Operator: Good afternoon ladies and gentlemen and welcome to today’s Belgacom 2014 Q3 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, Head of Investor Relations. Please go ahead.

Nancy Goossens: Yes, thank you. Good afternoon to you all and I guess good morning to the people that are calling in from the United States. I trust you have all received the report and the slides that we sent through this morning. If not for whatever reason note these are also available on Belgacom’s website. So for the new people on this call, note that we will not go through all the slides as we hope that you have seen all the numbers in detail already, so we foresee for this call about an hour for which most of that will go to the Q&A.

I have the pleasure to have here with me around the table actually a big part of the management committee, more precisely I have Dominique Leroy, the CEO. I have Ray Stewart, our CFO; Phillip Vandervoort is here, he’s Head of the Consumer business unit; Bart Van Den Meersche responsible for the Enterprise business unit; and we also have Geert Standaert for any questions you might have on the network or the wholesale department; and Daniel Kurgan, the CEO of BICS.

So I’ll leave now the word to Dominique for her opening statement.

Dominique Leroy: Yes, good afternoon everyone and good morning for our US colleagues. Welcome on this conference call on Belgacom’s Third Quarter Results. So I would like to say a few words before we start the Q&A. Overall I’m very pleased with the evolution of our financial and operational performance. As you could see in the documents that we released this morning we were successful in continuing the positive trend from the previous quarter. In particular the revenue trend from the Consumer and Enterprise segments are very satisfying. For both we see
that the mobile service revenue is recovering well. This shows that the effect from the re-pricing
is saving and that we are benefit from the growing postpaid mobile customer base. This growth
also continued in the third quarter in spite of some competitive moves and while July and
August were lower commercial intensive months for Proximus. Nevertheless we gained again
72,000 postpaid cards or 31,000 paying voice and data cards. The loss in prepaid was further
improved for the Proximus brand with the Mobisud card included, we lost 46,000 cards. The
mobile revenue is also showing positive effects from better customer gearing thanks to some
effective joint offers and competitive high end pricing, we see the number of customers in that
price segment growing. Another driver is the increasing data usage, in particular for roaming. All
in all this benefits the mobile ARPU evolution.

With solid mobile revenues we also see a good revenue growth in fixed products. Proximus TV is
showing a double digit growth. Here too we benefit from the continued customer growth
adding 33,000 subscriptions in the quarter. We also see a good update in paying TV options such
as football, TV replay and movies and series packs. Within our Enterprise segment ICT delivered
a healthy 5% organic ICT revenue growth. Our conversion strategy is playing a crucial role in our
success. This is also showing in our household reporting in which you can see that we continued
to progress on the number of 4-play householders, +12,000 in Q3 for which the average revenue
per household increased to €105. As a result the revenue Belgacom gets from 4-play households
increased by almost 16% compared to last year. Besides good revenue we also show the favour
of evolution in our costs with both our HR and non-HR expenses lower than the previous year.
All in all this leads to a solid underlying EBITDA level for the third quarter 2014 showing a 1.5%
increase to €431 million. I am very pleased to see that the ongoing execution of our Fit For
Growth strategy is starting to show in the numbers. Our ambition to show underlying revenue
and EBITDA growth again in 2016 is therefore coming another step closer.

So to conclude on the numbers I am proud that we can present to you today this good set of
results and that we have been able to continue the trend improvement that we have shown in
the previous quarter. It is thanks to Belgacom’s sound business trends that we are raising our
EBITDA expectations for this year, therefore we expect to end the year 2014 with a slightly
positive EBITDA.
As a last point I want also to announce that our board has approved to return an interim dividend of 50 cents per share payable in December. We also reiterated our intention to pay a stable dividend of €1.50 per share over the results of 2014, 2015 and 2016.

So I think with this it's now time to turn to your questions. Thank you.

Nancy Goossens: Operator, can we open the line for questions please?

Operator: Certainly. If you would like to ask a question at this time please press *1 on your telephone keypad. Please ensure that the mute function on your telephone is switched off to allow your signal to reach our equipment. Again please press *1 to ask a question. We will pause for just a moment to allow everyone to signal.

We will now take our first question from Michael Bishop from RBC. Please go ahead, your line is open.

Michael Bishop: Hi, good afternoon. Just a couple of questions from me. Just looking at the recovery in mobile service revenue growth within the Enterprise division, you cited in the release that you were seeing a nice impact from 4G but could you just give us a little bit more colour around that dynamic? Is that people spinning up through the packages as they use more or are you actually charging an up-front premium for 4G to business customers and how do you see that dynamic developing through into 2015? Then secondly on the overall broadband market in Belgium, if you take Telenet’s quite strong broadband adds and yourselves given what Mobistar reported as well, it seems that there has been a reasonable amount of growth in the overall broadband market. Could you just talk through the dynamics there and whether you see that continuing? Thirdly just a quick question around the iPhone 6 subsidies. Are you subsidising the iPhone 6 to combat Telenet’s offers or are you focusing on other handsets? Thanks.

