.

Marc Hesselinck: Yes, thank you, I've got two questions. Firstly, on service revenue on fixed consumer, it seems that there are, especially in broadband, your ARPUs are decreasing over the quarter whereas that was relatively stable or slightly decreasing in previous quarters. So what is changing there? Are you able to upsell in your existing client base? And then the second question is on the business segment, even excluding the ICT business, if you're suddenly seeing quite some growth both in mobile and fixed, what's different in the market? Is it less competition or what's changing there?

Phillip Vandervoort: So one component is definitely that we're putting more and more components, more and more revenue-generating units in the packs and of course that has an impact on the individual ARPU. I mean, if you look the fixed and the digital TV revenues, we think it's both on the installed base – I mean the amount of customers that we're selling – and the ARPU, we see positive evolutions and those are driven by of course things like probably that we have the Champion's League that we added, Eleven Sports Network, etc., etc. and one offsets the other. So I think from that perspective, those things are driving the evolution. If you look at the upselling, it's definitely driven also by the option packs, etc., etc. that we're selling.

Bart Van Den Meersche: And then regarding your question on the enterprise market, so the growth in fixed and mobile, indeed we have a very good grown in as well mobile as in fixed. Mobile, I think that's in line with previous quarters. What is different from the previous quarter is that we have now the roaming effect that was annualised mid of year so that is not affecting any more in Q3. But for the rest, so mobile is especially fuelled by a higher number of – a higher park, so we're still adding users – and then growth in data as well national as international. So, but then again, having taken the comments of Dominique earlier on on mobile, so that's where we are on mobile.

In fixed it's driven by Explore, actually. So we have, we did win a number of important Explore contracts that are now in rollouts, and that impacts positively.

Marc Hesselinck: Thank you.

Operator: We will now take our next question from Stefaan Genoe from Degroof Petercam. Please go ahead.

Stefaan Genoe: Yes, hi, thank you for taking my questions. I've got a question on group operating expenses going into 2016. In this quarter they're perhaps it bit blurred by some one-offs but with FTE reductions continuing, it looks like HR expenses, so you should certainly be down in 2016 versus 2015. First, can you agree on this? And secondly, could we also envisage the same trend for the non-HR expenses going into 2016? And that's my first question. And the second, if you look at the strong performance in the business segment in Q3, for Q4 should we rather look at the run rate from the first half or could you have another strong quarter in Q4 in the business segment, or has Q3 really been supported by one or two important contracts? Thank you.

Dominique Leroy: So concerning the opex, it's true that it's difficult to read on a quarter-by-quarter basis because you always have a lot of variation linked to accruals but we have given a strong guidance on our opex target where we wanted to decrease the opex by €100 million between end 2013 and 2018, and I think you will, you should see some strong starts of that savings kicking in as from 2016. So that's probably what I can say today on the opex and it should be both on the HR and non-HR expenses.

Bart Van Den Meersche: And then for the enterprise, your question on Q4, so you know we don't give forecasts for next quarters but I just mentioned mobile and fixed, and so then the only element left is ICT. So you see that we have there an important growth in Q3 of 9% but we indicated also that this growth is fuelled by a number of product deals. And if you look into the figures, you will see that Q3 of last year was a rather weak quarter in ICT and that Q4 of last year was a very strong quarter. So that gives you some indication.

Stefaan Genoe: Okay, thank you.

Operator: We will now take our next question from Vikram Karnany from UBS. Please go ahead.

Vikram Karnany: Yes, thanks, I have got just a couple of questions. So firstly on the Belgium government stake, has there been any update on the privatisation plans potentially? I recall the government had appointed advisors and the outcome was expected, you know, after summer. Has there been any update on that side? And secondly, you know, on this Telenet BASE deal, what is your expectation on the market dynamics as the deal goes ahead? Do you see a more aggressive push towards conversions in the Flanders region, and how prepared is Proximus in that environment? Thanks.

Dominique Leroy: So on the Belgian government, so the law of ’91 is currently being revisited and is being discussed in the Parliament. There should normally, we expect normally a vote on the approval of this law by mid towards end November. So currently it’s still not in force and it should be normally validated by end of the month.

On the BASE Telenet deal, I think it doesn’t change fundamentally the offering they have currently on the mass market because they already have a four-play, a quad-play as we call it, offer on Mobistar MVNO. Of course what could change is that if they have their own network, they can be more creative in type of offerings and also potentially be more generous in data but what we expect, as I said earlier, is that we will probably see more aggressiveness of Telenet BASE combined into the enterprise market. So that’s mainly where we see that they would be able to offer a more aggressive offer, having both networks under one player.

Vikram Karnany: Clear. Thank you very much.

Operator: As a reminder, to ask a question please press *1 on your telephone keypad. We will now take our next question from Guy Peddy from Macquarie. Please go ahead.

Guy Peddy: Yes, hello, everyone. Just a very quick question. My understanding is that your Scarlet brand, which is obviously pitched at a materially lower price point, offers some defence against a sort of more active and more aggressive Mobistar convergent offer should that come in the New Year. However, I'm hearing very mixed things on what the brand perception of Scarlet is and I'm wondering whether you've got any data you can share with us as to whether – or how Scarlet fits relative to your existing Proximus brand, what the net promoter score is on the Scarlet brand, and whether it is actually a defence or whether it is something that people largely disregard? Thank you.

