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Bart Van Den Meersche – Chief Enterprise Market Officer

Geert Standaert - CTO

Daniel Kurgan – CEO BICS

Nancy Goossens –Director Investor Relations

Call Duration: 01:00:23

Operator: Good afternoon ladies and gentlemen, and welcome to today's Proximus 2017 first 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 Investor Relations. Please go ahead.

Nancy Goossens: Thank you. Yes, good afternoon, ladies and gentlemen, and thank you for joining us on this conference call. We trust you have all received and seen the detailed numbers by now. Just a quick reminder that all documents related to the results are published on our website, including a full set of slides. Before getting started allow me just to quickly introduce the participants on our side for the Q&A in a moment. So we have Dominique Leroy, the CEO; Sandrine Dufour, the CFO; Bart Van Den Meersche for your questions on the enterprise segment. We have Geert Standaert, the CTO; Daniel Kurgan, the CEO of BICS; and also Dirk Lybaert, our Chief Corporate Affairs Officer. So they will take your questions in a moment. I will pass now the word to Dominique. Please go ahead.

Dominique Leroy: Yes, good afternoon, everyone. Thank you, Nancy and welcome to our conference call. From the results that we have released this morning it is clear that we have started this year on a solid note. I am personally especially pleased that we have maintained very good increase in our customer base in the first quarter. We grew our mobile post-paid customer base by a solid 44,000 cards. And on the fixed side, Proximus took the largest share in the market growth by adding another 24,000 internet lines, and 27,000 TV subscriptions. This is the results of a number of elements, with one being the continued success of the Tuttimus and Bizz All-in offers. By end of March we have already 192,000 customers signed up on one of those two quad-play offers.

Another contributor to the overall growing customer base is the good traction from our no-frills brand Scarlet. Scarlet has achieved to maintain a more prominent position in the Belgian market, and has been successful in acquiring customers that are more price sensitive. So we have both the Proximus and Scarlet brands doing well in acquiring customers. And at the same time we have been able to keep the strong figures of internet and TV well below those of one year back. All-in-all this allowed us to further progress our market shares in all regions of the country. For fixed internet, we now reached a market share of 46.6% and for digital TV of 36.3%.

I believe we can be proud of this, especially in a market that has become more competitive over the past year. It shows that the company's hard work to improve and simplify the offers, enhance the customer interactions, and provide a very good network experience is paying off and turned Proximus into a sound, resilient company. The solid commercial results are also reflected in the first quarter financials with the domestic underlying revenue for the first quarter up to 3.2%. This was driven by higher revenue from fixed data, TV and some higher mobile device sales versus a low comparable base. For ICT too we posted a strong revenue increase which explains largely the 4.7% revenue growth in our enterprise segment.

Although we see serious competition in the enterprise market, we managed to maintain a positive trend thanks to our customer-centric strategy, the quality of the network and the focus on service quality and innovation. On the mobile front the mobile services revenue for the Consumer and Enterprise segments combined ended 3.1% below the prior year. For postpaid we achieved a fairly stable service revenue thanks to our growing mobile postpaid customer base, and improved tearing, which could offset the price pressure from the roaming regulation.

The revenue erosion of mobile prepaid however accelerated in the first quarter, triggered by the identification legislation, and this in a market which is already in a declining trend for some years. I am proud that we achieved solid growth in our domestic EBITDA. Even if we exclude the positive impacts from the Pylon tax provision in the first quarter 2016 we grew our domestic EBITDA by 4.9% in the first quarter and this in spite of the significant negative impact from the roaming regulation. The main contributor to the domestic EBITDA growth was our ability to lower our cost base. Our first quarter domestic expenses ended 4.9% below the prior year, again not taking into account the Pylon tax provisions.

Besides the continued effects from company-wide cost initiatives, this also includes the benefits from the early leave plan prior to retirement for which we had the second wave of employees leaving at the start of this year. BICS as you know by now operates in a more volatile business and posted first quarter 2017 EBITDA of €33 million which is a year-on-year decrease by €2 million due to a lower direct margin. Domestic and BICS combined, the underlying group EBITDA totalled €449 million which is 7.5% above last year or growth by 4% if we exclude the regional Pylon taxes provision. So notwithstanding the regulatory and competitive headwinds, we remain well on track to achieve our ambition to close the year with nearly stable domestic revenue, and a slightly growing group EBITDA.

We also confirmed the outlook given for Capex. We have initiated our fibre rollout now in five cities. So the Capex related to fibre will gradually increase over the next quarters. By end of 2017 we expect therefore the Capex to be around €1 billion. We also confirmed our dividend outlook, expecting to return over the three-year period 2017 to 2019 a stable dividend of €1.5 per share. Over the remainder of the year, we will further deliver upon our Fit for Growth strategy, transforming Proximus into a digital service provider, and focus on innovative and meaningful technology.