Bart Van Den Meersche: I’ll take the first question on mobile services for enterprise where we indeed have important growth. Part of this is indeed driven by the fact that more and more customers are using smartphones and more and more customers are using 4G. Linked to that, for instance the growth in mobile data is quite important, so the volumes in mobile data are
quite important. So this is one of the growth areas, the areas that fuel the growth in mobile services.

Phillip Vandervoort: To the broadband market, our share stays flat in that market and we maintain our approach there. About the iPhone 6 we are subsidising various sets of mobile handsets. We do that very tactically and actually a small percentage of the handsets that we sell are subsidised. The iPhone 6 is part of that at certain points in time but we are definitely not reacting to what the competition is doing. We are playing our own games out there.

Michael Bishop: Thanks. Just to follow up on the broadband market growth, Telenet did allude yesterday to the fact that they were promoting around the fixed line packages during the quarter. Was that the same for yourselves and hence why perhaps the overall growth was a bit higher?

Phillip Vandervoort: We’re promoting our quadruple play packages mostly and as you see we had growth on quadruple play and on the triple play as well and we definitely pushed the packages in the market and not specific products.

Michael Bishop: Ok. Thanks very much.

Operator: Thank you. We will now take our next question from Emmanuel Carlier from ING. Please go ahead, your line is open.

Emmanuel Carlier: Yes, hi, good afternoon. Two questions from my side, the first one on cost savings. I see that year to date cost savings were above expectations. Could you maybe provide an update on the cost savings plan you have because it looks like you’re ahead of your plans? Then secondly on mobile, there is a lot to do about the new EAP technology. Could you share with us maybe your views on how you believe this could impact the mobile market with respect of maybe between mobile only operators and operators that can offer a full conversion package? Thank you.
Dominique Leroy: On the cost savings side, it’s true that you see that we have done some good progress on cost savings. Our planned target as stated at the beginning of the year is that we want to keep workforce costs flat over 2014 and up to 2018 and to get an additional 100 million savings on top of that coming both from workforce costs and non-HR. It’s true that currently we are a bit ahead of plan but that’s good and I think it’s mainly thanks to some simplification exercises we are doing where currently certainly on the selling and ordering side we have replaced our IT systems, we are a bit more efficient. We have increased our customer service in these areas and it’s showing both on the cost savings but also on the customer experience and we have several other initiatives that are going on in the company. Some of them have been highlighted recently also on network simplification with plans to get out switches, with plans to go even faster with network simplification, so all these elements add up to help us, indeed reduce our operating costs in the company. I will now hand over to Geert for the second question.

Geert Standaert: Good afternoon, this is Geert. With respect to EAP, EAP is a kind of methodology that allows you to automatically connect to Wi-Fi hotspots. This is as such that as of November we will launch as well that EAP feature, that will be on about 700,000 Wi-Fi hotspots. The rest of our remaining spots will be available latest in 2015. The EAP methodology that we will put on the market as of November is a SIM-based EAP methodology, so there is no need to bring in username credentials, so it will be based on the SIM-credentials. So are the features on active on all currently used smartphones that are sold and for our install base that will work for about 70% of smartphones. EAP SIM is something that we’ve tested some months ago in the Gent area where we’ve activated that on about 10,000 of our hotspots and in fact what we see is that usage satisfaction is way higher if you do this in a more simplified way.

Emmanuel Carlier: Do you believe that EAP could be a competitive advantage towards the mobile-only operators, gaining additional customers?

Geert Standaert: Yes. So clearly EAP or Wi-Fi hotspots, there’s a kind of add-on in our convergence strategy, so we definitely believe if you make it easier for your customers that is absolutely of benefit.
Emmanuel Carlier: Ok. One follow-up on the cost savings plan, so we used to have quite some inflation in Belgium and then the wages were automatically adapted. This will not be the case in the coming years also with the indexation that the new government cancelled for the first 2%, so based on these elements, the workforce costs could probably be down instead of flat – is that correct? Secondly on the 100 million additional cost savings, do you think that these savings will be back-end loaded or rather front-end loaded? Thank you.

Dominique Leroy: Through the fact that probably there will be no inflation next year will help us achieve the work cost flats and in terms of the 100 million, currently I think the best estimation is to use is evenly spread over the period.

Emmanuel Carlier: Ok, thank you.

Operator: Thank you. We will now take our next question from Akhil Dattani from JP Morgan. Please go ahead, your line is open.

