Consolidated Management Report

2017

proximus

Management discussion and analysis of financial results

1. Introductory remarks

Underlying revenue and EBITDA

As from 2014, Proximus' management discussion focuses on underlying figures, i.e. after deduction of the incidentals. The underlying company figures are reported to the chief operating decision makers in view of resources allocation and performance assessment.

In order to allow a like-for-like comparison, Proximus provides a clear view of the operational-driven trends of the business by isolating incidentals, i.e. revenues and costs that are unusual or not directly related to Proximus' business operations, and which had a significant impact on the year-on-year variance of the Proximus Group revenue or EBITDA. The adjusted revenue and EBITDA are referred to as "underlying".

Definitions can be found as from page 41 of this document.

	Revenue			EBITDA		
(Eur million)	2015	2016	2017	2015	2016	2017
Reported	6,012	5,873	5,802	1,646	1,733	1,772
Underlying	5,994	5,871	5,778	1,733	1,796	1,823
Incidentals - Total	17	3	24	-87	-63	-51
Early Leave Plan and Collective Agreement	0	0	0	0	-103	-70
Other : in 2016 mainly removal of the favourable early retirement clause	0	0	0	2	8	0
Capital gains on building sales	17	3	23	17	3	23
Divesture TLS FR/UK	0	0	1	-1	0	1
Reversal Pylon Tax provision 2014 & 2015	0	0	0	0	29	0
Settlement agreement on mobile tariff related litigations	0	0	0	-116	0	0
Network litigation settlement	0	0	0	10	0	0
M&A-related transaction costs	0	0	0	0	0	-6
Reversal UK rent provision 2014	0	0	0	0	0	1

Reporting changes as from 2017

Changes in 'Underlying'

Following changes have been applied. There is no impact on total Group financials and any impact on Consumer or Enterprise financials remains very limited. There is no impact on Wholesale or BICS.

Figures of 2016 and 2015 have been restated accordingly to allow a correct comparison.

Before	As of 2017	Impact?		
		Group	Consumer	Enterprise
Subsidiary Tango fully reported within Consumer segment	Tango reported in the respective customer division: Consumer and Enterprise	No impact	Part of Tango revenue moved from Consumer to Enterprise	
Enterprise 'Other' revenue included revenue from new & growing segments such as Be Mobile, Convergent Solutions, Big Data and Road User Charging	A new product group was created for the Enterprise revenue reporting: "Advanced Business services"	"Other" revenue that moved to "Advanced Business Services"	No impact	"Other" revenue that moved to "Advanced Business Services"
'Full Control', a limited budget mobile subscription was reported within the Prepaid park	Full control subscriptions reported in the Postpaid mobile park and HH reporting	Small amount of revenue moving from Mobile Prepaid to Postpaid service revenue , with slight impact on ARPU		No impact
Total mobile cards reported equalled: • Postpaid - Among which paying cards - Among which Free Internet Everywhere cards - Among which M2M • Prepaid	Stop reporting of Free mobile data cards. Total mobile cards reported equals now: • Postpaid (active, paying) • M2M (for Enterprise) • Prepaid	Mobile Park: • Free cards now excluded (no ARPU impact) + minor restatement of paying cards • Mobile market share rebased	Total Park	Total Park
Total TV subscriptions reported equalled: - Unique customers - Multiple settop boxes	Only Unique TV customers will be reported	Total TV Park	Total TV Park	No impact

Changes in 'Reported'

Proximus reviewed the presentation of the income statement by removing the section "non recurring" and classifying the related items according to their nature. These items remain excluded from "underlying[1]" figures. The non recurring expenses included in the 2016 income statement have been classified under workforce expenses.

Other reporting remarks

IFRS impact on revenue per product

In line with Proximus' strategy, most products are sold through multi-Play Packs, a trend reinforced by the launch of the converged offers Tuttimus and Bizz All-in since mid-October 2016. The Packs are sales arrangements with multiple deliverables. The revenue is allocated to the different products such as Internet, Voice, TV and Mobile, based on their relative fair value. The revenue allocation per product as reported in this report might be impacted by changes in the composition of multi-Play offers.

The resulting product ARPUs as reported in this document for TV, Internet, Fixed Voice and Mobile, and the variances compared to preceding periods, are therefore partly the mere mathematical consequence of the application of this accounting policy to a changed Pack composition.

Rounding

In general, all figures are rounded. Variances are calculated from the source data before rounding, implying that some variances may not add up.

1 See Definitions p42

Key Figures – 10 year overview[1]

Income Statement (EUR million)	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Reported income	5,986	6,065	7,040	6,417	6,462	6,318	6,112	6,012	5,873	**5,802**
Revenue incidentals	N/A	N/A	N/A	N/A	N/A	N/A	248	17	3	**24**
Underlying revenue	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**5,864**	**5,994**	**5,871**	**5,778**
Reported EBITDA (1)	1,905	1,967	2,428	1,897	1,786	1,699	1,755	1,646	1,733	**1,772**
EBITDA incidentals	N/A	N/A	N/A	N/A	N/A	N/A	102	-88	-63	**-51**
Underlying EBITDA (1)	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**1,653**	**1,733**	**1,796**	**1,823**
Depreciation and amortization	-743	-706	-809	-756	-748	-782	-821	-869	-917	**-963**
Operating income (EBIT)	**1,161**	**1,261**	**1,619**	**1,141**	**1,038**	**917**	**933**	**777**	**816**	**809**
Net finance income / (costs)	-109	-117	-102	-106	-131	-96	-96	-120	-101	**-70**
Share of loss on associates	0	0	0	0	0	0	-2	-2	-1	**-2**
Income before taxes	**1,053**	**1,144**	**1,517**	**1,035**	**907**	**822**	**835**	**655**	**715**	**738**
Tax expense	-254	-241	-233	-262	-177	-170	-154	-156	-167	**-185**
Non-controlling interests	-1	-1	17	17	19	22	27	17	25	**30**
Net income (Group share)	**800**	**904**	**1,266**	**756**	**712**	**630**	**654**	**482**	**523**	**522**

Cash flows (EUR million)	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Cash flows from operating activities	1,552	1,406	1,666	1,551	1,480	1,319	1,447	1,386	1,521	**1,470**
Cash paid for Capex	-764	-597	-734	-757	-773	-852	-916	-1,000	-962	**-989**
Cash flows from / (used in) other investing activities	-380	-12	48	-7	-16	38	180	22	0	**-189**
Free cash flow (2)	**409**	**797**	**980**	**788**	**691**	**505**	**711**	**408**	**559**	**292**
Cash flows from / (used in) financing activities	-570	-1,030	-728	-1,051	-809	-353	-364	-608	-764	**-256**
Net increase / (decrease) of cash and cash equivalents	-161	-233	252	-264	-118	152	347	-200	-205	**36**

Balance sheet (EUR million)	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Balance sheet total	7,782	7,450	8,511	8,312	8,243	8,417	8,522	8,283	8,117	**8,527**
Non-current assets	5,564	5,505	6,185	6,217	6,192	6,254	6,339	6,386	6,372	**6,735**
Investments, cash and cash equivalents	618	408	627	356	285	415	710	510	302	**338**
Shareholders' equity	2,271	2,521	3,108	3,078	2,881	2,846	2,779	2,801	2,819	**2,857**
Non-controlling interests	5	7	235	225	211	196	189	164	162	**156**
Liabilities for pensions, other post-employment benefits and termination benefits	777	677	565	479	570	473	504	464	544	**515**
Net financial position	-1,835	-1,716	-1,451	-1,479	-1,601	-1,815	-1,800	-1,919	-1,861	**-2,088**

1 The 'reported' numbers are the ones reported for the respective years, unless a restatement was necessary in subsequent years, as a result of new accounting standards and that this might impact the comparability over time.

Proximus share	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Weighted average number of ordinary shares (3)	326,179,820	320,475,553	321,138,048	319,963,423	318,011,049	318,759,360	320,119,106	321,767,821	322,317,201	**322,777,440**
Basic earnings per share - as reported (EUR) (4)	2.45	2.82	3.94	2.36	2.24	1.98	2.04	1.50	1.62	**1.62**
Total dividend per share (EUR)	2.18	2.08	2.18	2.18	2.49	2.18	1.50	1.50	1.50	**1.50**
Share buyback (EUR million)	352	0	0	100	0	0	0	0	0	**0**

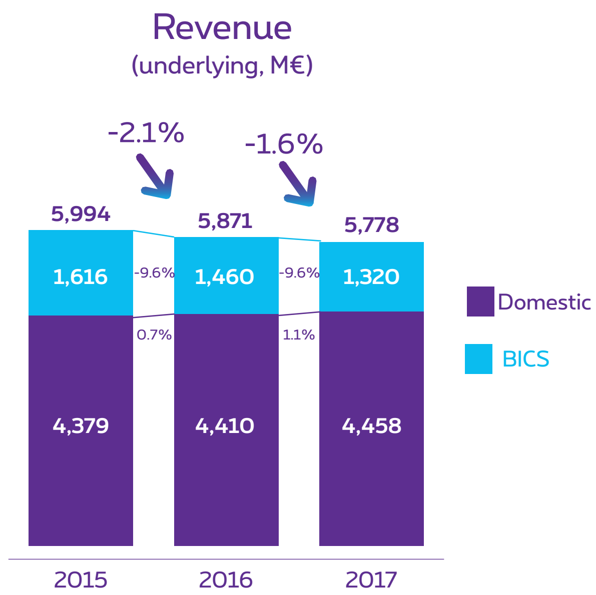
Data on employees	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Number of employees in full-time equivalents (End of period)	17,371	16,804	16,308	15,788	15,859	15,699	14,187	14,090	13,633	**13,391**
Average number of employees over the period	17,465	16,878	16,270	15,699	15,952	15,753	14,770	14,040	13,781	**13,179**
Underlying revenue per employee (EUR)	NA	NA	NA	NA	NA	NA	410,746	426,958	425,997	**438,413**
Total income per em-ployee (EUR)	342,746	359,322	432,685	408,760	405,084	401,080	413,826	428,194	426,201	**440,240**
Underlying EBITDA per employee (EUR)	NA	NA	NA	NA	NA	NA	111,923	123,467	130,315	**138,325**
Total EBITDA per em-ployee (EUR)	109,058	116,551	149,247	120,834	111,973	107,851	118,798	117,251	125,743	**134,483**

Ratios - on underlying basis	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Return on Equity	NA	NA	NA	NA	NA	NA	21.8%	18.9%	19.4%	**19.2%**
Direct margin	NA	NA	NA	NA	NA	NA	57.8%	59.6%	61.8%	**62.5%**
Net debt / EBITDA for non-recurring items	NA	NA	NA	NA	NA	NA	1.09	1.11	1.04	**1.15**

(1) Earnings Before Interests, Taxes, Depreciation and Amortization.
(2) Cash flow before financing activities.
(3) i.e. excluding Treasury shares
(4) No difference between basic and diluted earnings per share

- **Proximus posted 1.1% growth in its 2017 Domestic revenue, in spite of significant regulatory headwinds on roaming revenue, and increased competition on the Belgian Telecom market.**
- **Proximus Domestic managed to grow its EBITDA for 2017 by 2.0%. This resulted especially from a more efficient cost base, compensating for the pressure on Direct margin.**
- **In the context of a shift from voice to data, BICS posted a 4.2% EBITDA decline for 2017.**
- **The Proximus Group EBITDA progressed by 1.5% on an underlying basis**
- **The 2017 Free Cash Flow was EUR 292 million, or EUR 511 million when excluding the TeleSign acquisition**

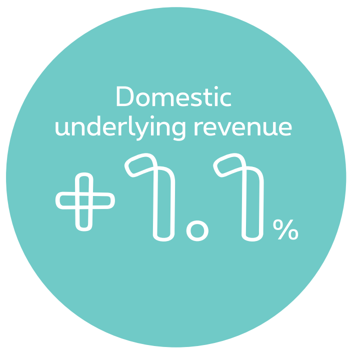
2. Proximus Group



Revenue

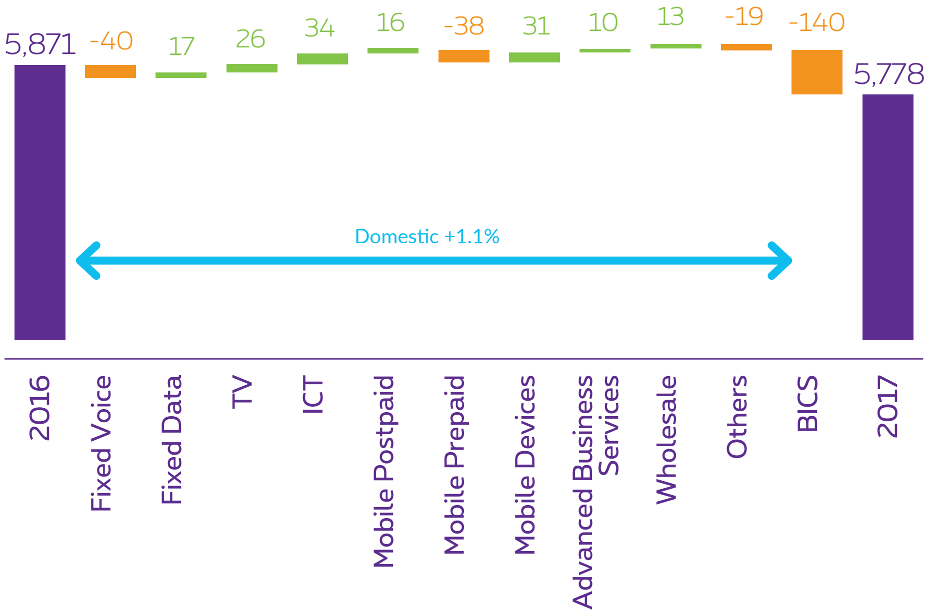
The Proximus Group ended the year 2017 with total underlying revenue of EUR 5,778 million, 1.6% below that of the prior year. The lower Group underlying revenue resulted from a decline in revenue from BICS, Proximus' International Carrier business unit. This was partly offset by Proximus' Domestic operations which continued to show growth in 2017, in spite of a more competitive Belgian landscape and significant regulatory headwinds.