It is in this view that we recently announced the signed agreement to acquire TeleSign. This will strengthen and accelerate the strategy of BICS. We also announced yesterday a small but nevertheless strategic acquisition of the Belgian cybersecurity company, Davinsi Labs. This will reinforce our enterprise segments in terms of ICT expertise and will also complete our offering in cybersecurity.

Before we go over to the Q&A, I propose now to give the floor to Daniel Kurgan, CEO of BICS, to quickly highlight the strategic rationale behind the acquisition of TeleSign by BICS.

Daniel Kurgan: Good morning and good afternoon. TeleSign is a market leader of what is called two-factor authentication which is digital platform user authentication by SMS. And 20 out of the top 25 internet companies are customers of TeleSign to improve the security of their user accounts. So as such, TeleSign generates billions of SMS to all mobile network operators around the world, while we are physically connected to all these operators to which we are providing voice messaging and roaming services. So TeleSign fits completely with our transformation strategy of extending our service offerings to the digital service provider with security-related services and also of building a strong presence in North America. And by doing so in combining BICS and TeleSign, we are actually bridging the telco world with the digital world, and create what we call the world's first end-to-end CPaaS of communication platform as a service provider. And we will welcome questions on that. Thank you.

Nancy Goossens: Thank you, Daniel. Operator, I think we can turn to the questions now.

Operator: Thank you. Ladies and gentlemen, we'll now begin our Q&A session. If you wish to ask a question please press the code zero one on our telephone keypad and you will enter the queue. After you are announced please ask your question. If your question has been answered you can remove yourself from the queue by dialling zero and two. Once again please press the code zero one to ask a question. We have a question from Paul Sidney from Credit Suisse. Please go ahead.

Paul Sidney: So thank you, yeah. I just had a couple of questions please. Just the first question, so it's now a year since Orange Belgium have launched their cable resale products and Telenet launched WIGO. I was wondering, so do you think you're kind of over the worst now in terms of competing against the increased competition in wireline and multiplay. And do you see market sort of settling down a bit from here? And then second question. It's a few months on from your fibre announcement that you made back in December, I was just wondering if you could share with us the reaction of the regulator and the government so far? And actually do you see in the future, a potential pressure for you to actually extend or speed up the rate of fibre build? Thank you.

Dominique Leroy: Okay, so on the first question concerning Orange, Telenet and the market, I'm not sure we can say over the worst. I think there is a different marketing dynamic currently where indeed you have now several players which are offering triple and quad-play offer. And in that sense I think it makes the

market a bit more dynamic. And what you see looking at our figures is that more dynamic market has been positive for Proximus as a whole. Where at one end of the market we are able to compete with the Tuttimus and Bizz All-in offer under the Proximus brand where we have a quite high quality more for more offer which is gaining very good traction in the market with, as I said already 192,000 customers on it. And at the other end of the market we are offering the lowest price of the market through the Scarlet brand. And I think that dual-brand strategy enables us to really be even more resilient, and even grow our market share in a market which is indeed a bit more dynamic. But the dynamic is currently more benefiting Proximus than anything else. So I think that's certainly how we see it. And I think the markets will continue to evolve in that direction.

On the fibre announcements I think it's quite early to say any comments on regulator or government. I think there is a very large support from the government. And it has even been highlighted by the Prime Minister that he's launched a strategic investment plan for the country where the announcement of fibre investment from Proximus has also been highlighted as one of the strategic investments. So I think there is quite good support from the government behind our investments. From the regulator today it's proceeding with a new market analysis. They will normally reveal the first draft of that market analysis by the end of Q2. And we will then indeed see what type of direction the regulation will take both for cable and for fibre, and other technologies. I think it is way too early to give any indication on that. So today we are quite confident that we will be able to further invest in our fibre plan. And we started already in five cities. And I think the implementation is proceeding according to plan.

Paul Sidney: Thank you. Can I just follow up, sorry. And should we understand that you mean that fibre won't be a part of this review? I think you said in the past, but just to confirm.

Dominique Leroy: I think today the way that we review the market is indeed for the broadband market and for the TV market. So I guess the various technologies will be included in the market review. It doesn't mean that fibre will be regulated. I think what we have said is that we want to have a wholesale offer on our fibre. And that's normally when markets are open and wholesale offers are available. There is no need for regulation ex ante. So I think this is still our understanding of what's happening. But I think the market review will of course take into account the various announcements of investments both in cable and in fibre.

Paul Sidney: That's great. Thank you very much.

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

Emmanuel Carlier: Yes, good afternoon. Two questions, one on Scarlet. Could you provide maybe a bit more colour on the operational performance of Scarlet? By that I mean how many customers do you have? And if you don't want to provide that, could you maybe just indicate how important Scarlet was as an acquisition, too? So in other words so how much percent of the net-adds are coming from Scarlet?