Akhil Dattani: Hi, good afternoon, a couple of questions please. Firstly if I look at the consumer segment in mobile, the ARPU trajectory is continuing to improve and one of the points you’re highlighting in your press release is the support that you’re seeing from mobile data consumption. I just wondered if maybe you could share a couple of stats with us in terms of how you see this evolving and what you’re seeing within your customer experience? I guess adding from that just a short update on the price environment in Belgium, what you’re seeing, whether the Telenet revamp from earlier in the year is having any sort of impact at all in the mix would also be useful. Then just secondly on your guidance, if we were to assume that your revenue growth in Q4 on an underlying basis were comparable to Q3, then on my maths it would seem that you would actually come in above the guidance. I just wondered if you could comment on whether at least mathematically that makes sense to you and in that context maybe just a little bit of colour in terms of the thinking behind changing the EBITDA guidance but maybe at this point choosing not to make any adjustments on the revenue side. Thanks.

Phillip Vandervoort: On the mobile ARPU it’s improving significantly since Q1 already and that shows that we’re recovering basically very well, generating value in a shrinking market, but the
improvement is a result of the fading impact also of the customer re-pricing and favourable customer tiering and on the customer tiering I would like to highlight that that is why we do those tactical joint offers where we really go into the very high end of our mobile pricing and that has a very positive impact. Then of course that drives then consumption with more 4G, more calls, re-pricing also has driven more consumption on data and more consumption on voice. Then for the second part of your question, could you repeat that?

Akhil Dattani: Yes, sure. Are you talking about still releasing to the ARPU or are you talking about my guidance question?

Phillip Vandervoort: No, not yet the guidance.

Akhil Dattani: I guess I was just interested just generally in the consumer pricing environment and I guess just to be more specific on that question I guess the one thing in the mix that I was just trying to understand is if we’re looking at the churn in Q3 in the CBU division in mobile, the churn seems to have picked up a little bit in the last couple of quarters despite the increased bundling, so I just wanted to understand if there’s the temporary issue...what are you really seeing in the market at the moment just so we kind of understand that dynamic?

Phillip Vandervoort: First of all we think that the price war is stabilising, whether it’s over or not it’s hard to say but it’s definitely stabilising. As we said, as we always repeated we will not drive that price war but we will tactically react to what the market is doing and what the competitors are doing. If we look at the churn rate, the churn rate, the numbers that you see is overall over the small, medium and the larger tiering and of course the competition is high on the low end of the tiering. We have adjusted our mid-tier packages in October and we have seen very good results on that. As I mentioned before the impact of joint offers drives not just the loyalty of the customer but also the ARPU overall, so overall I think that’s the market dynamics. There’s a switch-in, switch-out of customers, then we react very tactically with our different price plans to that, driving our consumers up to the medium and the high range of our packs.

Ray Stewart: On your question on the guidance, yes, you’re correct. Mathematically it could be maybe slightly better but it’s not compelling enough, where if you look at our performance in
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the third quarter it was strong on the revenue side but also on the cost savings, so it became obvious that the EBITDA guidance we had to improve that was compelling. The revenue is not, so we still feel comfortable.

Akhil Dattani: That’s clear, thank you.

Operator: Thank you. We will now take our next question from Paul Sidney from Credit Suisse. Please go ahead, your line is open.

Paul Sidney: Thank you very much, just two questions please. Given that mobile has improved rapidly over the last six months, could we just understand a little bit more about your decision to include more data and minutes in your Smart 25 and Smart 35 tariffs from 1st October which coincided with the rebranding? Just second question, looking much longer term, now that you have returned to EBITDA growth, should we be thinking about Belgacom as an EBITDA growth company now on a kind of 5-10 year view, not fishing for any guidance going forward but just really thinking about the shape of the EBITDA on a more longer term view? Thank you.

Phillip Vandervoort: Linking your question to the previous question on churn and then linking it to our re-pricing of the 25 and the 35, the Smart 25 and Smart 35, indeed prior to the rebranding of Proximus and the integration of both brands, we have been very quiet in the market not to push, to hold brand positions too far, so we were quiet in the market and we’ve really ramped up our communications. So we were not very active in that market at that point in time. Then when we had the re-branding with inception when we became Proximus we did adjust our Hero offers, the Smart 25 and the Smart 35 to be much better linked in market, then we added indeed 1GB of data which was a reaction to the market.

Paul Sidney: So just to follow up, you felt as though that was more your catching up with the rest of the market rather than actually...

Phillip Vandervoort: That is correct. On those two we’re really catching up on the market, specifically on the 25 where we added 1GB of data. On Smart 35 we added the Proximus to Proximus Gold.
Paul Sidney: Thank you.

Dominique Leroy: Coming on your EBITDA growth perspective, I think it’s very difficult to give very precise figures now. We’ll issue guidance in the first quarter, end of year results in the first quarter for next year. The only thing I would reiterate is the clear will that we have to show both revenue and EBITDA growth underlying, both revenue and EBITDA underlying growth as from 2016.