Proximus posted for its Domestic operations EUR 4,458 million revenue, a 1.1% improvement over 2016. The revenue growth was primarily driven by the ongoing expansion of its TV, Internet and Mobile Postpaid customer base and a solid revenue increase from ICT. Furthermore, 2017 benefitted from higher revenue from mobile devices, and a positive revenue evolution in Advanced Business Services[1]. Proximus' Wholesale segment also closed a favorable year, benefitting from the higher roaming-in traffic. These growths could more than offset the pressure on Fixed Voice revenue and the steep decline in Prepaid, triggered by the identification legislation.



1 Advanced Business Services groups new solutions offered aside from traditional Telecom and ICT, such as Road User Charging, Convergent Solutions, Big Data and smart mobility solutions. The latter are offered through BeMobile. With Proximus being the majority shareholder, Proximus consolidates the turnover.

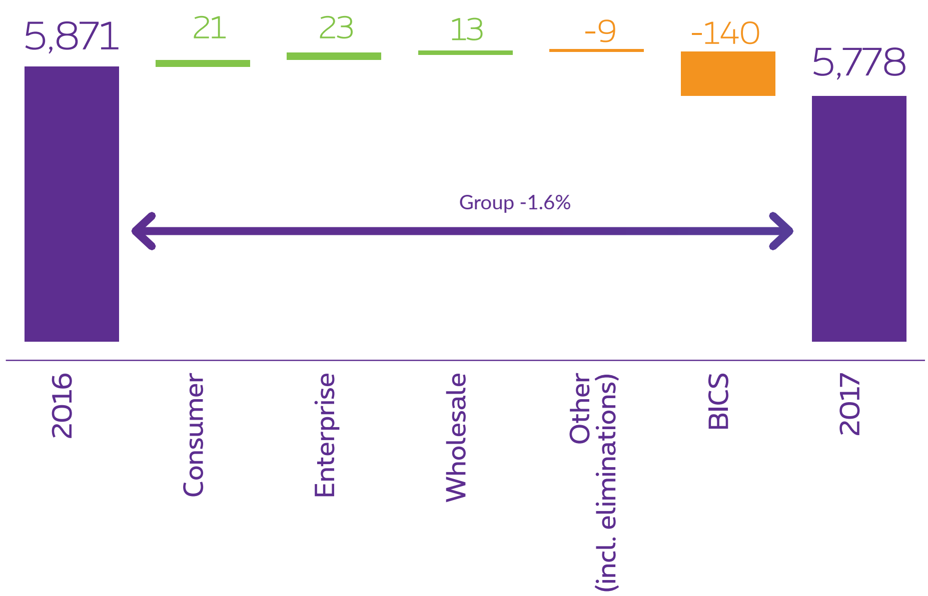
Revenue evolution per product group (underlying, M€)



In 2017, BICS' revenue further eroded, totaling EUR 1,320 million, 9.6% lower compared to 2016. This trend reflects the ongoing transition within the International Carrier market, with usage moving from Voice to Data. In 2017, BICS faced further volume losses in its Voice traffic, and this was combined with a less favorable destination mix, and to a lesser extent, a negative USD currency effect. This was however in part offset by a strong increase in A2P[1] volumes, leading to a solid 8.6% increase in non-Voice revenue.

1 Application to Person

Revenue evolution by segment (underlying, M€)



Revenue from the **Consumer segment** progressed by 0.7% to reach EUR 2,910 million. This was achieved through a continued growth in the customer base for its main products, supported by its Proximus branded converged all-in offers, and by its low-cost brand Scarlet. The growing customer base increased Proximus' revenue for TV, for Internet, and -despite roaming regulation[1] headwinds- for Mobile Postpaid. In contrast, revenue from Fixed Voice declined due to the combination of a reduced customer base and lower usage, while Mobile Prepaid faced an elevated revenue loss prompted by the identification legislation[2].

Proximus benefitted from its great efforts on customer centricity and its convergence strategy. With 360,000 subscribers to Proximus' all-in offers Tuttimus and Bizz-all, the customer mix was further enhanced, increasing loyalty and value.

Proximus' **Enterprise segment** posted a 1.7% underlying revenue growth for 2017 to reach EUR 1,399 million. This was mainly driven by a continued solid revenue growth in ICT and Advanced Business Services, including the growing BeMobile business. The focus directed on these growth areas allowed Proximus to more than offset the revenue loss in the eroding legacy Fixed Voice and Data services, and the regulatory pressure on Mobile.

1 In line with the EU roaming regulation, Proximus lowered its roaming rates in Europe end-April 2016, and implemented Roam-Like-At-Home as from 12 June 2017, allowing Proximus customers to surf, call and text within the European Union like at home, without extra charges, provided they comply with the Fair Use Policy (FUP).

2 The identification of old and new mobile Prepaid cards became mandatory under Belgian law. Since 7 June 2017, Proximus has identified all active prepaid cards. Remaining cards that had not been identified by 7 September 2017 were removed from Proximus' park.

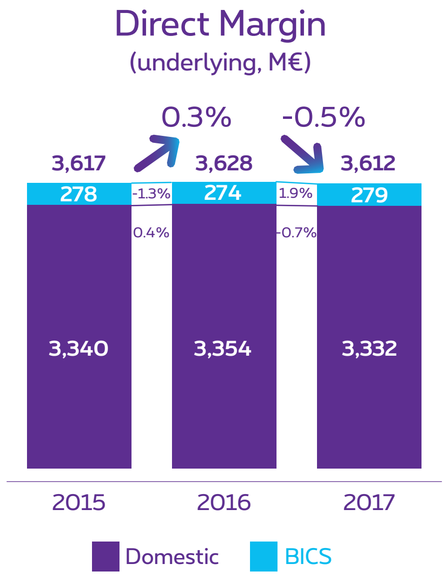
Direct Margin

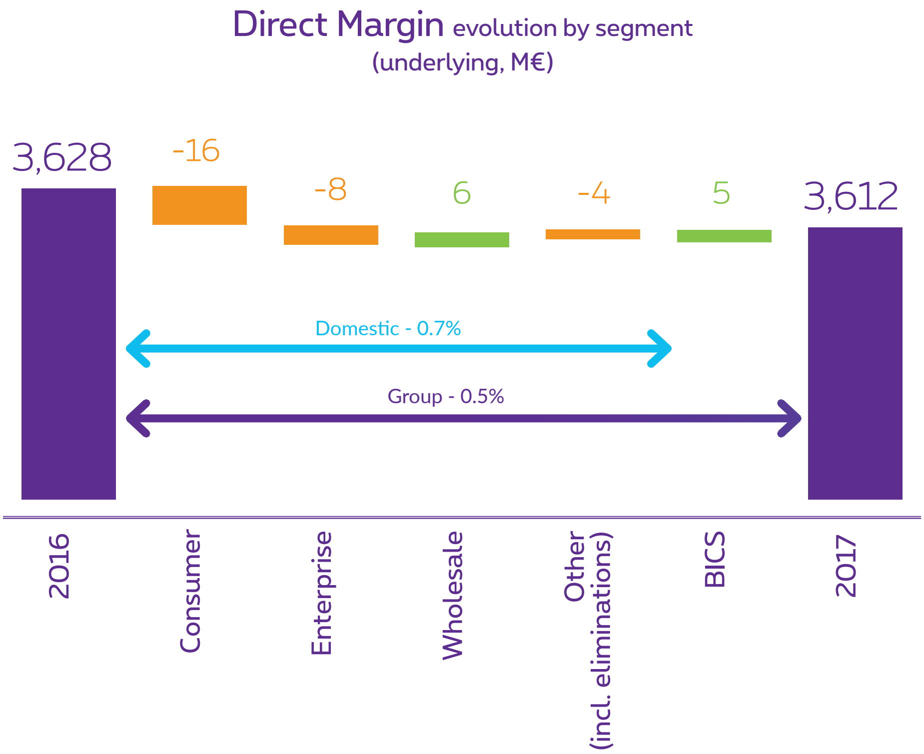
The 2017 underlying Direct Margin of the Proximus Group totaled EUR 3,612 million.

This is a 0.5% decrease from the prior year.

The Domestic direct margin was down by 0.7% reaching EUR 3,332 million. This included a net loss in roaming margin of EUR 41 million, with the roaming-out price regulation and higher costs related to increased roaming usage, only partly offset by a positive volume impact for visitor roaming.

In spite of the significant revenue pressure, BICS contained the impact on its direct margin to -0.6% on an organic basis. BICS' total Direct Margin for 2017 was up by 1.9%, including TeleSign's consolidation since 1 November 2017.





Operating expenses

Proximus continued to keep a strong focus on structurally improving its cost base. Over 2017, the total Proximus Group expenses were reduced by EUR 44 million or 2.4%, totaling EUR 1,789 million.

Expenses for Proximus' domestic operations decreased by 3.2% to reach EUR 1,652 million for 2017. While the 2016 expenses included higher regional pylon tax provisions, the main driver of the positive evolution was the company's strong cost reduction in 2017, on top of the already lowered 2016 cost base. Therefore, Proximus remained well on track to reach its ambition of EUR 150 million net cost savings in the four-year period 2016-2019.

Besides improved efficiency and productivity, the cost base benefitted from further network simplification, a more efficient physical distribution network, following improved customer interactions (first-time-right) and enhanced digital solutions encouraging self-care and further digitization of billing and ordering.

For BICS, the 2017 operating costs were up by EUR 12 million, including TeleSign and an unfavorable currency impact. These aside, BICS' organic expenses were fairly stable over the year.

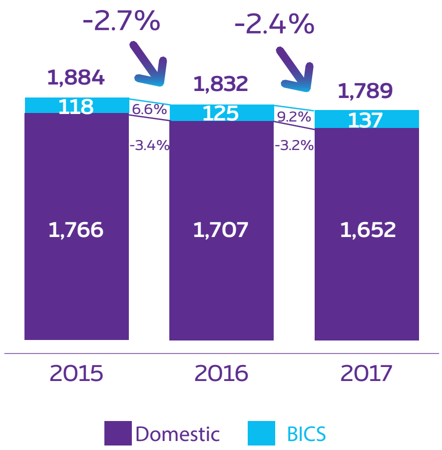
Proximus Workforce expenses declined by 1.1% year-on-year to EUR 1,146 million, supported by a lower headcount. End-2017, Proximus employed a total of 13,391 FTEs, including headcount of TeleSign (+238 FTEs), consolidated since November 2017, and reflected in the workforce expenses of BICS. On organic basis, the headcount of BICS was down by 30 FTEs.

The Domestic workforce costs were supported by a lower internal headcount compared to end- 2016, down by a net number of 450 FTEs over the year, including 373 FTEs having left the company through the voluntary early leave plan ahead of retirement. Furthermore, the Domestic headcount was reduced following legal retirements and natural attrition, partly offset by external hiring of business critical profiles, mainly to support the growth within the ICT domain.

The favorable effect of Proximus' lower headcount base was however in part offset by the impact of inflation-based salary increases and natural wage drift.

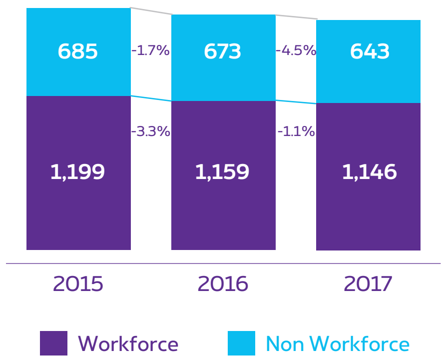
Operating expenses (1)

(underlying, M€)



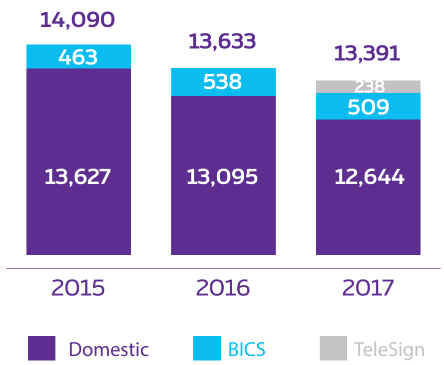
Operating expenses (2)

(underlying, M€)



Headcount evolution

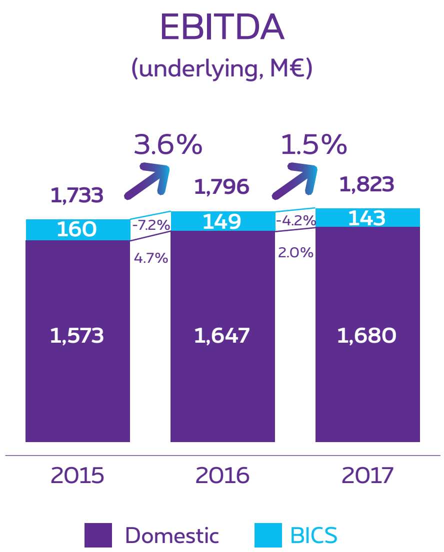
(in FTE)

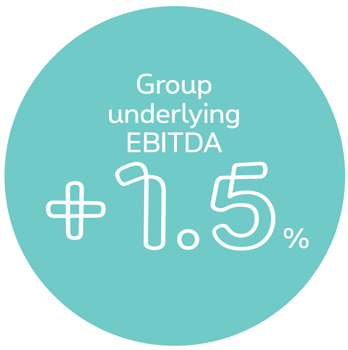


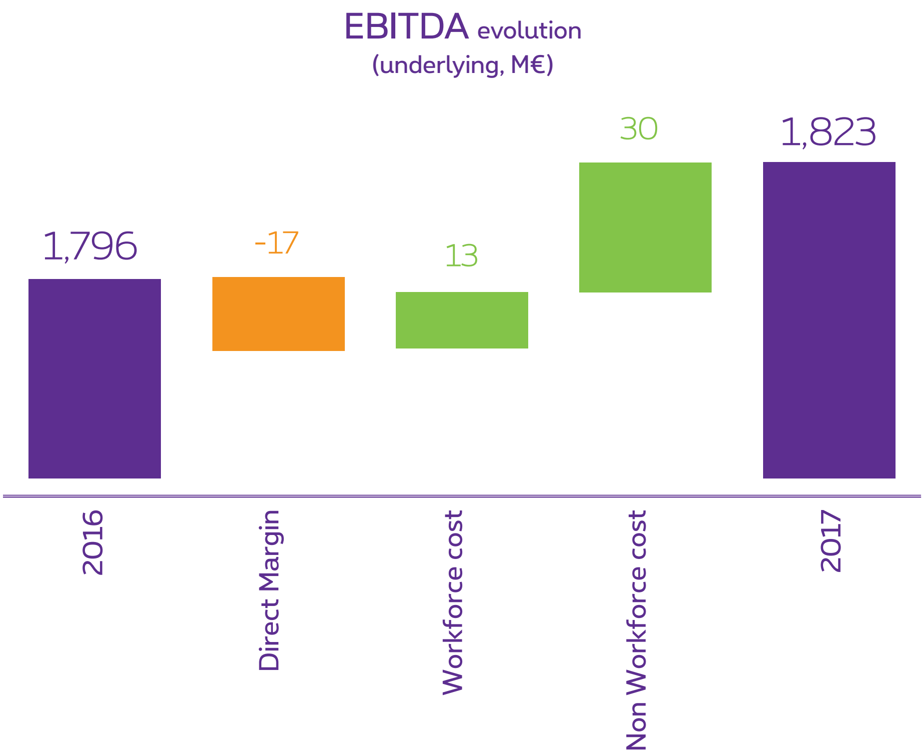
Underlying EBITDA

The Proximus Group posted an underlying EBITDA of EUR 1,823 million for 2017, an increase of 1.5% compared to 2016. The Domestic operations of Proximus grew the EBITDA by 2.0% to a total of EUR 1,680 million. This in spite of a EUR -41 million net decline in roaming margin. This loss aside, the Domestic EBITDA for the year 2017 was up by 4.5% from 2016.