Then secondly also related to customer growth, it was very strong I would say in Q1. Do you expect that run rate to continue in the coming quarters, or should we see the strong Q1 – or is the strong Q1 mainly related by the fact that Tuttimus was only launched at the end of 2016, and that was still helping good net-adds in Q1? Thank you.

Dominique Leroy: Okay, so on Scarlet, I mean you know, I usually don't give views on Scarlet currently. To give you a favour I can still say that Scarlet is less than half of our acquisition in Q1. So that gives you a flavour, because as we say Scarlet has more acquisitions than in the past but still the Proximus brand is the main brand in our acquisition portfolio.

On customer growth for the coming quarter to be honest, it is difficult to give an estimation at this stage. I think Tuttimus is working well. We continue to sustain Tuttimus. We still have several promotional activities foreseen for the rest of the year.

One element that we have changed in our offer is our joint offer mechanism where in the past every joint offer was linked with one tariff plan. And we have now changed that in the course of April where we are now leaving the choice for the customer to choose whatever device they want with whatever subscription they want. And in that sense, we are probably able there to attract a wide range of customers on our mobile platform. But that's currently the only changes that we have done on our portfolio. And I think, I have no indication at this stage that customer growth should significantly differ from the phasing of the previous years.

Emmanuel Carlier: Thank you.

Operator: Our next question is from Nicolas Cote-Colisson, HSBC. Please go ahead.

Nicolas Cote-Colisson: Thank you, hi. Just a follow-up on the Scarlet. Can you explain or describe the differences if any between the cost structure of the Scarlet pack compared to a Proximus-branded product? And my second question is on B2B. Obviously there is a strong level of competition on the mobile side, if you could describe what's going on there? And what is the plan to maybe slow down the erosion in service revenue on your side? Thank you.

Dominique Leroy: Okay, on the Scarlet, I mean the cost structure of Scarlet is really very different from that of Proximus. It is a separate, legal entity. It's completely run as an MVNO on the Proximus network. They have their own P&L. They have their own structure which is an extremely light structure. Their sales channel is almost exclusively a digital channel and a call centre channel, which are different call centres from the one of Proximus. So we do that for two reasons. First of all, it's to make sure that the service and the product offering of Scarlet and Proximus are still very differentiated. So we offer way more service, way more accessibility on Proximus being it in terms of accessibility, the number of channels, the number of SLA, the proximity to the customers, the content we offer.

And that's one reason why it's like that. And the second reason is of course if you want to be profitable with a triple play price of €39 you need to be a very low-cost operator. And that's really what is the key focus for us on Scarlet is to make sure that they keep completely their low cost structure with very lean and mean overhead structure, very low marketing structure, and mainly extremely low cost of sales structure. And on top of that they of course have no network-owned investments as they operate as an MVNO on Proximus. So that's the only reason why we are able to offer a triple offer at €39 with profitability within Scarlet.

Nicolas Cote-Colisson: And sorry Dominique, just an additional question on this. Would you say that the gross margin in euros term would be similar, or it is still very different?

Dominique Leroy: Well in euro terms, it's not similar. I think it's more an MVNO type of business. So in that sense you have to more look at the MVNO type of business to estimate the margin of Scarlet. So it's indeed different from the one we have on Proximus.

Nicolas Cote-Colisson: Okay, thanks.

Bart Van Den Meersche: Then on the mobile for B2B. So it's indeed, I mean still that we have fierce competition in mobile in B2B. But that we have been able to sustain our position until now based on all the elements that have been discussed earlier, mobile quality services. And so for that important is that for this quarter we have again been able to increase our customer park with 12,000 net adds. Next to that you have the growth in data. And we have a low churn, and you have a higher penetration of 4G in smartphones.

Having said this, you're right that the ARPU is under pressure. And now the ARPU is under pressure mainly because of regulation, the roaming regulation where the impact in B2B is substantially higher than in consumer. But having said that, also next to the roaming impact and the roaming pressure, we also have indeed competitive pressures. I mean actually we have two elements. There is competitive pressure especially in the corporate markets. And then you have in medium enterprise you have customers more

moving into smart enterprise bundles. So that there is less out of bundle revenues which on itself is an evolution still that we are encouraging.

So – but that is basically it. So now how do we intend to manage this ?. So roaming will have in the second quarter a little less impact as because it started in April of last year. But then you have the new roaming regulation coming on June 15. And next to that competitive pressure, we have actions around smart pricing that should allow us to sustain our position.

Nicolas Cote-Colisson: Thank you very much for that.

Operator: Our next question is from Roshan Ranjit, Deutsche Bank. Please go ahead.