Paul Sidney: That’s great, thank you.

Operator: Thank you. We will now take our next question from Ruben Devos from KBC Securities. Please go ahead, your line is open.

Ruben Devos: Yes, good afternoon, Ruben Devos from KBC Securities. I’ve got two questions, the first one related to your TV revenues. It was obvious that the growth in the residential segment was partly driven by strong increase in TV ARPU. Could you elaborate why there was such a substantial uptick in ARPU and how your pay TV platform is evolving? Which options gets the most distraction? Was it explained by the strong uptake of the Belgacom football subscriptions? Then the second question related to your Proximus rebranding. Telenet indicated yesterday that you were primarily focusing on the actual rebranding but that they had more or less anticipated a change from a product standpoint. Now my question is could you shed some light on the progress you are making and whether we could expect a more aggressive stance towards the year end? Thank you.

Phillip Vandervoort: On your first question our TV revenue is driven by customer base and ARPU and that is driven by simply enriching the package significantly not just by new components but also by components that we had on the market that we stressed even further. TV Everywhere is one of those components, movies and series passes is another one. Those are two products that our customers value a lot. The football package and the way we priced it and put it in the market has been highly appreciated by our consumer base and definitely apparently the offering that we have is a very high valued offering.
Ruben Devos: Related to this, did you see an increased level of churn for your current subscription, video subscriptions considering your partnership with Netflix?

Phillip Vandervoort: It’s a little bit too early to talk about that, no, definitely not. We’ve got a lot of very, very positive feedback on our association with Netflix and that was really starting to materialise more aggressively when we will have Netflix on the set-top box. The feedback from the market has been extremely positive. We’re launching our campaigns now actually to attract customers to our platform and Netflix and we expect good results from that. The focus on the re-branding, prior to the re-branding as I just mentioned, we were very quiet in the market and we have not reacted to what the competition was doing in that market. They were extremely and very aggressively communicating about their products. We are concentrating after the re-branding and we’ve seen strong uptake of all the products basically after we started the Back to School campaign and our presence in the market now is substantially higher. We expect also much bigger impacts simply by the fact that we’re not pushing two brands any more in the market but one single brand and that we have very consistent communication now around always to be close to what matters to the consumer.

Ruben Devos: Thank you. If I can add just one follow-up please, I notice that you’ve had a very marked increase in terms of the mobile terminals. They advanced by 52% year on year. I was just wondering if you could provide some more colour what has made this line to make sure a marked growth and just for our models whether we can further extrapolate this in the future, this 38 million mobile terminal revenues?

Phillip Vandervoort: We have been very close partners with Samsung and Nokia in the past. We’ve held off on Apple until we were able to strike a win-win deal, a deal that was acceptable for us to put Apple on our distribution platform which is very strong. That allowed us to build a very strong relationship with Samsung in the past. We are maintaining that very strong position and now we’re adding substantial volumes on Apple and that just strengthens what we’re putting in the market there which allows us then to drive higher tiering on our mobile offering.

Ruben Devos: Ok, thank you, very helpful.
Operator: Thank you. The net question from Joshua Mills from Goldman Sachs. Please go ahead.

Joshua Mills: Thanks very much, just two questions from me. The first related to that joint handset offer which you’ve referenced a couple of times. I was wondering if you could give us any colour on perhaps what proportion of gross adds that you’re now taking on accept that offer, just so we can think a bit more about handsets going forwards. Related to that as well, the smartphone penetration which you currently see within your base and customers willing to use 4G there. The second question more on the fixed side, Mobistar are still talking around launching before the end of the year with an aggressively priced cable wholesale offer. Do you have any expectation as to how that might impact on competitive intensity perhaps not on mobile but more on the fixed side next year and how do you think it’s best to prepare for that? Thank you.

Phillip Vandervoort: Could you please repeat your first question because I don’t think we understood it correctly?

Joshua Mills: Yes. It was just on the joint handset offers. You think that was one of the key drivers this quarter behind the sustained level of net adds in mobile. I was wondering if you could give any colour around how many of your mobile adds are taking those joint handset offers? Also what level of smartphone penetration you see in your mobile base at present?