BICS closed 2017 with its Segment Result totaling EUR 143 million; 4.2% below that of 2016. BICS' underlying segment margin as percent of revenue for 2017 was 10.8%, up 0.6pp from the previous year.



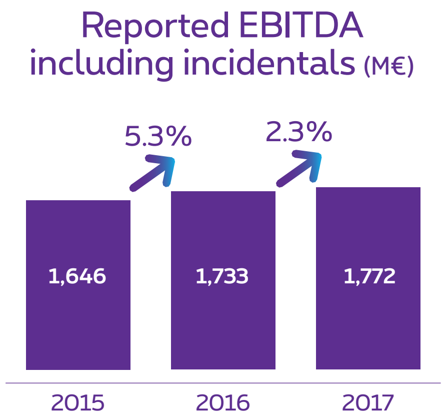




Reported EBITDA
(incidentals included)

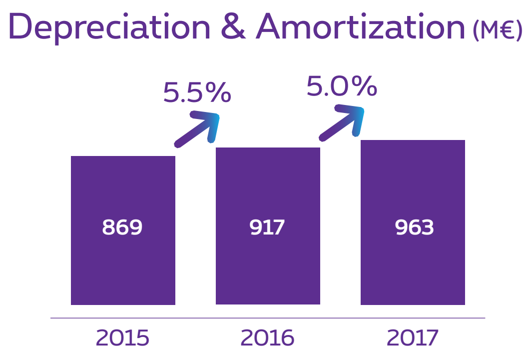
In 2017, the Proximus Group recorded **EUR -51 million** net **EBITDA incidentals, compared to EUR -63 million for 2016**. The 2017 incidentals included mainly expenses recorded in the framework of the running headcount plan (early leave plan ahead of retirement), partly offset by capital gains on building sales.

Incidentals included, the Proximus **Group reported EBITDA** of **EUR 1,772 million**, compared to EUR 1,733 million for the year before, i.e. +2.3%. See section 1 for more information on the incidentals.



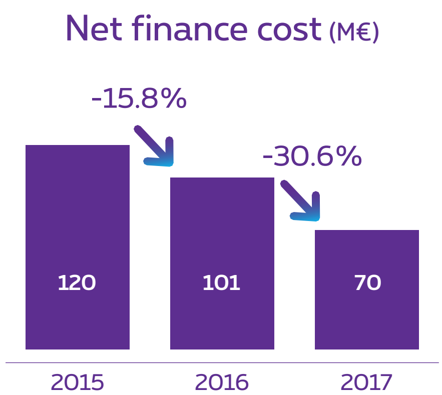
Depreciation & Amortization

In 2017, the depreciation and amortization totaled EUR 963 million. This compares to EUR 917 million for 2016, with the increase mainly due to a higher asset base to depreciate.



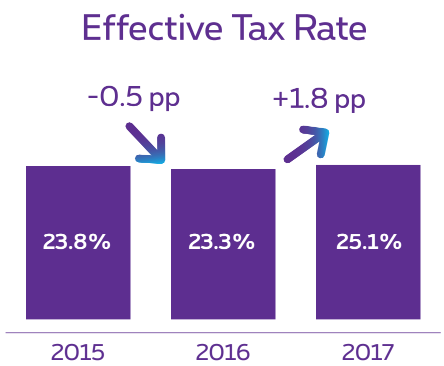
Net finance cost

The net finance cost for the year 2017 totaled EUR 70 million, EUR 31 million lower versus last year's level of EUR 101 million, mainly resulting from refinancing at a lower interest rate.



Tax Expense

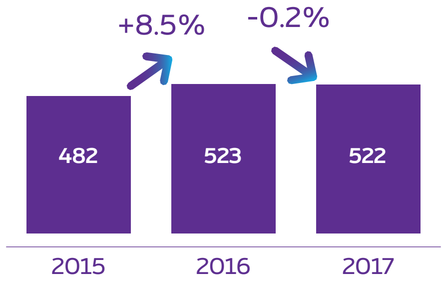
The 2017 tax expenses amount to EUR 185 million, representing an effective rate of 25.1 %. The 2017 effective tax rate is higher compared to the effective income tax rate of 23.3% in 2016. The increase of the effective tax rate is mainly due to a decrease of the notional interest deduction as a result of the low market interest rates compared to previous year, which also benefited from the use of unrecognized tax losses. The increase was however mitigated mainly by a positive impact of both the Belgian and US corporate income tax reforms on the 2017 closing balance of deferred income taxes.



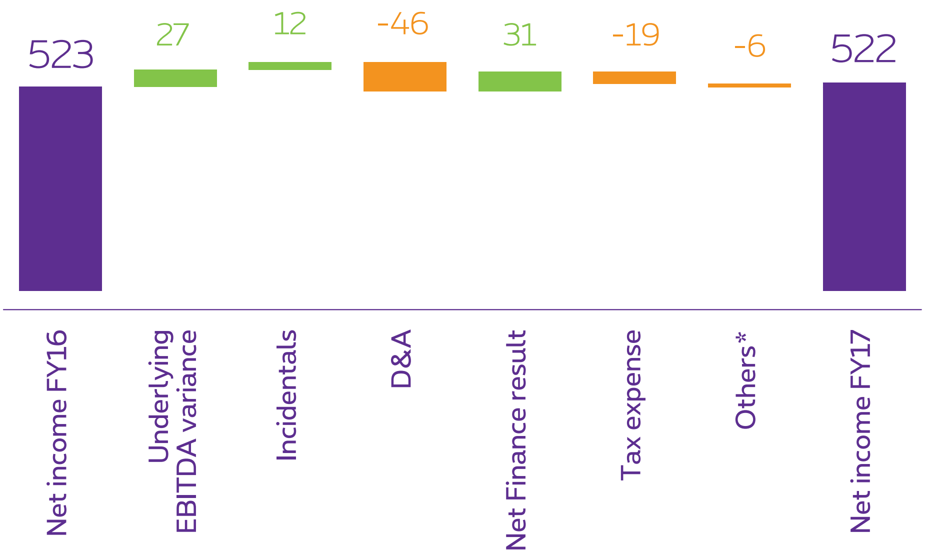
Net income

Proximus reported a 2017 net income (Group share) of EUR 522 million. This is fairly stable compared to 2016, resulting from a higher underlying Group EBITDA and lower finance costs, partly offset by higher depreciation and amortization and an increase in tax expenses.

Net income (Group Share) (M€)



Net income evolution (M€)

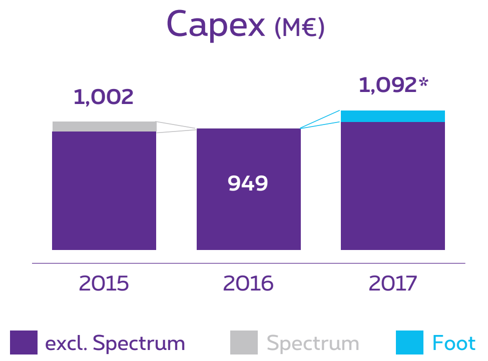


* Includes Non-Controlling interests and Share of loss from associates

Capex

The level of Capex reflects the Group strategy to invest extensively in enhancing its networks and improving the overall customer experience. In 2017 Proximus invested a total amount of EUR 1,092 million, EUR 143 million more compared to 2016. The increase was for a large part explained by the renewal of 3-year contracts for football broadcasting rights, with mid-2017 the renewal signed for the Jupiler Pro League, and the renewal of the UEFA Champions League signed end-2017. This aside, the 2017 investments were above those for 2016 driven by the start of Proximus' Fiber for Belgium project. The deployment of this future-proof network was kicked off in several main cities[1]. Proximus also finalized the Vectoring upgrade of its Fixed network.With coverage reaching 83%, the largest worldwide, Proximus customers enjoy a significantly better broadband customer experience. Proximus' mobile customers also enjoy a high-quality network, with a completed 4G roll-out providing an outdoor coverage of 99.8% and an indoor coverage of 98.1%.

Other investments covered IT systems, improved TV content and further simplification and transformation which contributed to the decreasing cost base.

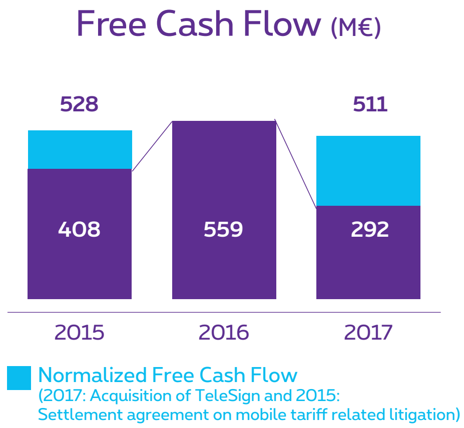


* Including the three-year broadcasting rights of Belgian Jupiler Pro league football and Champions League

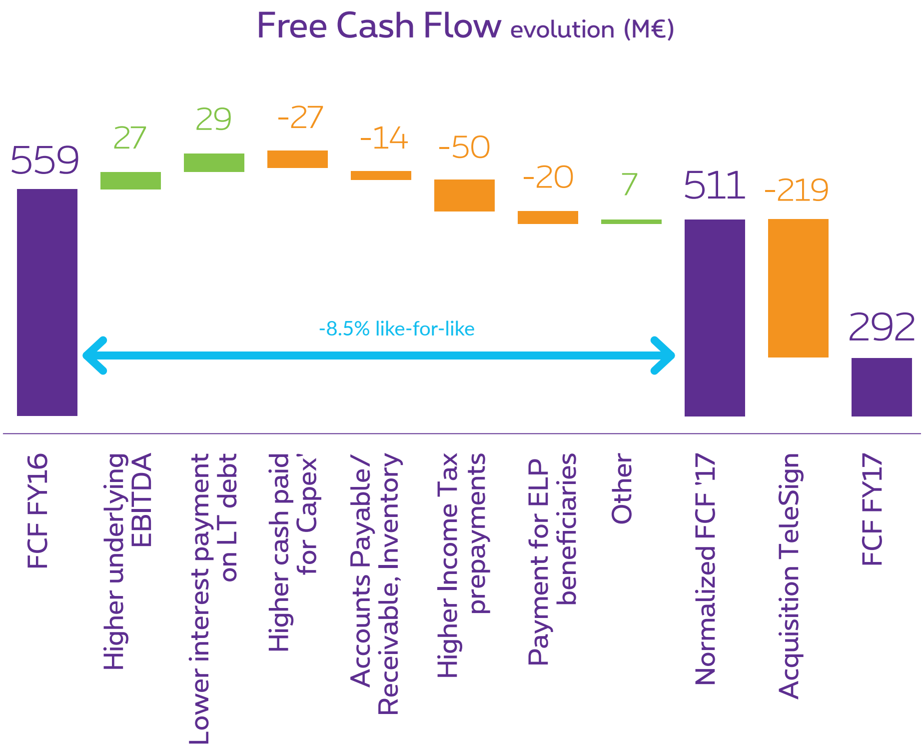
1 Antwerp, Brussels, Charleroi, Ghent, Hasselt, Liège, Namur and Roeselare

Free Cash Flow

Proximus' 2017 FCF totaled EUR 292 million, including EUR 219[2] million cash-out related to the acquisition of TeleSign. On a like-for-like basis, the 2017 FCF totaled EUR 511 million. The decrease compared to the EUR 559 million for 2016 was mainly the consequence of higher income tax payments, including increased prepayments following the raise of the legal prepayment percentage to 59%. In addition, cash paid for Capex and for the ongoing early leave plan ahead of retirement was higher versus 2016. Working capital needs increased somewhat as well after a strong reduction over the 2015-2016 period. This was partially offset by a growth in underlying EBITDA and lower interest payments on long-term debt.

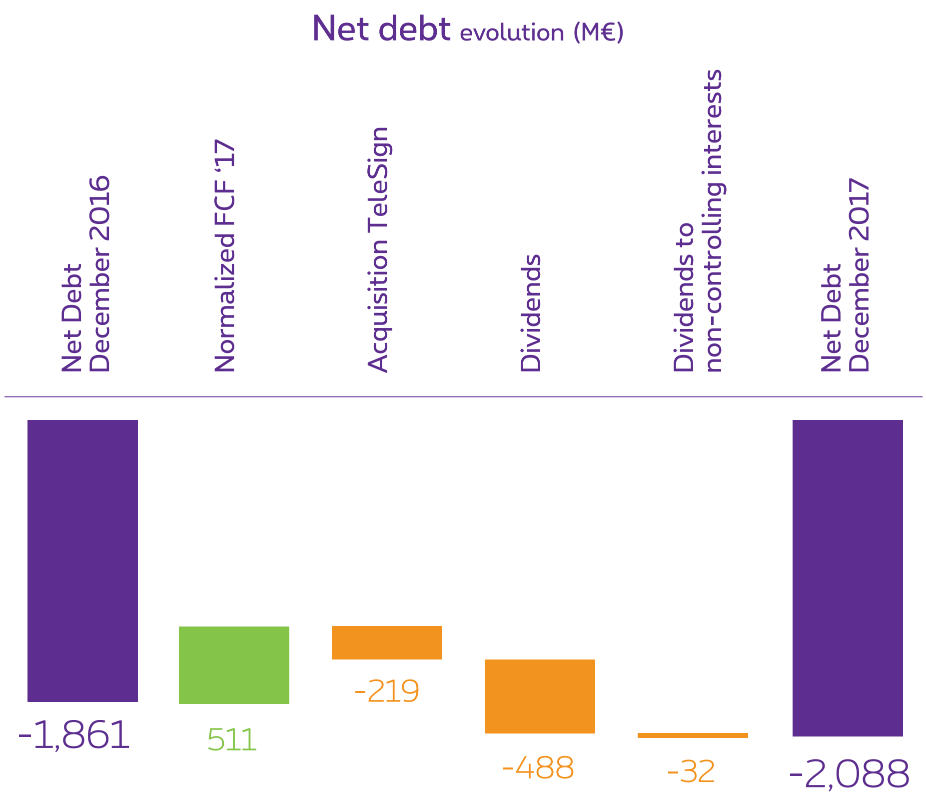


2 Including cost of transaction-related hedging instrument.



Net financial position

Proximus maintained a solid financial position with a net debt of EUR 2,088 million end-2017. The net debt increased from one year ago following the acquisition of TeleSign, whereas the normalized 2017 FCF level more than covered for the committed dividend pay-out.