Roshan Ranjit: Thank you. I have a question just on the enterprise segment again, but mainly on the fixed side. You previously said that this segment has suffered from quite intense competition. Now this quarter you delivered a strong result with the ICT revenues. If I look at the phasing, it seems to be a quite front-loaded quarter. Previously it's mainly been backend-loaded. Are we seeing a slightly change in dynamics in this overall segment, or is it just a question of phasing through this year?

And secondly, could you just remind me what stage we're at on the Belgium Soccer rights, please? Thank you.

Bart Van Den Meersche: I mean on your first question, just to be sure that I understood your question very well is your question whether the ICT performance will be sustainable over the next quarter? Is that your question?

Roshan Ranjit: The ICT performance I guess through the year because I think it was quite a strong quarter delivered today. Are we seeing a change in phase-in or is it something which can be considered going forward?

Bart Van Den Meersche: Okay, okay. So indeed we have a very strong quarter in ICT. So actually we had a growth of 16% on this quarter in ICT. Now as I said before, ICT business is a bit, how should I say, less predictive than it is for the telco business, because it's also linked to product sales. And so we had a very good quarter in product sales which is not in itself a recurring business. But next to that we also had good results in security and cloud and outsourcing services. So – but having said that it's not to be expected that the 16% growth is something that is going to be repeated every quarter.

Dominique Leroy: And so on the football rights I think the main thing I want to say is that we are quite happy that for the time being the Pro League has re-conducted the model that we had for the last three years. So that the football rights are given in non-exclusive basis to the various telco operator. And that they have not been given for instance to Eleven Sports network, which would be then a different model. So I think that certainly what we highlight and where we are quite happy with.

On the other end you have probably read in the press that there is already an agreement with Voo and Telenet on the Belgian football rights but not yet with Proximus. I think it's just a question of a few weeks where we are still negotiating the price for that. I mean our position is that we try to get those football rights at the lowest possible price to still be able to offer them at a very affordable price to a big number of customers. And that's still a discussion that is ongoing. So I think it's just a question of a few weeks before you will hear more on agreement of Proximus with the Pro League on football rights.

Roshan Ranjit: Thank you.

Operator: Our next question is from Michael Bishop from Goldman Sachs. Please go ahead.

Michael Bishop: Yes, thank you. Just the two questions from me. Firstly, I was wondering if you could give us an estimation of how far you're through the prepaid registration, and effectively how far you're

through the potential impact of that and whether it can ease throughout the year? And then secondly looking at the three-play average revenue per home, it seems to have fallen by two euros a month, and despite the price increases in January. So I was wondering if you could give us a little bit more colour on what's happening there? Clearly there might be some impact from more Scarlet customers, but I was wondering if there is anything else? Thanks.

Dominique Leroy: Okay, so on the prepaid I mean we are so far around 70%. So 70, 70% of our customers that have registered themselves. I think we are in the process now of almost sending SMS almost every week on the ones that have not registered. And we see of course an acceleration on the last week. So we still have good hope that we will be able to identify the very big majority of our customers there. On the triple play it's true that the main reason for the revenue decline is mix. It's a mix between Scarlet and Proximus.

And price increase, I just want to highlight that the price increase we have done in the beginning of the year was mainly on old products and mainly on single play products to push the people towards more triple and quad-play products. So you don't see so much price increase specifically on the triple play, and the decrease you see is mainly linked to mix.

Michael Bishop: Thanks very much.

Operator: Okay. Thank you. Our next question is from Vikram Karnany of UBS. Please go ahead.

Vikram Karnany: Yeah, thank you. I've got a couple of questions as well. Firstly on your cost savings outlook for this year how should we think about the phasing for rest of the year after the strong Q1? You know, your outlook of slight EBITDA growth for 2017 would imply that we have a significant drag in second half EBITDA which I guess is coming from roaming unless your targets are conservative. So we should expect still some cost savings to come through in the second half which would imply that there could be upside risk in terms of that outlook?

Secondly, in terms of fixed line regulation I know there's a lot of noise and you don't want to make a lot of comments on that. But should that regulation change to cost plus, you know, it will have some implications on your Capex profile do you think with more pressure maybe to defend your position? And will you kind of change the mix in terms of your Capex or would you be kind of thinking about increasing that Capex envelope maybe at a faster rate? Just wanted to get your thoughts. Thank you.

Sandrine Dufour: So I will take the first question on your question on the phasing of cost saving and the outlook. So as you saw Q1 was certainly helped by the fact that we didn't have in Q1 last year. So what we had in Q1 last year provision impact from Pylon that we did not have in this quarter that helped certainly the Opex decrease this quarter. But regarding seasonality you have to bear in mind that we were also helped in this quarter by the fact that we have two waves of early leave plan which are impacting the numbers.