Phillip Vandervoort: As I said before, the joint offers are really tactical, less than 10% of the handsets that we sell are actually in joint offers, so I repeat, it is tactical. It is not the key driver for us but as I said we do use them tactically to drive higher gearing. The smartphone, that then in turn allows us to drive smartphone penetration and our smartphone penetration is slightly higher than the Belgian average. Then on the Mobistar offer, we think there’s definitely room in the market for entry level television and broadband and that’s what we’re positioning our Scarlet brand and we have very strong successes there. Introducing a fixed package is a lot more complex than just creating the offer. You have to establish the relationship. You have to be equipped to enter the relationship with suppliers. You have to sell it. You have to be equipped to enter the houses to install it. You have to be equipped with support centres that can answer all those questions, so for somebody who’s not at all in the market it’s an uphill battle.
Ulrich Rathe: Thanks very much. My first question is on the competitive outlook, the Telenet CEO yesterday made some comments that he expects a rather tough 2015 because he sees no growth in the market so there will be a sort of reversion in his view of a strong haggle for share for everyone to fulfil their revenue stability and then maybe even growth ambitions. I was just wondering whether you have a perspective on that, along the same lines or either contradicts that? My second question is about the rebranding, obviously you have guided very specifically for the rebranding costs in the second half of this year. I was just wondering whether there’s any chance this could spill over in some way into next year in terms of higher marketing costs and advertising costs? Then my last question is on the mobile service revenue trends, it is probably fair to say that Q3 last year was pretty much the trough in terms of declines in both ARPU and mobile service revenue decline both on consumer and enterprise and that obviously was a significant step down in the third quarter of last year in terms of trends versus the second quarter last year, so to an extent now what we’re seeing this quarter is a reflection of the easier comp, so maybe what we’re seeing now in terms of trends is not something that’s sustainable and I was just wondering how you think about that and what could be sort of the outlook for an underlying mobile service revenue trend over the next couple of quarters just as a sort of general trend because it would be flat year on year and a very good number for you. I’m just wondering whether you think that could slip back into a decline? Thank you.

Dominique Leroy: Concerning your first question, competitor outlook, I think we are in a different position that Telenet. Telenet is very much based on the consumer market. We have a strong two tiered business based on consumers and enterprise. We are able to upsell from both our mobile and fixed platform to triple play, quad play and also in the enterprise market we have now quite a significant number of new products more in the IT network related services with products like security, like Internet of Things, like that, so I think the situation for Belgacom is slightly different and I still think that we have a perspective of improving the upsell of our customers along the pricing but also along the plays and also along the IT side in the enterprise business. Our market share is also significantly lower than that of Telenet in Flanders so I think
in that sense as well the possibility to do as we call win-backs is also much bigger than that one of Telenet, so I would probably be a bit more optimistic than my competitor on the outlook of 2015 for our own company. On the re-branding, we intend to bring all the once-off costs of re-branding this year. If there are some extra investments next year we will not report them separately. It will be part of our business unit plan, so it will not be reported separately. On the mobile revenue trends I think you are right when you say that Q3 last year was the bottom-up. I don’t think there are some specifics we have seen now in Q3 that would be only tactical. I think the revenue trends on mobile is more a structural one, looking at the fact that we have more upsell, we have more data consumption, we have more smartphone consumption, I think it’s not a once-off but it’s probably more structural and that should also help us for next year.

Ulrich Rathe: Thank you very much. That’s very clear, thank you.

Operator: Thank you. We will now take our next question from Bart Jooris from Bank Degroof. Please go ahead, your line is open.

Bart Jooris: Yes, good afternoon. Thank you for taking my questions. I have two more questions regarding the decisions or agreements of the new government. First of all a really small one, notional interest deduction will be lowered due to your tax rate? Then a more of course strategic one, there was the famous phrase that they will ask KPMG to analyse a more active management of state participations. Have you been in talks with them? Do you know what their ideas are? Then on the business, it’s a little bit of a follow-up on Telenet’s less optimistic vision on 2015. As a reaction they plan to be even more aggressive than usual in the fourth quarter. Will that also be your case because you still have the rebranding going on? Finally a small question, could you give us an idea of the impact of the 4G speed gearing? That’s all.

Ray Stewart: On the notional interest I guess what I’ve been saying publicly is in the past when I’ve said what have you used in your model for the effective tax rate, it probably would be around 25%, 26%. Now I see going up let’s say around 28%, maybe even 29% depending on what they do.

Bart Jooris: Thank you.
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Dominique Leroy: Considering your questions on FPIM we have not had any contact yet with FPIM. We have had some contact with our responsible minister and then he will be the first point of contact. FPIM still needs to be set up. On that sense I think it’s probably a positive one because you will have all the state participation be managed by one organism, be really looked at on fair value so in that sense for us I don’t think it’s a negative one. It’s something that will help rationalise some discussion before the rest in terms of strategy and things like that. The discussion will remain with our responsible minister.