- **Consumer segment posted 0.7% revenue growth, in spite of roaming regulation impact, to total EUR 2,910 million for 2017.**
- **Dual-brand strategy and focus on converged bundles resulted in larger customer base and growing revenue from Internet and TV.**
- **Solid growth for Tuttimus and Bizz All-in subscribers, totaling 360,000 end-2017.**
- **Larger mobile Postpaid customer base but ARPU impacted by EU roaming regulation.**
- **Direct Margin lower, including the rising costs resulting from a steep increase in roaming volumes.**

3. Consumer Segment

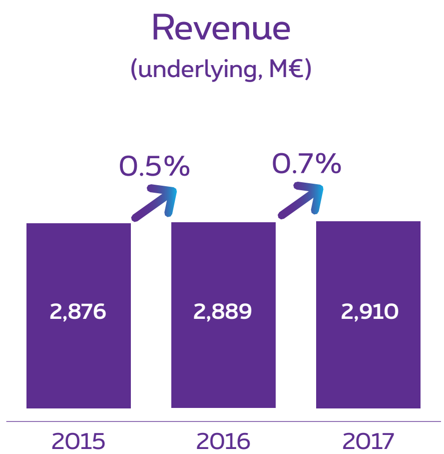
Revenue

For 2017, the Consumer segment posted total underlying revenue of EUR 2,910 million, or an increase of 0.7% compared to 2016.

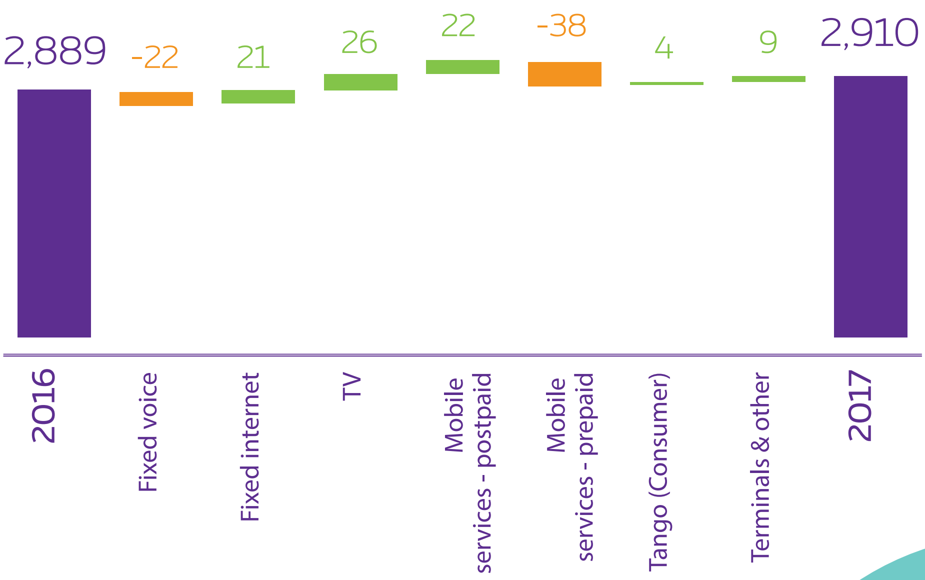
Proximus' dual-brand strategy proved very supportive, especially in an increased competitive environment. In 2017 the consumer segment grew its customer base for both its Proximus and Scarlet brands. The resulting revenue increase for TV and Internet more than compensated for the ongoing erosion in Fixed Voice revenue. A solidly growing Mobile postpaid customer base resulted also in higher revenue, in spite of substantial roaming regulation headwinds.

Mobile Prepaid however faced a steep revenue loss, which reflected the impact from the legal identification process which started in December 2016. In aggregate, the total Consumer Mobile services revenue was down by 1.7% compared to 2016.

The revenue from the Consumer segment was strongly supported by Proximus' successful convergence strategy, upselling additional services to its customer base. This strategy was strengthened by the launch of Proximus' all-in portfolio Tuttimus and Biz-All-in, which accelerated the uptake of 4-play offers. Proximus closed the year with 687,000



Revenue evolution per product group (underlying, M€)



+0.7%
Consumer revenue YoY

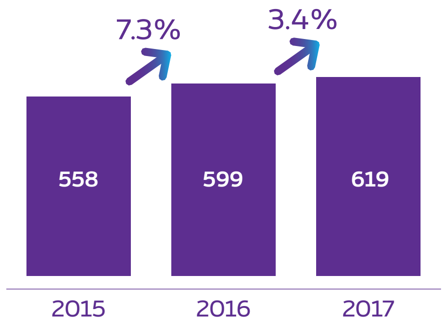
+65,000
Fixed Internet customers added, revenue up by
3.4%

4-play households[1] , an increase of 13.5% from the prior year. With a 4-play ARPH of EUR 115.9, and low full-churn of 2.8%, the Consumer customer base became more valuable and loyal in 2017.

For full-year 2017, the Consumer **revenue** of **Tango**, Proximus' Luxembourgish subsidiary, **totaled EUR 115 million, 3.4% above that of the prior year**. In spite of aggressive competitive market conditions, the Prepaid card identification legislation and the application of the RLAH regulation, Tango has increased its consumer revenue, mainly driven by the commercial success of the revamped Smart portfolio, and its success in executing a convergence strategy on Fixed services (Voice, Internet, TV).

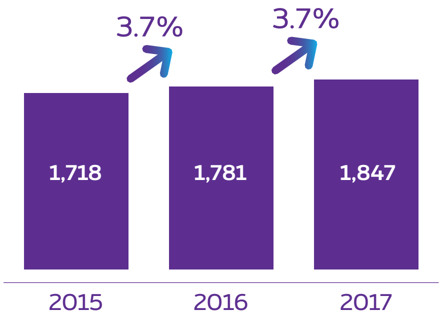
The Consumer segment grew its revenue from Fixed Internet by 3.4% year-on-year to EUR 619 million for 2017. This resulted from a growing number of Internet subscribers, up by 65,000 or +3.7% in a one year period to reach a total of 1,847,000 by end-2017, while the average revenue per customer remained fairly stable, with the 2017 ARPU at EUR 28.4. This resulted from an increased proportion of Scarlet customers, with Internet offers typically at lower pricing. Furthermore, as Internet subscriptions are largely sold as part of a larger bundle, the Fixed Internet ARPU was also affected by the accounting revenue allocation per product.

Fixed Internet revenue (M€)

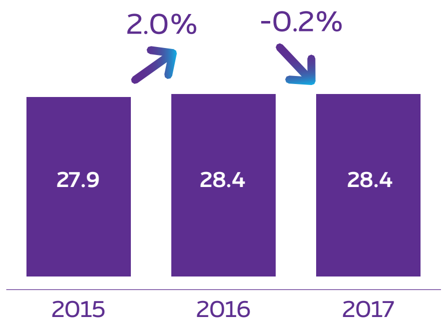


1 Including residential households and small offices (i.e. with fewer than 10 employees)

Fixed Internet customers (in '000)

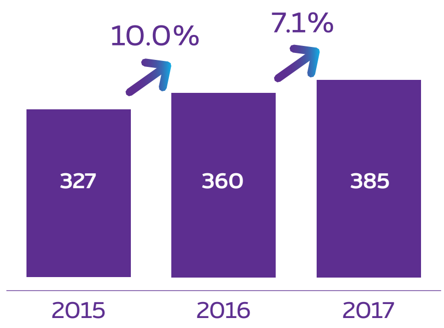


Fixed Internet ARPU (in €)

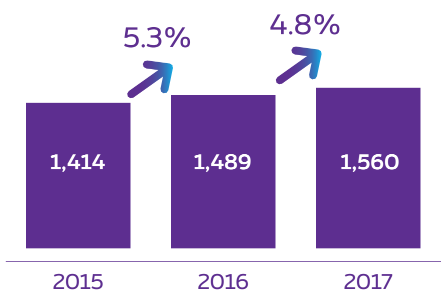


In 2017, Proximus continued to attract customers on its TV platform. The growing TV customer base remained an important revenue driver for the **Consumer segment, which posted for 2017 a total TV revenue of EUR 385 million, up by 7.1% compared to 2016**. In one year, the Proximus and Scarlet brands combined welcomed 71,000 new TV subscribers, bringing the total to 1,560,000 TV households or a 4.8% annual growth. Besides a growing customer base, the TV revenue also benefitted from the more extensive TV content offered to customers, especially in the new Tuttimus and Familus offers. Proximus enhanced its content offer by adding Netflix to the content options that Tuttimus customers can choose from, and by renewing football broadcasting rights and enriching its basic TV channels. This benefitted the TV ARPU for 2017, up by 1.9% from to prior year to reach EUR 20.9.

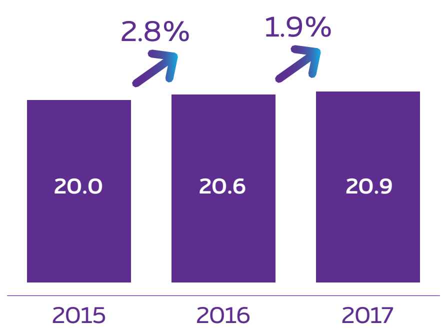
TV revenue (M€)



TV Households (in '000)



TV ARPU (in €)

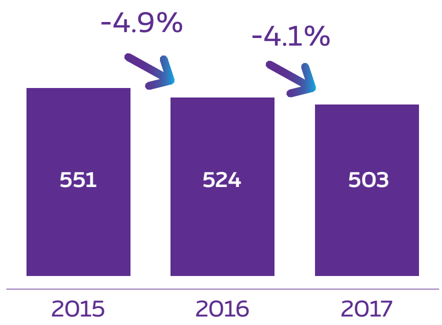


The steady erosion of Consumer revenue from Fixed Voice continued in 2017, due to a combination of a reduced customer base and lower usage per line.

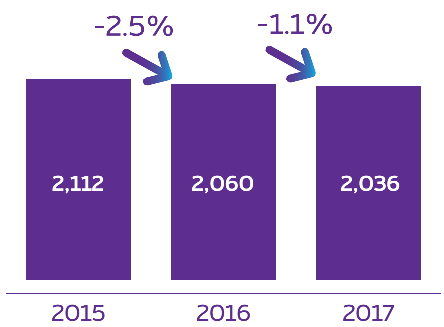
Over 2017, the Consumer segment generated EUR 503 million from Fixed Voice, or 4.1% less than for 2016. Consumer ended 2017 with a total Fixed Voice line base of 2,036,000, a decline of 24,000 or -1.1% from one year ago. This is a good improvement from the line loss in 2016 (-52,000), resulting from the support provided by multi-play packs including Voice, with in particular a positive impact from the Tuttimus and Familus offers.

The Fixed Voice ARPU remained under pressure, due to a declining usage of Fixed Voice, and the success of multi-play offers at favorable pricing, including a growing portion of Scarlet's TRIO offer. Over 2017, the Fixed Voice line ARPU ended 3.1% below that of 2016, totaling EUR 20.4 for 2017.

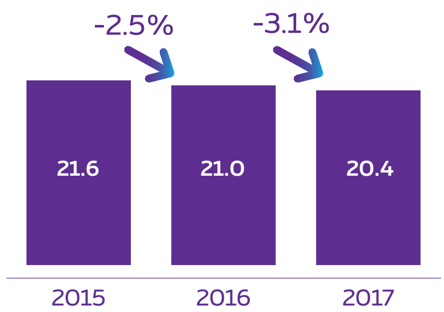
Fixed Voice revenue (M€)



Fixed Voice customers (in 000's)



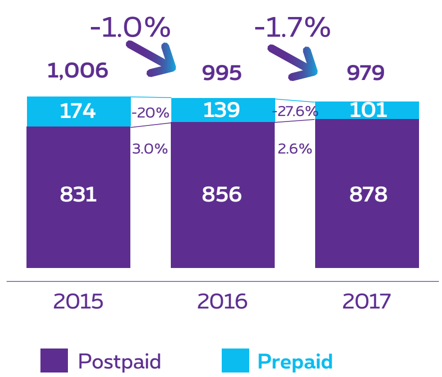
Fixed Voice ARPU (in €)



Consumer's 2017 full-year revenue from Mobile Services totaled EUR 979 million, or a 1.7% decrease from 2016. Within the mix, the revenue from Mobile Prepaid showed a steep decline, while revenue from Mobile Postpaid was up from the prior year, in spite of a substantial impact from roaming regulation.

The Consumer revenue from mobile services was under pressure since the adoption of the European roaming regulation. After an already significant decrease in roaming rates since end-April 2016, Proximus adopted Roam-Like-At-Home mid-June 2017. This allowed customers to surf, call and text within the European Union like at home, without extra charges, and hence reducing Proximus' roaming revenues.

Mobile Services revenue (M€)



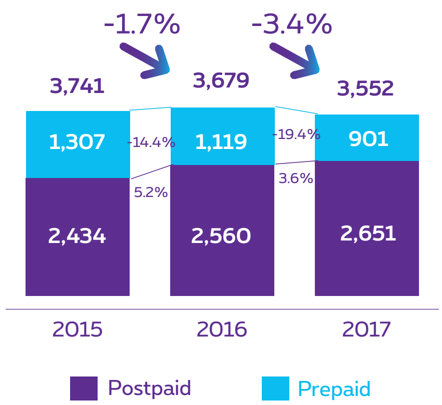
The regulatory impact was reflected in the Mobile Postpaid ARPU, at EUR 28.0 for 2017, or 2.7% below that of the prior year. Nonetheless, Proximus managed to post **a 2.6% increase for its Consumer Postpaid revenue**, mainly driven by its growing Mobile Postpaid customer base, up by 91,000 in 2017. As a result, Consumer ended 2017 with a total Postpaid customer base of 2,651,000, or 3.6% higher versus one year ago. Furthermore, Proximus benefitted from higher smartphone penetration, higher mobile data usage, better customer tiering and changes in its mobile pricing within a 'more for more' concept.