So we had the first departures which took place in first of July, 2016 and the one first of January this year. And when we get further down in the year as of July this year, we will we have just one wave in terms of comparison. So that's one element. The second element is that we are expecting some wage indexation as well as of July this year that will have an impact when you will be comparing QoQ Opex reduction. So that's on the side of the Opex.

On the side of the top line and margins, certainly Roam Like at Home is something that will hit us harder as of mid-June this year. And that will put some pressure on the balance of the second half of the year. And you will remember that we said that we were expecting an impact – a total impact for the year of €61 million for the Roam Like at Home. And we were in Q1 the impact was €17 million. So there's certainly more to come in the next quarters. And so when you add all these elements both on top line and on the Opex line, that explains the outlook for the rest of the year.

Dominique Leroy: And so on the move to cost plus— so I think you refer to the fact that cable price currently is retail minus and there is some discussion or at least very much push from Orange to go to cost plus. I think first of all I don't think anything will come through before the end of the year because we will first have the market review first draft by end of the second quarter. And then you still have quite some process to go through with the regional regulators. So I don't expect any movement on that before the end of the year. But more generally I don't think we will change anything to our Capex and/or spendings if that would change. So we would speak to our current plan independently of the regulation of cable.

Vikram Karnany: That's clear. Thank you.

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

Ruben Devos: Yes good afternoon, and thanks for taking my questions. The first on handsets: throughout Q1 it seems that you sort of kept your foot on the gas pedal in terms of handset sales. It's somewhat different from your peers who have rather taken it back in pushing handsets. Should we read that promotions remain a priority to attract new customers in the mobile market? Or should we assume that it is rather an inter-year phasing effect, and now your subscriber acquisition costs should normalise throughout the year?

The second question regarding mobile competition. So lately there seems to be an increasing competition in the mobile markets, Voo introducing a €8 data boost option for 8 gigabytes, BASE doubling its data allowance. I guess Orange Belgium yesterday gifted one gigabyte for free. So how would you see the competitive landscape in 2017 and to what degree do you believe your current postpaid portfolio is set up well to further drive upsell? Thank you.

Dominique Leroy: So concerning the handset I mean, you need to know that the handset sales is not only handset sales in our own shops or used for promotion. And we have a big part of the handset sales which are sales to our indirect channels. And so a big part of that increase on handset sales you see in Q1 this year versus last year is the fact that we have really increased significantly the number of handsets we sell to third-party players in the Belgian market. So our promotional share of handsets has not particularly changed versus last year.

Concerning the increase in promotional activity on data, it's true that we see some movements mainly with operators that have a low base on post-paid. You know so it's mainly Voo and Base, where they really there I think Voo mainly try to get some position on the mobile and starting from a very low base. And where Base is very much a prepaid operator. And what they try now too in the identification, prepaid identification phase to try to move people up to postpaid. So I view those elements mainly as specific movements from some players to either get some mobile or move people to postpays.

It's true that globally speaking Belgium is still on a relatively low usage of data. I think if you look at all people on our network 4G consumption on average is around 1.3 gig per month. So it's still low and we have of course to see and follow the evolution of consumptions and usage. And we'll make our offer evolving function of the usage where one element will also be the summer, where people for the first time will be able to roam with local tariffs. And it could also have an impact on data, but at this stage nothing foreseen.

Ruben Devos: Okay, thank you. And if I could just have one additional question please for BICS. So similar to last year, you've seen a high volatility in the voice business. Some of it was compensated by the shift towards non-voice services last year. I guess the run rate has somewhat moderated versus the run rate last year. So I was just wondering does that have a particular reason? Or is it basically just an effect of the lumpiness in revenue generation of the BICS business?

Daniel Kurgan: Well, the voice business is a bit volatile. As you know, overall the volumes we think are still good because we keep gaining market share in a market which is declining. Now the traffic mix is a bit different. We are as you know very strong in Africa. And in Africa business is under strong pressure from

the OTTs. And you see the traffic decreasing everywhere. We've compensated that with more traffic towards other destinations where there is still growth but at lower prices. And that explains the big difference.

Messaging is still the same. I mean, we've got the A2P messaging that keeps growing while the P2P messaging, no surprise is in decline. And that explains the movements but that they are not very big. And at the same time we keep transforming the business with new initiatives on the roaming side, cloud communications, and that's getting traction. But of course it takes time to offset with decline in some structural part of the core.

Ruben Devos: All right, thank you very much.

Operator: We have a next question from Luis Prota from Morgan Stanley. Please go ahead.

Luis Prota: Yes, thank you. Two questions please. The first one is on the churn rate which I have seen slightly going up in the first quarter. I am wondering if there's anything specific behind this, or is it just increased due to competition? And I know that the increase is not big, but it is like a change in the declining trend of the previous quarters.