Phillip Vandervoort: On your question on Telenet’s outlook for 2015 and their Q4 activity, Dominique said what our outlook for 2015 is, so we’re not tuning our Q4 activity for that. That being said we have been quiet over the summer because we were preparing the rebranding. We have been very active in the market since and our marketing effectiveness in putting all the means behind one single brand has proven very successful. Q4 is typically very active and this is not changing this year. We have now in the market nice promotions on TV, on mobile, on fixed and we continue to do that and we feel very confident on the results on that. On 4G speed gearing, yes, I will first cover that from a commercial perspective then Gert will cover that. Introduction means of tiering are of the utmost importance since our competitors are pushing continuously or giving basically more SMSs, more minutes and more gigabytes and that game has an end and as we said we will not be driving that but we are introducing an additional factor that allows us the gearing up to the medium and high smart packs that we have.

Bart Jooris: If I could follow up on that, have you already seen an effect on people up-scaling because of that tiering or even maybe churning because Mobistar does not do scaling?

Phillip Vandervoort: No, not at all. If you look at our average speed, our network is a very high quality network and our average speed is excellent. The experience is really excellent even at lower tiered speeds.

Geert Standaert: I can maybe complement that a bit with technical benefits and I will come back on the speed that Phillip referred to. So thanks to giving the 4G access to all our customers, we expect a traffic reduction on our 3G of about 18%. That gives two benefits, of course we can
avoid some over-investments in 3G capacity – that is one, but at the other side we decrease also the load on our 3G network which gives then a benefit for all our 3G users. Now with respect to the real surfing experience, it is as such if you have a 4G capable device in Belgium and you are a Tier 1 customer, your speed experience is 40% better than the competition. If you look at the speed experience that we give on our Tier 2, so where we cap a bit the experience, this is still as good as the 4G speed experience of our competitors.

Bart Jooris: Thank you, that’s very clear.

Operator: Thank you. We will now take our next question from Marc Hesselink from ABN. Please go ahead, your line is open.

Marc Hesselink: Thank you. My first question is on your view on the network investments from Telenet, so in the next five years going up to much more speed, what do you think in relation to your own network, your own speed that you can get and the capacity that you have especially also with Netflix on the market. Then secondly maybe a follow-up on earlier, the low inflation rates. What do you see there as a read-through for your potential to increase prices? Those were my questions.

Geert Standaert: Ok, so I’ll take first the question on speed. First of all what we are doing as announced is in the rollout of our vectoring technology. By doing that we see that the average speed on our network has already increased, the average speed to 40 megabits per second but all customers that we have moved to the vectoring technology with our latest modem, we see that 98% of them are getting to the 70 megabit guaranteed speed. Now what we are going to do in the future is that we are going to even increase those speeds on our copper network and the ambition that we have is to raise those speeds to 100 megabits but then 100 megabits per second, that’s gated per home. We will do this by further optimising our vectoring technology and by adding some additional optical notes into our network. At the other side as we already announced in the past with respect to new zonings etc, there we bring now fiber to the home and specifically as well for our EBU enterprise segment we are boosting further fiber connectivity.
Marc Hesselink: Ok, so that means that you’re not worried about the assessment they are making that that will exceed the stuff that you can do?

Geert Standaert: Well, if you look at the 100 megabit per second dedicated per home guaranteed speed, we believe if we look at different new services that will be coming in the next coming years that you will have a more than you can eat situation on our network. The speeds that they are referring to are as well up to speeds, in our case the 100 megabit per second is a guarantee speed per home.

Phillip Vandervoort: From a commercial perspective the guaranteed speed is indeed critical and if you look at the statistics that Netflix has brought out earlier last week I think, you can see the typical tiering between cable and copper as in every single other country, Belgium is at one country goes the fastest and that includes us, the fastest in Europe. So we’re very confident we have excellent speed for Netflix. As to your price increase opportunity due to no inflation or less inflation, we don’t think that inflation drives price increases. We will continue to offer more services, the packages that are more valued and we will continue to drive to triple and quadruple play. We definitely believe that ARPU increases through those means are much more sustainable than through just flat price increases.

Marc Hesselink: That’s clear, thanks.

Operator: Thank you. The next question is from Guy Peddy from Macquarie. Please go ahead.

Guy Peddy: Yes, good afternoon everyone. A couple of quick follow-ups, you talked quite a lot about data volume growth. Can you actually give us some numbers behind that? What are people using from a data perspective and how has it actually grown? On a secondary point given your rebranding exercise, did you delay or did that stop some of your normal corporate activity that therefore means that your EBITDA this year is slightly inflated by the fact that you held off your normal marketing budget and then have treated a big lump as a one-off? I am just slightly concerned about what is the underlying marketing spend this year given the rebranding exercise? Thank you.
Phillip Vandervoort: On the data volumes yes, we do see a significant growth of those data volumes, 15% quarter over quarter and if you look at it year over year it’s actually 100% growth on data consumption that we see. We see both trends in CBU and in EBU of course driven by smartphone penetration that I highlighted earlier. Coming to the marketing spend, we’re not underspending in marketing. We’re phasing marketing spend differently. Over the year we will be spending the budget as foreseen. It’s just a very smart phasing of the marketing to sustain our rebranding.