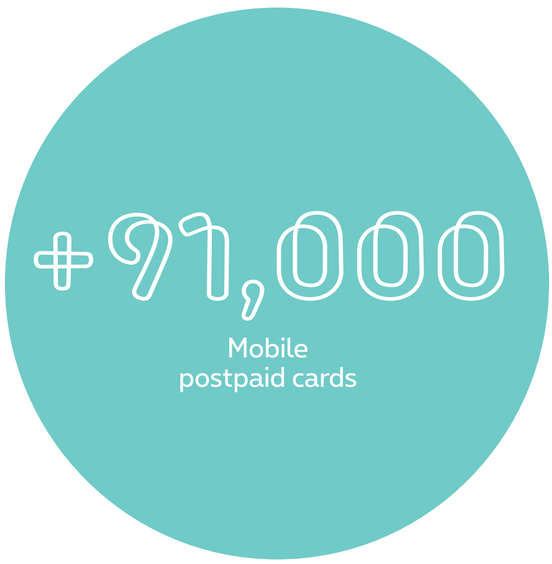
In contrast, the revenue from mobile **Prepaid showed a steep decline, down by 27.6% from the prior year**. In an already declining Prepaid market, the announced legislation on Prepaid card identification, as published in the Belgian Official Gazette on 7 December 2016, refueled the erosion of Prepaid cards. In 2017, Proximus' prepaid park declined by 218,000, including the deactivation and removal of remaining non-registered Prepaid cards[1]. By end-2017, Proximus counted 901,000 Prepaid cards, or 19.4% less than for the previous year, with ARPU at EUR 8.5.

The success of Mobile "joint offers" supported the smartphone penetration in Proximus' customer base, rising to 73% by end-2017. This led to an increase in overall data usage with the blended monthly national data usage increasing by 50% year-on-year to an average of 1.4 GB for the last quarter of 2017. Usage by 4G users rose over that same period by 36% to 1.6 GB per month on average.

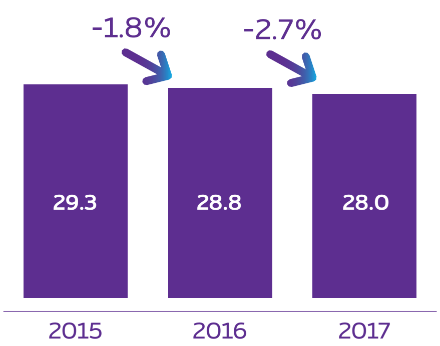
1 After the validation period which ran until 7 September 2017

Mobile customers (in '000)

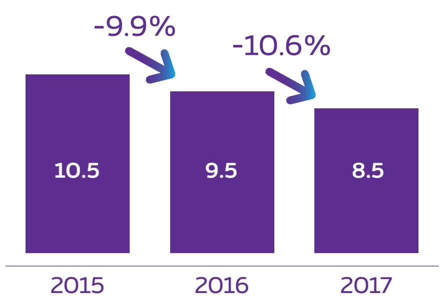




Mobile Postpaid ARPU (in €)

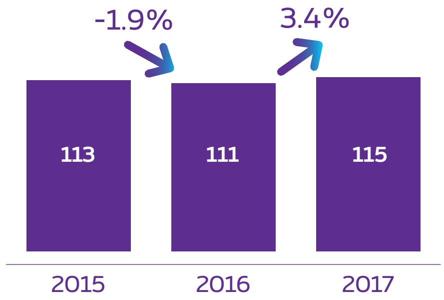


Mobile Prepaid ARPU (in €)



Even though operating in a competitive market, Tango, Proximus' Luxembourgish telecom operator, posted a revenue growth for 2017. Tango's **Consumer segment generated for the full-year 2017, revenue of EUR 115 million, or 3.4% more compared to 2016**. This was mainly driven by the commercial success of the revamped Smart portfolio, and Tango executing well its convergence strategy on fixed services. This offset headwinds from the Prepaid card identification legislation and the application of Roam-Like-At-Home.

Consumer Tango revenue (M€)



Consumer Tango Revenue

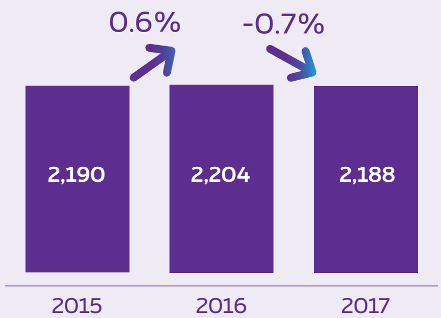
+3.4%

Consumer Direct Margin

The 2017 Consumer underlying direct margin totaled EUR 2,188 million, 0.7 % below that of the previous year. As a result of the regulatory introduction of Roam-Like-At-Home, the Direct Margin was impacted by additional wholesale costs associated with the steep increase in roaming traffic. Furthermore, with the erosion of Fixed Voice revenue, the product mix became less favorable for the Consumer segment.

€2,188M
Direct Margin

Direct Margin
(underlying, M€)



Successful convergence strategy with strong growth in 4-Play, supported by all-in offers

The progress on Proximus' long-term convergence and value strategy is measured through 'multi-play' reporting. In contrast to the traditional reporting per product group, the X-play reporting focuses on operational and financial metrics in terms of Households and Small Offices serviced by Proximus and the number of "Plays" (i.e. Mobile Postpaid -Fixed Voice - Fixed Internet -TV) and Revenue Generating Units (RGU) offered. The X-play reporting also includes Scarlet.

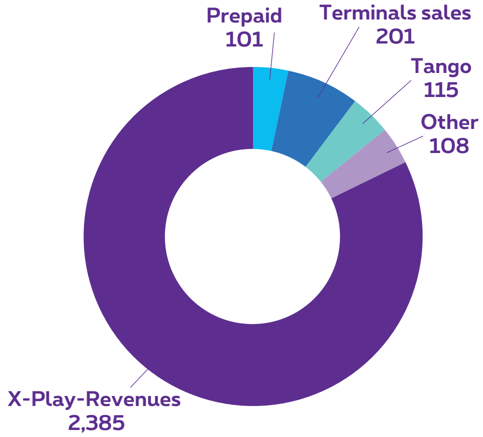
82%

of Consumer revenue is generated by Households having between 1 and 4 'Plays'

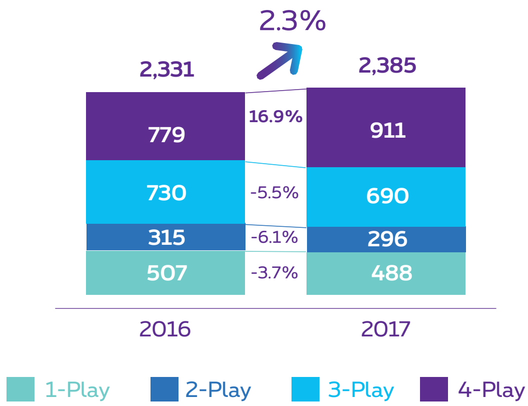
Of the EUR 2,910 million revenue generated in 2017 by the Consumer Segment, EUR 2,385 million originated from customers subscribing to between 1 and 4 Plays (X-play). This is the revenue generated by the 2,937,000 Households serviced by Proximus and Scarlet. The 2017 X-Play revenue was up by 2.3% compared to 2016, in spite of the significant impact from Roaming regulation on mobile revenue. The revenue increase was driven by a better product mix, with a higher number of 4-Play households in the total. This drove an overall higher number of average RGUs, up by 3.2% to 2.74 for 2017, and also increased the overall Average Revenue per Household by 2.5% to EUR 67.5. End 2017, 56.8% of all households subscribed to both Proximus Fixed and Mobile services, i.e. convergent households. This amounts to 1.9 p.p. more than a year ago.

Supported by Proximus' All-In offers "Tuttimus" and "Biz All-In", Proximus' Consumer segment closed 2017 with EUR 911 million 4-Play revenue, up by 16.9% from the prior year. This resulted from a strong growth in number of 4-Play households, up by 82,000 in 2017, reaching 687,000 by year-end. Furthermore the Average Revenue per Household also evolved positively, with a 4-Play generating on average € 115.9 per month. This is 1.1% more compared to 2016, driven by a growing RGU, up by 0.3% to 4.86 for a 4-Play household. An additional advantage of increasing the number of 4-Play households is the positive effect this has on full-churn levels, with a 4-Play full churn at 2.8%, significantly better versus all other Plays.

2017 Consumer revenue (M€)



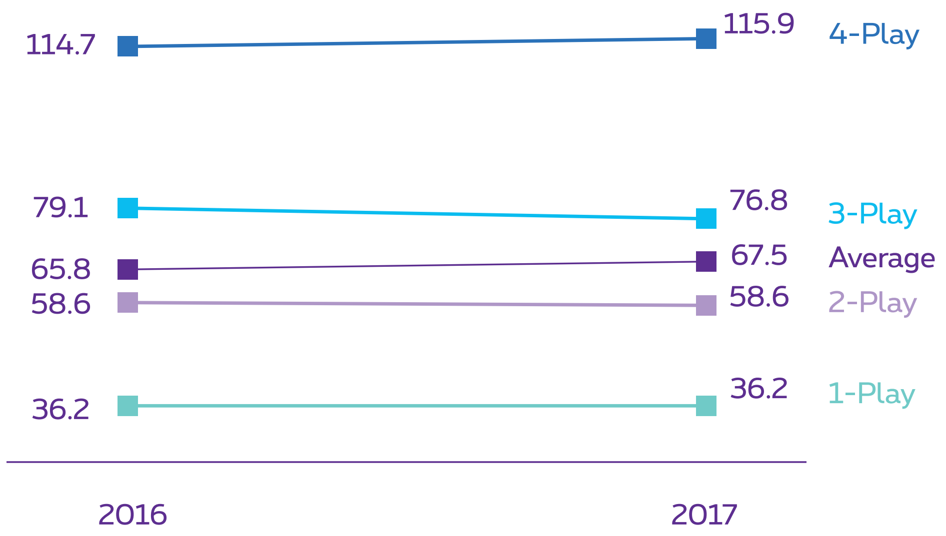
HH/SO revenue per X-Play (M€)



+16.9%

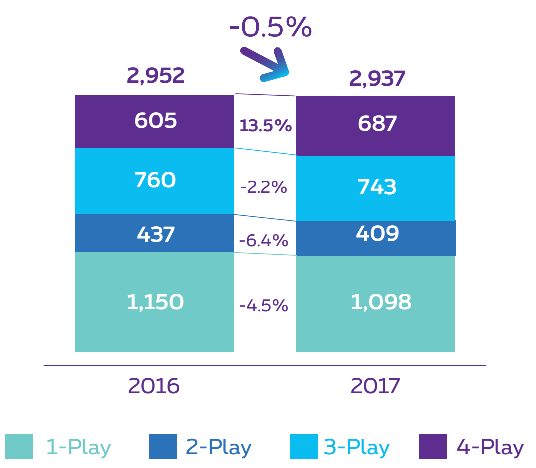
4-Play revenue

Average Revenue per Household/Small offices (ARPH in €)



With Proximus successfully uptiering customers to 4-Play, the number of households with 3, 2 and 1-Play declined. End 2017, Proximus counted 743,000 3-Play households, a net reduction of 17,000 from one year ago. The net impact was mitigated as the success of Scarlet's TRIO offer fuelled the 3-Play customer base. Indeed, the no-frills brand of Proximus is thriving in a market with more attention towards pricing. Hence, in the course of 2017, the proportion of Scarlet TRIO in the total number of 3-Play households further increased. With Scarlet's pricing typically more advantageous, the overall 3-Play ARPH decreased to EUR 76.8, -2.9% down from the prior year.

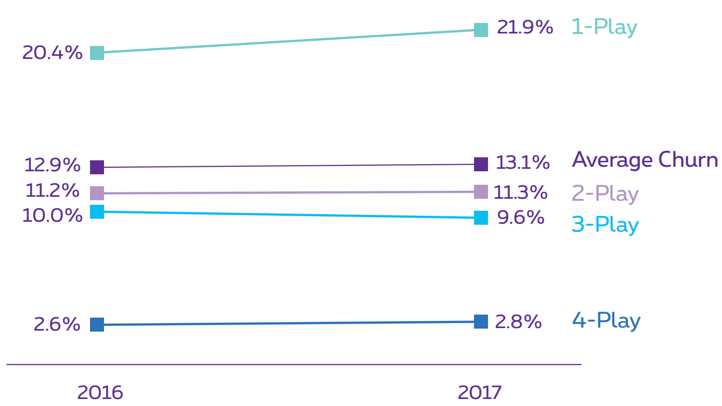
Consumer Households & Small Offices per X-play (in '000)



2.74

Average RGU
+3.2% YoY

Annualized full churn rate



- **Proximus' Enterprise segment grew its 2017 revenue by 1.7% in a competitive setting.**
- **Revenue progression driven by ICT and Advanced Business Services, offsetting pressure on legacy services.**
- **Strong growth in Mobile customer base partly compensated for the regulatory impact on Mobile roaming revenue.**
- **Shift in product mix lowered the Direct margin by -0.8%, bringing it to EUR 956 million.**

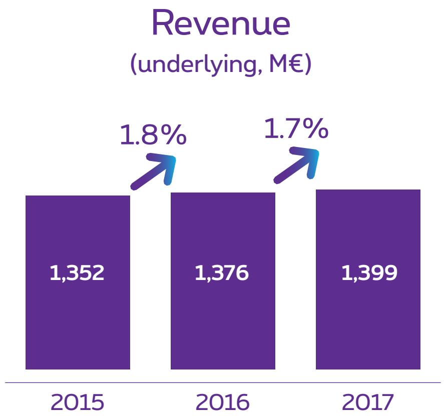
4. Enterprise Segment

Revenue

Proximus' successful convergence and innovation strategy for its Enterprise segment, supported by a recognized high-quality network, resulted in a 1.7% revenue growth, bringing it to EUR 1,399 million for 2017.