And the second question is a bit theoretical question on regulation on this retail minus versus cost plus. You were already answering the question saying that you're not going to change Capex or spending on the back of this or not expecting to. The question is more whether if regulation was moving to a cost plus there's a risk of widening the gross margin available for Orange and this might turn into a more competitive landscape in broadband and putting some risk on pricing? How would you see that? Thank you.

Dominique Leroy: So concerning the churn rate, I think what we see is rather a reduction of the churn, and that's certainly on the fixed segment. So if you look at internet and TV our churn rate is significantly lower versus last year. If you look at mobile you have a mix between postpaid and prepaid where I think our churn on the postpaid is also lower significantly versus last quarter. The only place where churn is slightly increasing is on prepaid, but that's mainly due to the end of anonymity and a lot of people are not renewing their prepaid subscription.

So I think for me the churn today is much more an element of satisfaction where next to growth acquisition, we also see a reduction of churn which for us is very important because it means that you can continue to leverage the business with much lower acquisition costs. So that's for me the element on churn.

And on the retail minus, to be honest when you listen carefully to Orange and mainly the comments they give to analysts is that they have already anticipated the cost plus regulation in their offering. And I think today they don't make any gross margin on their offer at 49 or 39 with high mobile. And I think if the regulation would go to cost plus, I don't expect Orange to decrease their pricing. Secondly they would probably use it to give probably more body and more features in their offer. But I don't think they would lower the price. And I think also longer term for the market, if we want to keep three operators which is somewhere also the willingness of the regulator, I think it's good if Orange can have some margin on their products.

Luis Prota: Okay, thank you.

Operator: Thank you. Our next question is from Stephane Beyazian from Raymond James. Please go ahead.

Stephane Beyazian: Yes, thank you. Just one question on TeleSign. I think I guess I'm trying to understand what extent it is, let's say a game changer for Proximus in the international B2B market. So in terms of strategy and perhaps then in terms of financial are you sort of able to share some data with us in terms of what is TeleSign's market share in its addressable market and the size of its addressable market? I suspect the market and the focus will remain on the sort of e-companies. So the sort of internet

companies rather than try to compete in the overall multi-national space where we see Orange, BT Global Services, and perhaps you could confirm that? And then in terms of financials, can you say a little more in terms of what sort of revenue growth momentum is currently, so not over the last three years but currently that you are seeing at TeleSign, and the possible cost synergies and margin outlook that you would be hopeful to see from this company? Thank you very much.

Daniel Kurgan: First of all your assumption is correct. The core market of TeleSign will definitely remain the digital platform and certainly not the multi-national even if – well, there are some verticals where we see traction. I think we see two axes. On the one hand SMS authentication, it still provides a lot of white space due to the fact that there are not so many users, that the digital platforms promote it heavily. So there is still room for significant growth with the existing customer base.

On the other hand the TeleSign has, you know, 500 internet companies as customers. They are very strong in APIs and they have developed all the set of APIs to interact with those platforms. And we can extend especially with our capability the messaging services from authentication to the more general alert, reminder and notifications, which overall is five times bigger. But when it comes to CPaaS services, well I mean I'm just referring to some specialised analysts on the other side of the Atlantic. They foresee I mean a tremendous growth in a market where today TeleSign is clearly the number two.

And while it's difficult to assess exactly the market shares because there are no data into that. But it's in today's world – I mean a double digit market share right, but in a market which is called to grow significantly. Now in terms of synergies, I mean we are not disclosing numbers. But obviously when giving TeleSign access to our reach to hundreds of mobile operators worldwide, I mean that would definitely improve, I mean, the profitability from the cost of goods sold perspective also giving us more bargaining and market power into the messaging market to drive more revenues but also at the higher profitability which is of course a driver for the acquisition.

Stephane Beyazian: Thank you; and just a follow up if I may, and sorry for my ignorance on TeleSign. But can you tell us more on the sort of geographic breakdown of clients currently? I'm just trying to understand out of the 500 how many are in the US or in Europe?

Daniel Kurgan: Most of digital platforms are in the US. So today the developed customer base I mean is above 80% of our customers are US located or HQ is US located. Then the rest is spread the cost as you can imagine in Europe and Asia. And obviously I mean now with big switches, I mean our DNA is very European. I mean we think we can – I mean create a more robust platform to penetrate the European market. And the other ambition is to together to increase in the promising Asian markets which are the three regions where there is growth. But today above 80% of customers are North American based.

Stephane Beyazian: Very clear, thank you.

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

Marc Hesselink: Yeah, thank you. The first question is on mobile. Can you explain or tell us a little bit more about how the data usage is at the moment? I mean is it increasing rapidly but are you approaching – have people filled up their bundles and they have to upgrade? And also in relation to that do you think that upgrading will happen soon or that you have also a tendency to increase the buckets, also what's being done by the competition?