Phillip Vandervoort: So the Scarlet brand is quite fresh in the market and we are positioning it very separate from the Proximus brand. We're clearly positioning it as a smart shopper, the 'why should I pay more?' brand, and that's also reflected in the way we go to market, which is largely digital. We don't disclose those specific numbers on brand awareness and brand perception and net promoter scores, but at the same time, those are increasing and growing, as we see from the results that we had. We have not been communicating with the Scarlet brand, not much been communicating around the Scarlet brand, and we have been starting to do that more specifically in specific targeted areas, with specific products, and always in under the same style. As I mentioned earlier, we for the first time start communicating about the Trio brand, the Trio product in the Scarlet portfolio, and saw a very good uptake of that. Also the Snow migration towards Scarlet was a very successful migration where the vast majority of the Snow customers were migrating. So we are confident that our double approach with two brands tackling the high end and tacking the low end of the market separately is a successful approach and positions us best to address any entrants in that market.

Guy Peddy: Thank you.

Operator: We will now take our next question from Matthijs van Leijenhorst from Kepler Cheuvreux. Please go ahead,

Matthijs van Leijenhorst: Yes, I've got only one question. I was wondering if you look at the results of KPN, what you basically see is that the B2B market is still very tough. And if you compare it to the Belgian market, you are doing very well. Can you give some more colour what is the reason of this big difference between both countries, you outperforming and KPN is having a tough time in the B2B market.

Bart Van Den Meersche: What is the difference between KPN and us? Us.

Matthijs van Leijenhorst: No. Yes, yes, the difference.

Bart Van Den Meersche: Just a joke, just a joke.

Matthijs van Leijenhorst: Okay.

Bart Van Den Meersche: I cannot – I mean I cannot judge on what KPN is doing but I think here, we're clearly harvesting the result of our convergence strategy that we have been driving for many years and we see that it is now happening in the market and so it's not also price convergence, it's functional convergence. We have been investing that a lot and I think the total end-to-end solutions with end-to-end service, that makes the difference.

Matthijs van Leijenhorst: Given that Telenet is acquiring BASE, they will be able to target the B2B markets much more aggressively, in my view. What is your expectations for the future, mid-term?

Bart Van Den Meersche: You mean what our expectation is from Telenet BASE in the enterprise market, or what exactly?

Matthijs van Leijenhorst: Yes, exactly. Do you expect to see more competition in the B2B?

Bart Van Den Meersche: Yes, as already indicated by Dominique, indeed we expect there will be indeed – and quite honestly, they have announced it very openly that they will target more the enterprise market. So by being able to combine, they will try to position themselves in that context and we are preparing for that.

Dominique Leroy: Perhaps I can add that they will be more aggressive but it's also a market that is based very much on trust. It's also a national market, so we have a very strong relationship with most of our biggest customers. We have a strong sales team. We have now Telindus for many years in our portfolio so we are not only offering a combination of fixed and mobile product but we are adding to that quite a lot of additional ICT products like cloud products, like security products, like communication products and with many years of experience in that and quite a strong track record as you can see. So it's true that we will face a more aggressive competition but I feel confident that we have a lot of elements in our hands to be able to continue to maintain a very strong and healthy enterprise market. It's all about how you sell the product, the SLA you can give and the combination of the various products you can bring together to offer end-to-end solutions to enterprises and not just buckets of products. And I think we have there some good experience which can prevail in that market as well.

Matthijs van Leijenhorst: Okay, thanks a lot.

Operator: We will now take our next question from Usman Ghazi from Berenberg. Please go ahead.

Usman Ghazi: Hello, thank you for taking the question, I just have one please. When I look at KPN or TeliaSonera, for example, one of the things that they said is that in the B2B market, what they've been having to do is to migrate their customers away from a traditional kind of pricing model to a multi-play per seat model. I was just wondering if that is something that Proximus has done already please. Thank you.

Bart Van Den Meersche: Yes indeed, so first of all, we are moving away from the single product deals. So indeed, as Dominique mentioned earlier on, so we are really focusing on end-to-end solutions; that is an important element in that one. But then your question on – I mean looking into different ways of pricing, yes, we are looking in the different ways of pricing and pricing per use, per user or per seat, and for instance we have done that, we just launched what we call workplace in the cloud, which has a price per user base for a workspace that includes everything that they need. So we're moving into that direction indeed.

Usman Ghazi: But has the customer base been migrated into these kind of pricing plans or is that yet to happen? Because I mean what's causing the pressure at KPN and Telia for example in the B2B segment is a proactive migration of B2B customers into this new kind of pricing model, because they say this is more future-proof.

Bart Van Den Meersche: We have in, like we have indeed today customers working in that mode. So for instance we have the Flemish government, which is a large, important deal that we have here in Belgium, where we are pricing per user per month, and so we're looking into case by case how we do that evolution.

Usman Ghazi: Okay, thank you.

Operator: There are no further questions in the queue at this time. I would like to hand the call back over to the speaker for any additional or closing remarks.

Nancy Goossens: Okay, thank you all for participating. If there are any follow-up questions, you can obviously call the Investor Relations department. Thank you very much and have a nice weekend.

Operator: Thank you. That will conclude today’s conference call. Thank you for your participation, ladies and gentlemen, you may now disconnect.