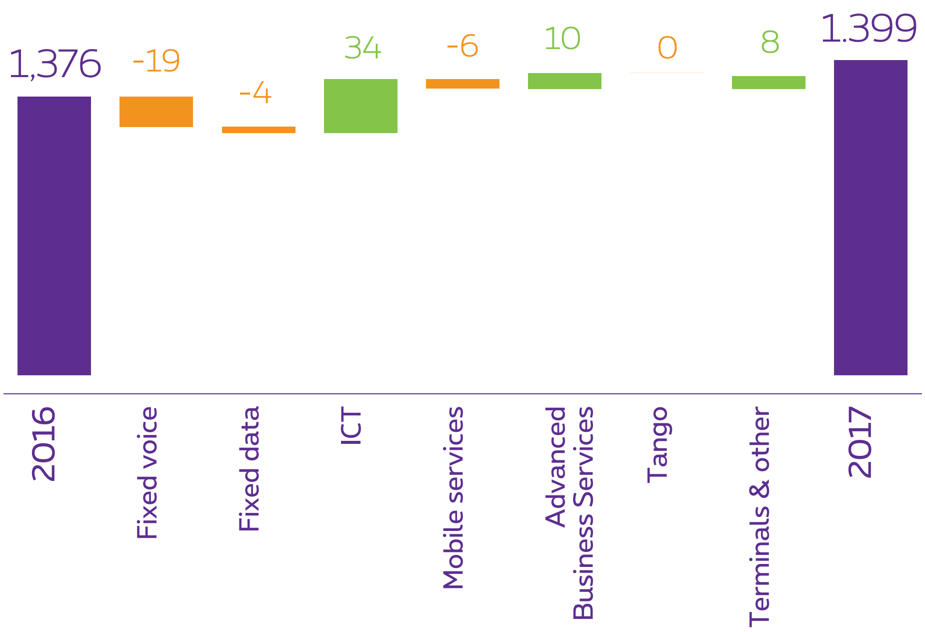
In 2017, Proximus' Enterprise segment benefitted once more from a solid revenue growth in both its ICT- domain and in Advanced Business Services[1].

At the same time, the Enterprise segment remained exposed to the ongoing revenue erosion from legacy Fixed Voice. In addition, 2017 was marked by severe regulatory Roaming measures which further reduced the Mobile Services revenue.



1 Advanced Business Services groups new solutions offered aside from traditional Telecom and ICT, such as Road User Charging, Converging Solutions, Big Data and smart mobility solutions. The latter are offered through BeMobile which is the combination of the entities of Be-Mobile NV (previously Mobile-For NV owned by Proximus), Be-Mobile Tech NV, and Flow NV. Being the majority shareholder, Proximus has consolidated the turnover of all these entities since March 2016.

Revenue evolution per product group (underlying, M€)

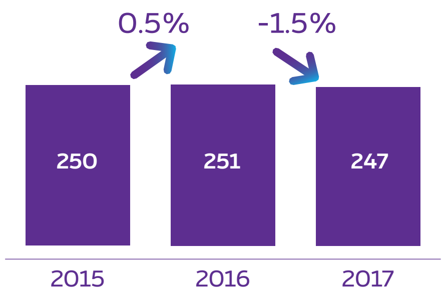


The 2017 revenue from **Fixed Data**, consisting of Fixed Internet and Data Connectivity **revenue**, totaled **EUR 247 million, 1.5% below** that of 2016.

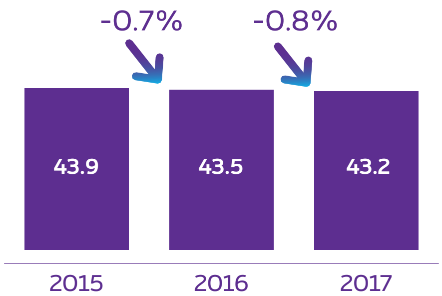
The Enterprise segment continued to migrate customers to Proximus' VPN flagship 'Explore', which showed a positive revenue evolution, benefitting from the further roll-out of P2P fiber. This was offset by less revenue from legacy products which were further outphased and migrated to new solutions in the context of simplification programs.

Revenue from Fixed Internet was slightly down year-on-year, due to a 2.4% decrease in the Internet customer base. In a competitive and highly penetrated Internet market, Proximus' Enterprise segment reported a net line loss of 3,000 in 2017, bringing its total Internet base to 135,000 by end-December 2017. The Broadband ARPU for 2017 was EUR 43.2, -0.8% down from the prior year, reflecting the impact of the outphasing and migration of legacy products in the context of simplification programs offering customers new solutions at more attractive pricing.

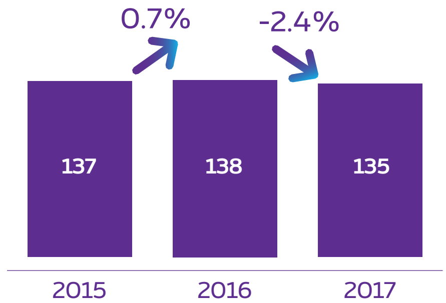
Fixed Data revenue (M€)



Fixed Internet ARPU (in €)



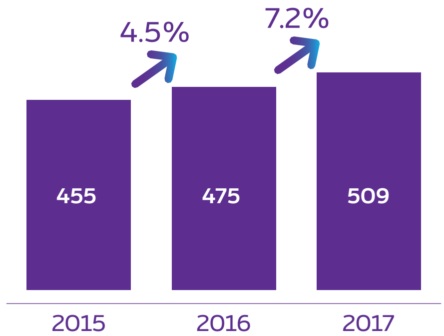
Fixed Internet park (in '000 lines)



The Enterprise segment posted **a solid ICT revenue of EUR 509 million. The increase by 7.2%** from the prior year was driven by continued growth in Security, Unified Communication and Outsourcing services as well as by higher product deals, and the small revenue contribution from Davinsi Labs[1], and Unbrace, respectively integrated into Proximus ICT since May and October 2017.

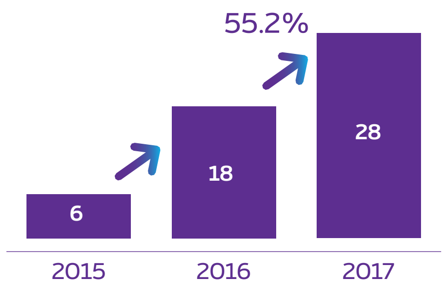
1 Davinsi Labs is an Antwerp-based cyber security company with a strong position on the Benelux cybersecurity market, providing Proximus with a 360° cybersecurity portfolio, covering the prevention and detection of cyber-attacks as well as prediction and response to breaches. Before its integration, Davinsi Labs generated revenue of EUR 3.4 million,for the full-year 2016. Unbrace is a young Belgian application development company, supporting companies in their digital transformation journey.

ICT revenue (M€)



In 2017, Proximus continued to focus on new growth areas, which translated into the good traction in Advanced Business Services. Occupying a unique market position in the field of Smart Mobility, BeMobile was the main driver of the revenue increase.

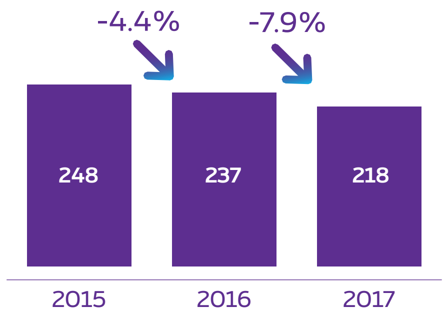
Advanced Business Services revenue (M€)



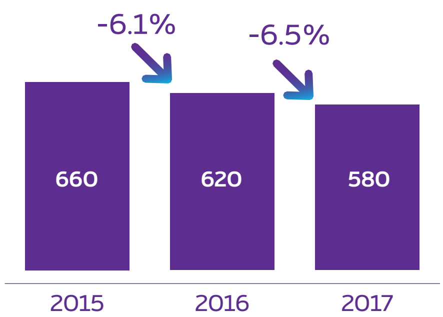
For its Fixed Voice business, the Enterprise segment faces an ongoing rationalization by customers on Fixed line connections, lower usage, technology migrations to VoIP and competitive pressure. As a result, the 2017 revenue from Fixed Voice decreased by **7.9% to EUR 218 million revenue.**

The net Fixed line erosion remained fairly stable with -40,000 lines in 2017. This brought the Enterprise total Fixed Voice Line customer base to 580,000 at year-end, i.e. a year-on-year line loss of -6.5%. The Fixed Voice ARPU eroded to EUR 30.4, -1.8% down from the previous year, mainly driven by less traffic per line and a lower average traffic price linked to a further penetration of unlimited call options.

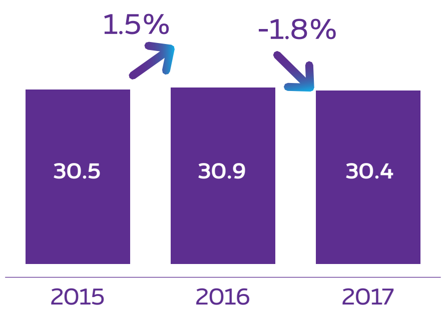
Fixed voice revenue (M€)



Fixed voice lines (in '000)

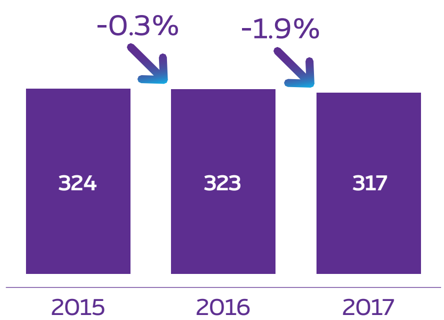


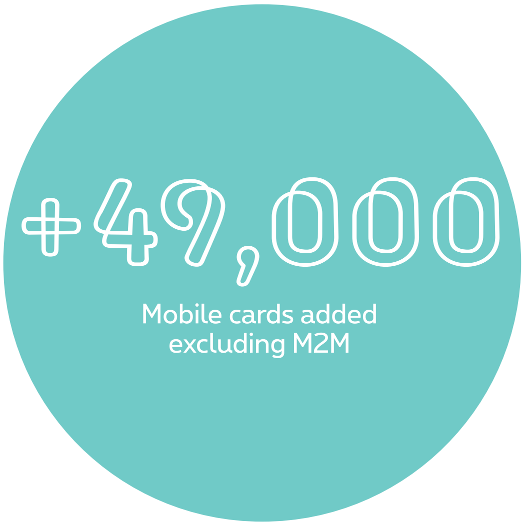
Fixed voice ARPU (in €)

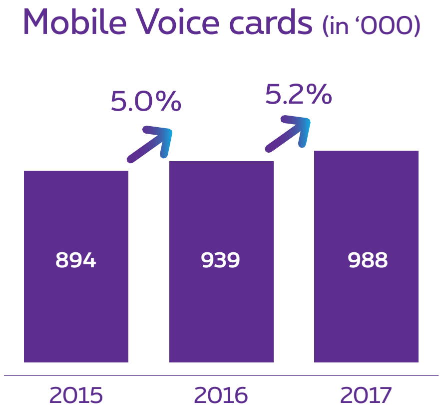


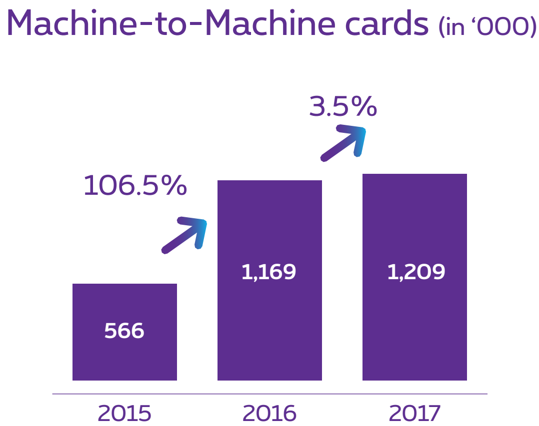
For 2017 the Enterprise segment posted **Mobile services revenue of EUR 317 million, -1.9% compared to the previous year**, including a significant headwind from the regulatory Roam-Like-At-Home pricing.

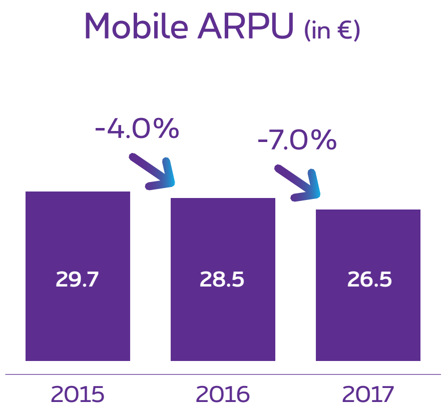
Mobile services revenue (in M€)











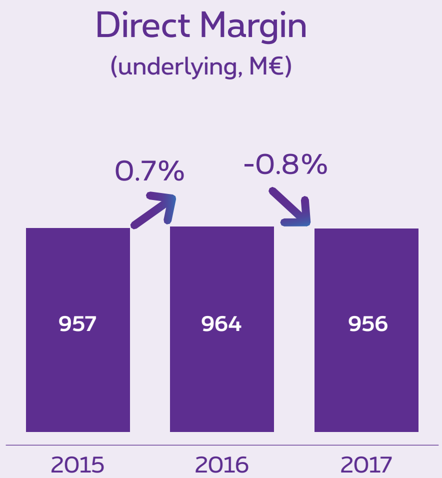
Despite operating in a competitive landscape, the Enterprise segment showed a continued solid growth in its Mobile cards park, up by 5.2% to 988,000 mobile cards (Machine-to-Machine cards excluded). The sustained growth in mobile voice cards was supported by a low mobile churn of 10.2%, reflecting a good customer experience provided by Proximus' mobile network and service levels.

Proximus' Enterprise segment holds a leading position in the growing domain of Machine-to-Machine (M2M) communication. While in 2016 the M2M cards base was fuelled by the Road User Charging project, the 2017 growth in M2M returned to a more regular level. Proximus added 41,000 M2M cards in 2017, bringing its total M2M base to 1,209,000, the largest in Belgium.

In the course of 2017, Data usage by Enterprise customers picked-up considerably, resulting from an ongoing adoption of smartphones and a growing number of 4G users. Average data usage went up by 35% compared to one year ago to 1.3GB/user/month for 2017. For customers with a 4G device, the Mobile Data consumption even reached 1.4GB. However, these beneficial usage evolutions could not fully offset the regulatory and competitive impact on the Postpaid ARPU, which decreased further to EUR 26.5 for 2017, -7.0% down from the prior year.