Secondly also on TeleSign, is this also to come back on that, if it's a really strategic change, does it also mean that you are looking now to also to do other acquisitions in this area outside the core business that you have in BICS? And finally you extended the long-running contract with Vodafone. Does that change anything for you financially or also strategically, or is it just a simple continuation of the contract that you already have?

Dominique Leroy: Okay, so on the mobile side I think the average usage today on the 4G bundle is 1.3 gigs, where our entry bundle is at 1 gig per month. So I think today there is still for us an opportunity to increase smartphone penetration and increase consumption of the customer. To give you an indication there is around 10% of our customers that are doing out of bundle today. So it's still a relatively low number. So you can immediately derive from that the second one. I think it's – I mean when I say this will follow the usage to see how we have to do the tiering. But I think today it's too early to give any indication on that element today. And we see the competition, but today we speak to what we have.

Daniel Kurgan: On TeleSign, well again, as I explained at the beginning it fits completely with our strategy. And I mean BICS is a healthy company and we're buying a profitable business; we're going to first concentrate on extracting the value from the acquisition. Our market is consolidating and I expect – I mean a lot of movement in the years to come. So we cannot exclude – certainly not being part of this if it makes sense, but we are not announcing that we are launching a series of acquisitions, certainly not.

Bart Van Den Meersche : And on Vodafone the partnership, so for us it's indeed a strategic partnership. So that's why we have signed a five-year extension with Vodafone. And it has confirmed it from both parties. This is considered as strategic. Does it change something financially? Not really. Because from one side it is an extension from the existing, but from the other side we also have defined a number of areas where we will explore further extension of our partnership. And so that should – that can bring an additional change in value from this contract.

Marc Hesselink: Great, thanks.

Operator: Thank you. Our next question is from Stefaan Genoe from Degroof Petercam. Please go ahead.

Stefaan Genoe: Yes, good afternoon. Thank you. Stefaan Genoe, Degroof Petercam. Two follow-up questions. First on the higher allowances, we've seen some data bundles from competition. I understand if I read the answers correctly that you've seen virtually no impact on your customer acquisition or churn in the mobile from these offers in the last couple of weeks or months?

And secondly coming back on the Scarlet Proximus, you indicated that you saw even churn or churn going down compared to last year. And we understood from Orange Belgium actually that they were gaining market share from or gaining customers from the different players corresponding to their respective market shares. Have you really seen this impact which was indicated given that your KPIs are strong and churn is down? And as an add-on to this, Orange expects the same number of net additions towards 100,000 on the triple play in the second half of the year. Do you expect the same, I would say market momentum and competition in the second half as you saw in the first half? Thank you.

Dominique Leroy: So indeed, I mean the first question was about mobile data bundles. Yeah, I think so far we haven't seen a lot of churn from all mobile customers to competition because of data. The only exception where we see a bit more port-out is Voo, where the bundle with which they come with which is €8 euro for 8 gig has got some more traction than their previous offer. But for the rest we don't see important movements on port-out on the mobile side.

Your next question is about the same but mainly on the fixed sides I guess. I hear as well that Orange is saying that they gained customers from all operators in all region. The only element that I can give is that we don't see so much impact on port-out to Orange from all networks. I mean I think our figures, both in terms of acquisition and in terms of churn prove that we are currently well protected from churn to Orange. What we have in our estimation is that the gain that Orange has is mainly coming from cable.

It's also of course due to technology, it's easier to switch from cable to cable. They don't need to send technicians. They can recuperate a modem of the cable to make their offer run. So I think both from a customer point of view it's easier, but also from Orange's point of view it is less costly to move people from cable to their offer than to move from Proximus where they need to send technicians for that. So I think

both elements, the customer side and the operator side, indicates that the Orange success, I mean the 50,000 people they've got is mainly coming from cable.

What do I expect for the second half? To be honest I don't know. I think Orange has come quite forcefully in the market with a lot of commercial means. I mean, they have been extremely present in terms of TV, in terms of activation. So I think the success will also depend a bit on how much means they have to continue this acquisition. Where I assume that today with the current retail minus pricing, they don't have a lot of margin. So it will very much also depend on how much extra fire power Orange is able to put in the market.

Stefaan Genoe: Okay, that is clear. Thank you.

Operator: We have a next question from David Wright from Bank of America. Please go ahead.

David Wright: Yeah, guys, just a couple of checkpoints. So the guidance excludes TeleSign I would assume. So we just need to do a little bit of adjustment given that the guidance was obviously given before the deal. If you could confirm that? And could you just give us the margin for TeleSign just for our own modelling purposes. And possibly even some kind of indication on Capex to sales, just so we can have a decent shot at bringing our business into the financials? Thank you.