Guy Peddy: No, but what I’m trying to get at is did you effectively hold off marketing spend in Q3 because of your rebranding exercise? So next year we should be thinking that Q3 marketing was effectively understated because you put it all as a one-off?

Phillip Vandervoort: No, definitely not.

Guy Peddy: Ok, thank you.

Operator: Thank you. Our next question is from Luis Prota from Morgan Stanley. Please go ahead.

Luis Prota: Yes, thank you. Just one more question from my side, on personnel expenses you are mentioning natural attrition as helping personnel expenses this year. Can you maybe give us an indication on the number of employees that you are expecting to retire in the next two or three years and that should help to keep personnel expenses flat? Thank you.

Michel Georgis: So regarding the persons that will retire, roughly I think it’s around 700 for the five years to come while for the period 2018-2019, 2023 it will be significantly higher.

Luis Prota: Sorry, you said for 700 people it’s a cumulative number for which period?

Michel Georgis: Yes, for the five years to come. So it’s a very limited number of people that will leave the company due to natural attrition.

Luis Prota: Ok, that’s clear. Thank you.
Operator: Thank you. The next question is from Stefaan Genoe from Petercam. Please go ahead.

Stefaan Genoe: Yes, good afternoon, thank you. First a follow-up question on the guidance. We’re seeing organic EBITDA growth or underlying EBITDA growth in Q3 this year. Do you expect EBITDA growth in 2016? If I look at consensus today under my estimates, we expect an EBITDA decline in 2015. Is there a particular reason why we should have this decline in 2015 given you’re back to growth already today and if we take the sequential impact of the FTE declines that took place this year, what kind of items should we taken into account or do you feel comfortable with already an increasing EBITDA in 2015? That’s my first question. Secondly EBU remains very strong. Most of your competitors indicate that that’s one of their target markets. We also see a relatively weak economic environment. Can you elaborate a bit or give some more colour on how you look at these items? Then thirdly can you also give us some more colour on your customer wins in Wallonia versus Flanders because part of your rebranding or commercial efforts you will take is targeted in particular to Flanders. Thank you.

Ray Stewart: I will take the first one on the guidance. I think Dominique said earlier we will provide guidance on 2015 during the first quarter of next year. It’s just too early right now for us to give any flavour on what the guidance might be for next year.

Stefaan Genoe: But there is no specific item which we would take into account, say that’s one of the reasons why we see a decline next year?

Ray Stewart: No, that is correct.

Stefaan Genoe: Ok, thank you.

Bart Van Den Meersche: As for your second question on Enterprise, it’s true that the economic environment stays difficult, that we see signs of improvement. Nevertheless within that environment we succeeded in achieving pretty well. Why is that? As you’ll have seen in the results it’s linked to two areas: mobile services, different elements that surround that. One, we have growth in the net adds which is basically linked to important win-backs that we’re doing;
better gearing thanks to management where we focus on retention of higher value customers and acquisition of high value customers; and the third is the re-pricing effect is fading so that is also helping us. The fourth is as mentioned already several times, it’s mobile data that is exponentially growing thanks to the penetration of smartphone and 4G. So all of those elements together despite the economic environment allow us to have good results in mobile services. Then in ICT we have good results also. There you could say as you have seen in the documentation, it’s mainly linked to growth of an important ICT outsourcing contract in Benelux. It’s often the economic environment that inspires customers to outsource more services to other vendors and that gives us an opportunity also.

Stefaan Genoe: Ok.

Phillip Vandervoort: On the consumer wins, the markets Flanders and Wallonia, the markets are different. Our market penetration is different. The brand perception and brand preferences are different, so we have slightly different approaches to different markets in our sales channels but the effect is very balanced between the North and the South.

Stefaan Genoe: Ok, thank you.

Operator: Thank you. The next question is from Usman Ghazi from Berenberg. Please go ahead, your line is open.

Usman Ghazi: Good afternoon, I have a couple of questions please. My first question was I just wanted a comment on price increases. Can I take your comment to mean that you will not be leading the market on price increases and would rather focus on upselling? The reason I’m asking is obviously in the past there has been a situation where one or either Belgacom or Telenet raised prices and the others followed. You’ve had this consistent process of going forward. I just wanted to understand whether that is changing? The next question was just on the mobile upselling because of data in Belgium. When I look at the bundles, the bundles seem pretty rich, you’ve got a gigabit allowance, smartphone penetration is just in its early period and when I look at 2012 at least smartphone data usage in Belgium was nowhere near...was between 250-300 megabits per user on average, so when we talk about upselling, I’m struggling to see
how that’s happening when the data allowances are around a gig and the data usage on average is only around 300 megabits for example. Then the final question was on the rebranding. Sitting in London when you see the website for the rebranding etc, you don’t see much change apart from just a change in the advertisements. I’m sure there’s a lot more happening on the ground in terms of products etc so I was just wondering for those of us outside Belgium if you could maybe give a bit more detail on what is the key message for the new products etc that are associated with all this spend? Thank you very much.