Enterprise Direct Margin

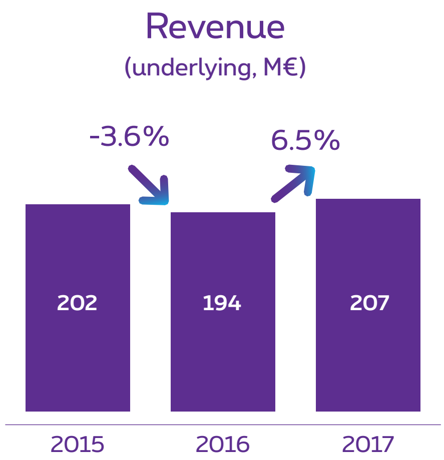
For the year 2017 the Enterprise segment posted a total Direct Margin of EUR 956 million, a 0.8% decline compared to the previous year. The Direct Margin as percentage of revenue decreased by 1.7pp to reach 68.3% as a result of a changing revenue mix, with lower-margin ICT revenue taking an increasing share in the total Enterprise revenue, while revenue from Fixed and Mobile Voice declined.

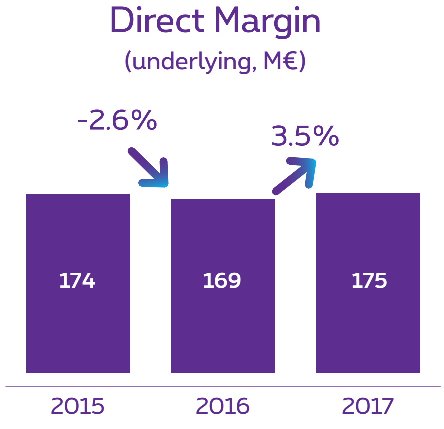


5. Wholesale

Proximus' Wholesale segment benefitted from higher roaming-in traffic in 2017, triggered by the Roam-Like-At-Home regulation. The resulting higher roaming-in revenue was, however, partly offset by the decline in traditional wholesale products (fixed voice, data connectivity and broadband access). Furthermore, the first quarter 2017 benefitted from the annulment of the lower Fixed Termination Rates introduced in November 2016. **Overall, the 2017 Wholesale revenue was up by 6.5% from the prior year, totaling EUR 207 million**. This was a significant change from the prior two years which were impacted by the ceased revenue stream from Snow (3-Play offer launched by BASE using the Proximus network through a commercial wholesale agreement).

Wholesale posted a 2017 Direct Margin of EUR 175 million, or 3.5% higher than for 2016.





- **BICS operating in market in full transition, moving from Voice to Data usage**
- **Strong growth in SMS A2P volumes and solid performance in Mobile data driven by Roaming and Mobile IP businesses**
- **BICS Direct Margin of EUR 279 million, i.e. 21.2% of revenue, a 2.4pp improvement from prior year**
- **Segment result 4.2% below that of 2016, though contribution margin solid at 10.8%, up 0.6pp.**

6. International Carrier Services – BICS

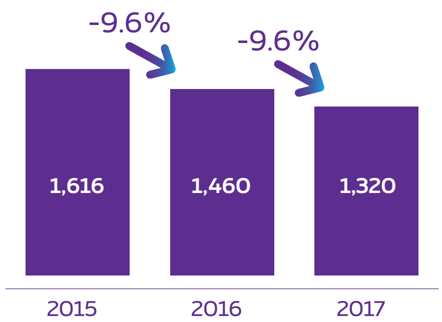
Revenue

BICS operates in the international communications market, which is highly competitive and faces the transition from Voice to Data usage. In a volatile Voice market, BICS carried 24.4 billion Voice minutes in 2017, 7.0% less than in 2016. This combined with a less favorable destination mix, and, to a lesser extent, a negative USD effect, led to a 14.2% decline in Voice revenue.

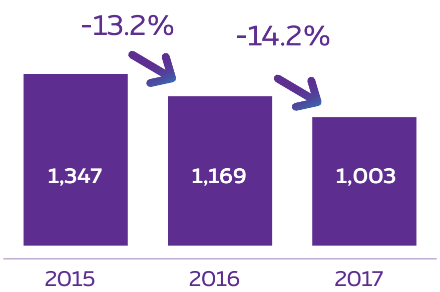
Messaging volumes carried by BICS were up by 35.7% in 2017. This was driven by a strong increase in A2P volumes, in line with BICS' strategic ambitions in this growing market, and was accelerated by the contribution of TeleSign in the last two months of 2017. For the full-year 2017, BICS posted solid non-Voice revenue of EUR 317 million, up by 8.6%.

In aggregate, BICS closed the year with a total revenue of EUR 1,320 million, i.e. 9.6% less than for the prior year.

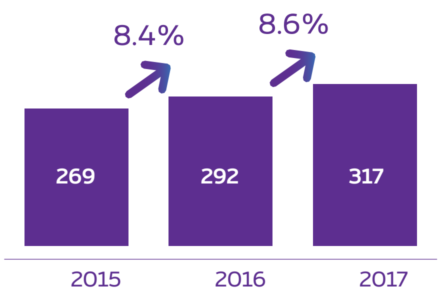
Revenue
(underlying, M€)



Voice Revenue
(underlying, M€)

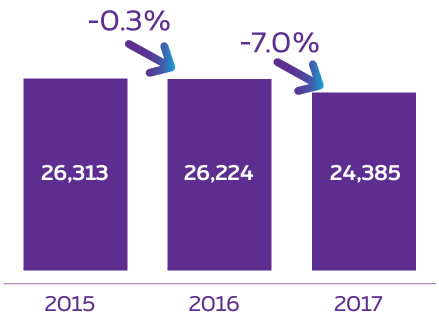


Non Voice revenue
(underlying, M€)



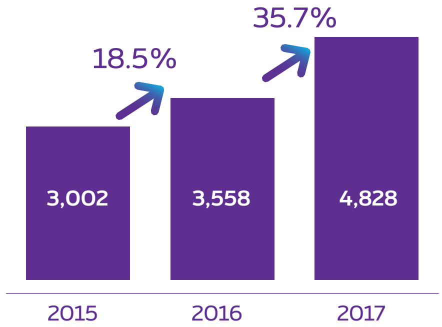
BICS Voice Volumes

(in millions minutes)



BICS Non Voice Volumes

(in million messages)

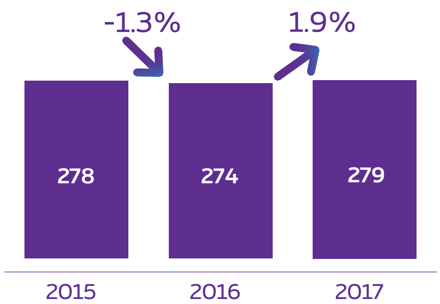


Direct margin

BICS managed to mitigate the margin impact from its revenue decline. **BICS' 2017 direct margin of EUR 279 million was 1.9% above that of 2016**. BICS posted a positive direct margin evolution for Voice and non-Voice, including 2 months of TeleSign consolidation. On an organic basis, BICS managed to limit its full-year direct margin erosion for 2017 to -0.6%.

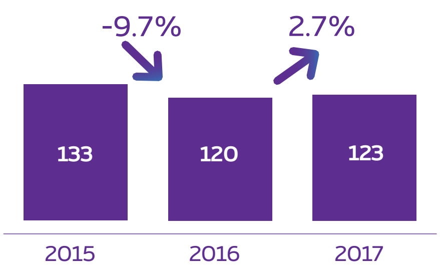
Direct margin

(underlying, M€)



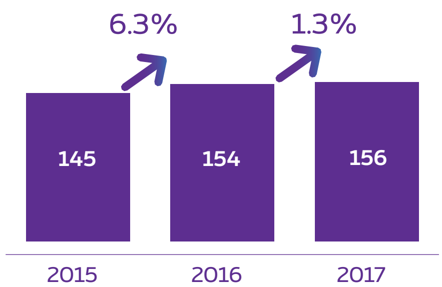
Direct margin Voice

(underlying, M€)



Direct margin Non Voice

(underlying, M€)

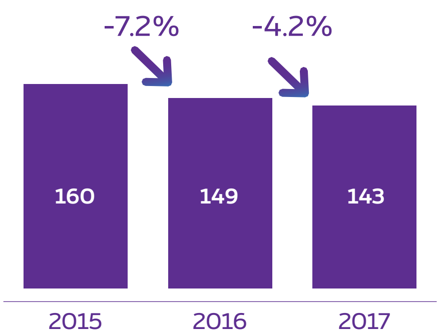


Segment result

The segment result of BICS amounted to EUR 143 million, a decline of -4.2% from the previous year, or -4.9% when excluding TeleSign. BICS' underlying segment margin as percent of revenue for 2017 was 10.8%, up 0.6 p.p. from the previous year.

Segment result

(underlying, M€)



7. Quarterly results

Group – Financials

(EUR million)	Q116	Q216	Q316	Q416	2016	Q117	Q217	Q317	Q417	2017
REPORTED										
Revenues	**1,433**	**1,463**	**1,488**	**1,490**	**5,873**	**1,444**	**1,417**	**1,463**	**1,478**	**5,802**
EBITDA	**417**	**428**	**441**	**447**	**1,733**	**428**	**445**	**468**	**431**	**1,772**
UNDERLYING										
Revenues per Segment	**1,433**	**1,460**	**1,487**	**1,490**	**5,871**	**1,443**	**1,417**	**1,441**	**1,477**	**5,778**
Domestic	**1,077**	**1,101**	**1,105**	**1,127**	**4,410**	**1,111**	**1,105**	**1,105**	**1,137**	**4,458**
Consumer	706	715	730	737	**2,889**	720	727	729	733	**2,910**
Enterprise	333	349	338	357	**1,376**	348	342	339	370	**1,399**
Wholesale	48	49	51	46	**194**	52	48	56	51	**207**
Other (incl. eliminations)	-10	-11	-14	-14	**-49**	-9	-13	-20	-17	**-58**
International Carrier Services (BICS)	**356**	**359**	**382**	**363**	**1,460**	**332**	**312**	**336**	**339**	**1,320**
Costs of materials and charges to revenues	**-531**	**-550**	**-569**	**-593**	**-2,242**	**-545**	**-516**	**-539**	**-565**	**-2,166**
Direct Margin	**902**	**911**	**918**	**897**	**3,628**	**898**	**901**	**901**	**912**	**3,612**
Direct Margin %	*63.0%*	*62.4%*	*61.7%*	*60.2%*	***61.8%***	*62.2%*	*63.6%*	*62.6%*	*61.7%*	***62.5%***
Total expenses before D&A	**-484**	**-448**	**-444**	**-456**	**-1,832**	**-449**	**-436**	**-437**	**-466**	**-1,789**
Workforce expenses	**-295**	**-293**	**-289**	**-282**	**-1,159**	**-287**	**-288**	**-287**	**-285**	**-1,146**
Non Workforce expenses	**-189**	**-155**	**-156**	**-174**	**-673**	**-162**	**-149**	**-151**	**-182**	**-643**
EBITDA	**418**	**463**	**474**	**441**	**1,796**	**449**	**464**	**464**	**445**	**1,823**
Domestic	**383**	**425**	**435**	**405**	**1,647**	**416**	**430**	**426**	**408**	**1,680**
International Carrier Services (BICS)	**35**	**38**	**40**	**36**	**149**	**33**	**34**	**38**	**37**	**143**
Segment EBITDA margin %	*29.2%*	*31.7%*	*31.9%*	*29.6%*	***30.6%***	*31.1%*	*32.8%*	*32.2%*	*30.2%*	***31.6%***

Consumer Segment Financials

(EUR million)	Q116	Q216	Q316	Q416	2016	Q117	Q217	Q317	Q417	2017
REPORTED										
Revenues	**706**	**715**	**730**	**737**	**2,889**	**720**	**727**	**729**	**733**	**2,910**
(No incidentals)										
UNDERLYING										
Revenues	**706**	**715**	**730**	**737**	**2,889**	**720**	**727**	**729**	**733**	**2,910**
Fixed	**379**	**381**	**383**	**384**	**1,526**	**388**	**387**	**387**	**388**	**1,551**
Voice	134	131	131	128	**524**	130	126	124	122	**503**
Data (Internet & Data Connectivity)	147	151	150	151	**599**	153	154	156	157	**619**
TV	87	88	91	94	**360**	95	96	97	98	**385**
Terminals (excl. TV)	4	4	4	4	**15**	4	4	4	4	**15**
ICT	7	7	7	7	**29**	7	7	7	7	**28**
Mobile Services	**248**	**250**	**251**	**246**	**995**	**242**	**247**	**248**	**243**	**979**
Postpaid	210	213	218	215	**856**	215	219	223	221	**878**
Prepaid	38	38	34	30	**139**	27	28	25	22	**101**
MobileTerminals	**25**	**30**	**37**	**53**	**146**	**39**	**42**	**41**	**47**	**170**
Subsidiaries (Tango)	**27**	**26**	**28**	**29**	**111**	**27**	**29**	**29**	**30**	**115**
Other	**28**	**27**	**30**	**26**	**110**	**24**	**23**	**24**	**25**	**96**
Costs of materials & charges to revenues	**-158**	**-162**	**-170**	**-194**	**-684**	**-174**	**-175**	**-179**	**-194**	**-722**
Direct Margin	**548**	**553**	**560**	**543**	**2,204**	**547**	**552**	**550**	**540**	**2,188**
Direct Margin %	*77.6%*	*77.4%*	*76.7%*	*73.6%*	***76.3%***	*75.9%*	*75.9%*	*75.5%*	*73.6%*	***75.2%***