Sandrine Dufour: In this, the guidance excludes TeleSign. And by the way, we don't know when we are going to close this transaction because it's subject to a certain number of conditions that do not depend upon us. One of them being the anti-trust and the other one being the CFIUS examination in the US. So time-wise it's not possible for us to assess when we will close the deal. And related to some financials we don't plan to give much more detail. I think when we close the transaction we'll see how we help you integrate these numbers in the BICS projection.

David Wright: Okay, thank you.

Operator: Our next question is from Sam McHugh from Exane.

Sam McHugh: Thank you, and good afternoon. Just two quick questions. Number one in the consumer business, could you talk a little bit about net promoter scores? And whether you see material uptick in net promoter scores to Tattimus customers, you know, whether their net promoter scores are generally trending up or downwards? And secondly just on the B2B side, can you talk a little bit about the margin differential between your historical traditional telco business relative to the ICT stuff, which is obviously growing a lot faster? You know, is that materially different margin in those two businesses? Thank you.

Dominique Leroy: Yeah, we calculate net promoter scores but we don't give those figures. The only thing I can say is that we track really very thoroughly the customer satisfaction. And that we see that over the last quarters, we have been able to significantly improve customer satisfaction also not only related to service level, but also related to the quality of our new TV interfaces that we launched beginning of next year where we had some small issues at the beginning of the launch. But where today we see that people are really very satisfied with the new TV interface. And also we have put really a lot of efforts to put our customers on the latest available technology in terms of fixed. And so those two elements, way better internet of the best internet connection, and the new TV interfaces have significantly improved our net promoter score on the residential side. So they're definitely positive figures.

Bart Van Den Meersche: And then on your question on the margins for the B2B. So it's no secret that margins in ICT are fundamentally different than the margins in our core telco. And you see this is also in our figures where we have a revenue growth of 4.7% in revenue driven by ICT – for a large part by ICT. But at the same time we have a slight decrease in direct margin of 0.6%. So indeed I mean we have a changing portfolio mix. And the margins in ICT as this is also very often a more people-intensive business are different than the telco business.

Sam McHugh: Thank you very much.

Operator: Thank you. We have the next question from Guy Peddy from Macquarie Securities. Please go ahead.

Guy Peddy: Yeah, hello team. I just wanted to follow up on the churn comment from earlier. I know you've mentioned a lot about not seeing a major competitive impact from Orange on the fixed-line side. But I'm just wondering whether you feel that actually on your mobile asset you're going to start to see a little bit of pressure especially as the BASE business within Telenet gets more material? And whether churn that while they haven't moved year on year, that's largely probably down to as much mathematics as anything, whether you expect sort of industry churn to pick up in the wireless segment going forward? Thank you.

Dominique Leroy: So I think on the mobile I mean currently our churn is a bit lower than last year. But the churn on mobile is very dependent about the promotional intensity of the market. So what we see on mobile is in Belgium we have no contract apart for people taking their subscription together with a device, which is not the majority of the market. We see much more propensity to mobility and to churn, and that figures is very dependent on mainly on the promotional activity.

Not always so much on the offer themselves but very much on promotion. So it's very difficult to give any estimation or expectations for the rest of the year. It will very much depend on the commercial intensity and promotional intensity of the market. I mean on the enterprise of course, these are still contracts. And that's very different dynamics. But if you look at churn within consumer it's very much depending on competition.

Guy Peddy: Okay, thank you.

Operator: Thank you. We have the next question from Emmanuel Carlier from ING. Please go ahead.

Emmanuel Carlier: Yes hi. I have one question left actually. On the regulatory change – the potential changes, so if there would be a move from retail minus to cost plus what would in your opinion be the impact on the wholesale pricing? Because on the one hand you say that if not, that Orange Belgium is loss making. On the other hand you say that they anticipate a change to cost plus. But I think that Orange Belgium is saying that the wholesale price on a cost plus basis needs to move towards around €12, which would be more or less half of the current pricing? Is that something you believe as well? Thank you.

Dominique Leroy: No, I mean I don't think it's up to me to answer that. But I mean the indication that we have between the retail minus and cost plus is not at all in the range of €12. It's much more in the range of corporate wholesale plus 25% premium or something like that. So I don't think it's at all in those areas. I don't even know where it would come from. And so if I base myself on the figures that we have, we don't expect a big impact on the retail pricing from that move.

Emmanuel Carlier: And the corporate wholesale, could you remind me the current pricing of that?

Dominique Leroy: Well, we will give you that offline if you want, okay.

Emmanuel Carlier: Yeah, thank you.

Operator: There are no more questions in queue. We will turn – therefore handover the call to the host for closing comments.

Nancy Goossens: Thank you all for participating in this call. If there would be anyone with follow-up questions, you can obviously address them to the investor relations team. Thank you and have a good weekend. Bye.

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