Dominique Leroy: Perhaps just on the price increase because Phillip has indeed said that most of our price increases also comes from upsell but it will not only be upsell. I think we will try to keep the good habit of having some price indexation at least on our fixed sites, like we have the EBIT in Belgium. The thing is that we will always try to justify these price increases with increased services in the bundle, so it’s not only upsell but it should also be a price increase if the price increase is bundled with more service and more value.

Phillip Vandervoort: On the second part of your question on the mobile upselling, I think your analysis is spot on that some of our competitors are offering more than abundance, too much, way too much or way, way too much. The majority of the entries at Proximus are smart shifting users with a pack of 500 megabytes and that tailors perfectly to the consumption numbers that you were mentioning and that we mentioned earlier. What we do see – and that is the majority of our install base. What we do see is a rapid increase and I stated the numbers earlier, we see a rapid increase of those smartphone users and their 3G or 4G data consumption and that will allow us to then tier them up from 15 to the 25 and 35 later on.

Dominique Leroy: Perhaps on your last question, I understand that you want to see why did we do the re-branding and what the effect on the Belgian market?

Usman Ghazi: Slightly more broader. As analysts you try and look at what the rebranding is and you look at the website and there’s just one advertisement for example or a new kind of advertisement for the company, but there isn’t any change in the product bundles or anything like that, so you don’t get a sense for actually what is happening on the ground in terms of what
you’re doing with marketing or how you’re positioning the brand, so I’m just wondering if you could give a bit more detail on that?

Dominique Leroy: I think that the re-branding is two sided. You have a side which is the external side which I think is a very important one. It’s about how do people look at our products, at our services? What is the image, what is the identity? What is also I think and that’s certainly the thing that you see and that’s where people have high expectations on what is indeed the new look and feel of the brand but also what are the services that are coming behind that? I think we have already announced some products, the launch of Netflix on our TV platform is certainly one of the examples of additional services we want to bring. The launch of EAP-SIM is also certainly a good example of that, that we want to help people to have easy access to our products but also to all the content that is available. The re-pricing of our Smart 25 and Smart 35 to bring them more in line with the rest of the market that we have also done on the new brands. These are all elements that people see from an external perspective and more will follow, so it’s clearly that the rebranding is only the start of a journey and it’s about a new image, it’s about a new perception, it’s about more customer centricity but it’s also more value for our customers and more easy to do business with Proximus than probably it was in the past with Belgacom. There is another site on the rebranding which is also an internal site. There is quite a lot of transformation going on in the company and in that sense it’s also...the rebranding has created quite a lot of enthusiasm and changes and perception of change within the company and I think that’s also an element which is for me very important that’s probably less visible externally but that will really help us to accelerate transformation inside the company to become more agile, to become more flexible and to make sure that people go the extra mile for the new branding because they really feel that things are changing, so I think the combination of this internal transformation, the external look and feel and all the new products and services that we will bring onto the market should certainly be a very strong basis for further success and further growth of the company.

Usman Ghazi: Thank you very much.

Nancy Goossens: I think we have time for one more question.
Operator: Thank you. We will now take our next question from Daniel Morris from Barclays. Please go ahead, your line is now open.

Daniel Morris: Hi, good afternoon. I just wanted to follow up on the comments around the differences in your sales channels in Wallonia and Flanders specifically in terms of your ability to use regionally differentiated pricing and promotions. So first of all do you have a process in place to do that and is it feasible to target pricing and I suppose I’m thinking regarding Mobistar’s potential cable launch, should they choose to focus themselves for example in Wallonia. Do you have the tools and could you reach on a regional basis if that happens? Thank you.

Phillip Vandervoort: No we cannot. We cannot react on a regional basis. We are a national operator and we offer our products, we have to offer our products nationally. We just do some as I said minor tuning in sales instructions, but the products are the same.

Daniel Morris: And in terms of specific promotions, could you target those on a regional basis or if you’re promoting, you’re promoting nationally?

Phillip Vandervoort: By segment we could and then some segments are more represented in Wallonia than in Flanders, but that’s shares of grey. We take pretty much a national approach but our go to market and the way we sell it, that’s where we differentiate in our sales instructions basically.

Daniel Morris: Ok, that’s clear. Thank you.

Nancy Goossens: Alright. I think with this we can end the conference call. Thank you all very much for participating in this call. If you have any follow-up questions you can call the Investor Relations team and with this I’ll leave you and wish you a very good weekend. Bye bye.

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