Consumer – Operationals

	Q116	Q216	Q316	Q416	2016	Q117	Q217	Q317	Q417	2017
FIXED										
Number of access channels (thousands)	**3,837**	**3,832**	**3,824**	**3,841**	**3,841**	**3,872**	**3,885**	**3,877**	**3,883**	**3,883**
Voice	2,096	2,078	2,058	2,060	**2,060**	2,066	2,063	2,048	2,036	**2,036**
Broadband	1,741	1,754	1,767	1,781	**1,781**	1,806	1,821	1,829	1,847	**1,847**
TV unique customers (thousands)	1,440	1,458	1,472	1,489	**1,489**	1,516	1,533	1,543	1,560	**1,560**
ARPU (EUR)										
ARPU Voice	21.3	20.9	21.2	20.8	**21.0**	21.0	20.4	20.1	19.9	**20.4**
ARPU broadband	28.3	28.8	28.4	28.3	**28.4**	28.4	28.3	28.4	28.4	**28.4**
ARPU TV	20.2	20.2	20.7	21.1	**20.6**	20.9	20.8	20.9	21.0	**20.9**
MOBILE										
Number of active customers (thousands)	**3,717**	**3,704**	**3,689**	**3,679**	**3,679**	**3,646**	**3,631**	**3,552**	**3,552**	**3,552**
Prepaid	1,268	1,235	1,178	1,119	**1,119**	1,057	998	909	901	**901**
Postpaid	2,449	2,470	2,511	2,560	**2,560**	2,589	2,633	2,643	2,651	**2,651**
Annualized churn rate										
Prepaid	35.0%	35.0%	38.1%	37.7%	**36.7%**	39.0%	38.5%	n.r.*.	24.3%	**n.r.***
Postpaid	15.2%	14.0%	15.6%	16.5%	**15.2%**	15.1%	13.3%	16.3%	17.1%	**15.6%**
Blended	22.4%	21.5%	23.4%	23.6%	**22.7%**	22.7%	21.0%	32.5%	19.1%	**23.9%**
ARPU (EUR)										
Prepaid	9.8	10.1	9.3	8.8	**9.5**	8.1	9.0	8.7	8.2	**8.5**
Postpaid	28.7	28.8	29.2	28.4	**28.8**	27.9	28.0	28.3	27.8	**28.0**
Blended	22.1	22.5	22.7	22.3	**22.4**	22.0	22.6	23.1	22.8	**22.6**
Average Mobile data usage/user/month (Mb)										
4G	1,039	1,090	1,107	1,197		1,303	1,407	1,546	1,625	
Blended	725	790	842	945		1,083	1,192	1,330	1,414	

* Exceptionally impacted by identification legislation

X-Play reporting

	Q116	Q216	Q316	Q416	2016	Q117	Q217	Q317	Q417	2017
CONSUMER X-PLAY REPORTING										
Households/Small Offices per Play - Total (thousands)	**2,951**	**2,951**	**2,951**	**2,952**	**2,952**	**2,947**	**2,956**	**2,942**	**2,937**	**2,937**
4 - Play	555	564	574	605	**605**	640	662	673	687	**687**
3 - Play	768	771	774	760	**760**	750	748	744	743	**743**
2 - Play	451	448	445	437	**437**	427	419	413	409	**409**
1 - Play	1,177	1,167	1,158	1,150	**1,150**	1,130	1,127	1,111	1,098	**1,098**
Fixed Voice	398	384	372	358	**358**	342	330	320	309	**309**
Fixed Internet	122	123	124	126	**126**	129	130	132	136	**136**
TV	N/A	N/A	N/A	N/A	**N/A**	N/A	N/A	N/A	N/A	**N/A**
Mobile Postpaid	657	659	661	665	**665**	659	666	659	652	**652**
Average revenue x - play (in EUR)	**65.3**	**65.5**	**66.6**	**66.0**	**65.8**	**66.7**	**67.7**	**67.7**	**67.7**	**67.5**
4 - Play	114.2	114.3	115.5	114.6	**114.7**	115.0	116.5	116.4	115.7	**115.9**
3 - Play	79.3	79.1	79.8	78.3	**79.1**	77.4	77.2	76.6	76.0	**76.8**
2 - Play	58.8	58.4	58.9	58.3	**58.6**	58.9	58.6	58.5	58.5	**58.6**
1 - Play	35.9	35.9	36.8	36.1	**36.2**	36.1	36.5	36.3	36.1	**36.2**
Average #RGUs per househould/ Small Office - Total	**2.61**	**2.62**	**2.63**	**2.66**	**2.66**	**2.69**	**2.71**	**2.73**	**2.74**	**2.74**
4 - Play	4.83	4.83	4.83	4.84	**4.84**	4.85	4.86	4.86	4.86	**4.86**
3 - Play	3.34	3.34	3.34	3.33	**3.33**	3.33	3.32	3.32	3.32	**3.32**
2 - Play	2.21	2.21	2.21	2.21	**2.21**	2.20	2.20	2.20	2.19	**2.19**
1 - Play	1.23	1.23	1.24	1.24	**1.24**	1.24	1.24	1.24	1.24	**1.24**
Annualized full churn rate (house-hold/Small Office level) - Total	**13.4%**	**12.0%**	**12.6%**	**13.5%**	**12.9%**	**13.7%**	**11.7%**	**13.5%**	**13.3%**	**13.1%**
4 - Play	2.8%	2.7%	2.4%	2.7%	**2.6%**	2.8%	2.5%	3.1%	3.0%	**2.8%**
3 - Play	10.4%	9.6%	9.6%	10.3%	**10.0%**	10.2%	8.9%	10.1%	9.4%	**9.6%**
2 - Play	12.1%	10.3%	10.9%	11.6%	**11.2%**	12.3%	10.5%	11.7%	10.7%	**11.3%**
1 - Play	20.8%	18.7%	20.3%	21.9%	**20.4%**	22.6%	19.3%	22.7%	23.1%	**21.9%**
% Convergent HH / SO - Total	**53.2%**	**53.5%**	**54.2%**	**54.9%**	**54.9%**	**55.6%**	**56.1%**	**56.4%**	**56.8%**	**56.8%**
4 - Play	100.0%	100.0%	100.0%	100.0%	**100.0%**	100.0%	100.0%	100.0%	100.0%	**100.0%**
3 - Play	36.8%	37.1%	37.8%	36.9%	**36.9%**	35.9%	35.4%	35.2%	35.1%	**35.1%**
2 - Play	23.5%	23.4%	23.5%	23.7%	**23.7%**	23.7%	23.8%	23.7%	23.6%	**23.6%**

Enterprise – Financials

(EUR million)	Q116	Q216	Q316	Q416	2016	Q117	Q217	Q317	Q417	2017
REPORTED										
Revenues	**333**	**349**	**338**	**357**	**1,376**	**348**	**342**	**339**	**370**	**1,399**
(no incidentals)										
UNDERLYING										
Revenues	**333**	**349**	**338**	**357**	**1,376**	**348**	**342**	**339**	**370**	**1,399**
Fixed	**237**	**250**	**241**	**254**	**982**	**250**	**243**	**240**	**260**	**994**
Voice	61	60	58	58	**237**	57	55	53	52	**218**
Data (Internet & Data Connectivity)	63	63	63	62	**251**	62	62	61	62	**247**
Terminals	5	5	5	5	**19**	5	5	5	5	**19**
ICT	108	123	115	129	**475**	126	121	121	141	**509**
Mobile Services	**83**	**80**	**80**	**80**	**323**	**79**	**79**	**79**	**79**	**317**
MobileTerminals	**4**	**5**	**5**	**7**	**21**	**6**	**5**	**6**	**11**	**28**
Advanced Business Services	**2**	**5**	**5**	**7**	**18**	**6**	**6**	**7**	**9**	**28**
Subsidiaries (Tango)	**4**	**4**	**4**	**5**	**16**	**4**	**4**	**3**	**6**	**16**
Other Products	**3**	**4**	**4**	**4**	**15**	**3**	**4**	**4**	**4**	**16**
Costs of materials & charges to revenues	**-93**	**-106**	**-100**	**-113**	**-413**	**-110**	**-104**	**-105**	**-124**	**-444**
Direct Margin	**240**	**242**	**237**	**244**	**964**	**238**	**238**	**234**	**245**	**956**
Direct Margin %	*72.0%*	*69.6%*	*70.3%*	*68.3%*	***70.0%***	*68.4%*	*69.7%*	*68.9%*	*66.4%*	***68.3%***

Enterprise – Operationals

	Q116	Q216	Q316	Q416	2016	Q117	Q217	Q317	Q417	2017
Fixed										
Number of access channels (thousands)	**784**	**774**	**768**	**758**	**758**	**746**	**735**	**724**	**715**	**715**
Voice	647	637	630	620	**620**	609	599	589	580	**580**
Broadband	137	137	138	138	**138**	137	137	135	135	**135**
ARPU (EUR)										
ARPU Voice	31.1	31.1	30.7	30.8	**30.9**	31.2	30.5	29.9	29.8	**30.4**
ARPU Broadband	43.4	43.6	43.8	43.3	**43.5**	42.8	43.3	43.2	43.4	**43.2**
Mobile										
Number of active customers (thousands)	**1,881**	**2,006**	**2,084**	**2,108**	**2,108**	**2,132**	**2,155**	**2,173**	**2,197**	**2,197**
Among which voice and data cards	903	911	926	939	**939**	952	965	975	988	**988**
Among which M2M	978	1,094	1,158	1,169	**1,169**	1,180	1,190	1,198	1,209	**1,209**
Annualized churn rate	**10.8%**	**10.7%**	**8.9%**	**9.9%**	**10.0%**	**10.6%**	**10.5%**	**9.4%**	**10.4%**	**10.2%**
ARPU (EUR)										
Postpaid	29.8	28.5	28.1	27.5	**28.5**	26.9	26.6	26.3	26.1	**26.5**
Average Mobile data usage/user/month (Mb)										
4G	973	1,045	1,074	1,170		1,266	1,345	1,412	1,480	
Blended	756	833	880	982		1,094	1,180	1,254	1,328	

Wholesale – Financials

(EUR million)	Q116	Q216	Q316	Q416	2016	Q117	Q217	Q317	Q417	2017
REPORTED										
Revenues	48	49	51	46	194	52	48	56	51	207
(no incidentals)										
UNDERLYING										
Revenues	48	49	51	46	194	52	48	56	51	207
Direct Margin	43	43	44	40	169	45	41	46	43	175
Direct Margin %	*88.4%*	*88.4%*	*85.8%*	*86.0%*	***87.1%***	*86.4%*	*86.2%*	*81.2%*	*85.4%*	***84.7%***

Retail operationals and MVNO reported in Wholesale

	Q116	Q216	Q316	Q416	2016	Q117	Q217	Q317	Q417	2017
FIXED										
Number of access channels (thousands)										
Voice (1)	9	9	8	8	**8**	8	8	8	8	**8**
Broadband (1)	1	1	1	1	**1**	1	1	1	1	**1**
MOBILE										
Number of active Mobile customers (thousands)										
Retail (1)	10	10	9	9	**9**	9	9	9	8	**8**
MVNO	13	14	15	16	**16**	17	19	21	21	**21**

(1) i.e. Proximus retail products sold via Wholesale (OLO's own usage and reselling)

BICS – Financials

(EUR million)	Q116	Q216	Q316	Q416	2016	Q117	Q217	Q3217	Q417	2017
REPORTED										
Revenues	356	359	382	363	1,460	332	312	336	339	1,320
Segment Result	35	38	40	37	149	31	33	37	37	139
UNDERLYING										
Revenues	356	359	382	363	1,460	332	312	336	339	1,320
Revenues from Voice	286	288	303	291	**1,169**	262	241	251	249	**1,003**
Revenues from non-Voice	70	71	79	72	**292**	70	71	85	90	**317**
Costs of materials and charges to revenues	-289	-292	-310	-296	-1,186	-268	-245	-266	-261	-1,041
Direct Margin	67	67	73	68	274	64	67	70	78	279
Direct Margin %	*18.8%*	*18.6%*	*19.1%*	*18.6%*	***18.8%***	*19.4%*	*21.5%*	*20.8%*	*23.0%*	***21.2%***
Total expenses before D&A	-32	-29	-33	-31	-125	-31	-33	-32	-41	-137
Workforce expenses	-13	-13	-14	-13	**-53**	-14	-14	-14	-17	**-59**
Non Workforce expences	-19	-16	-20	-18	**-72**	-17	-19	-18	-24	**-78**
Segment result	35	38	40	36	149	33	34	38	37	143
Segment contribution margin %	*9.9%*	*10.5%*	*10.3%*	*10.0%*	***10.2%***	*9.9%*	*11.0%*	*11.2%*	*11.0%*	***10.8%***

BICS – Operationals

(in million)	Q116	Q216	Q316	Q416	2016	Q117	Q217	Q317	Q417	2017
Voice (min)	6,034	6,575	6,948	6,667	**26,224**	6,118	5,907	6,241	6,118	**24,385**
Non Voice (messaging)	833	909	903	913	**3,558**	879	939	1,101	1,909	**4,828**

Definitions

Annualized full churn rate of X-Play: a cancellation of a household is only taken into account when the household cancels all its Plays.

Annualized Mobile churn rate: the total annualized number of SIM cards disconnected from the Proximus Mobile network (including the total number of port-outs due to Mobile number portability) during the given period, divided by the average number of customers for that same period.

ARPH: Average underlying revenue per household (including Small Offices).

ARPU: Average Revenue per Unit

Blended Mobile ARPU: calculated on the basis of monthly averages for the period indicated. Blended monthly ARPU is equal to total Mobile voice and Mobile data revenues of both prepaid and postpaid customers, divided by the average number of active prepaid and postpaid customers for that period, divided by the number of months of that same period. This also includes MVNO's but excludes free data cards and M2M.

Broadband access channels: containing both ADSL and VDSL lines. For Consumer specifically, this also contains the Belgian residential lines of Scarlet.

Broadband ARPU: total Internet underlying revenue, excluding activation and installation fees, divided by the average number of Internet lines for the period considered, divided by the number of months in that same period.

BICS: the Proximus Group placed its international carrier activities under the brand BICS, a joint venture of Proximus, Swisscom and MTN in which Proximus owns 57.6% of BICS.

Business working capital: this corresponds to the working capital related to Trades Receivable, Inventory and Trades Payable

Capex: this corresponds to the acquisitions of intangible assets and property, plant and equipment

Consumer: segment addressing the residential and small businesses (less than 10 employees) market and including Proximus' Customer Operations Unit.

Cost of Sales: the costs of materials and charges related to revenues

Direct margin (reported): the result of cost of sales subtracted from the revenues (including non-recurring), expressed in absolute value or in % of revenues.

Direct margin (underlying): the result of underlying cost of sales subtracted from the underlying revenue, expressed in absolute value or in % of revenues.

Domestic: defined as the Proximus Group excluding BICS

EBITDA (reported): Earnings Before Interest, Taxes Depreciations and Amortization; corresponds to Revenue (including non-recurring) minus Cost of sales, workforce and non-workforce expenses and non-recurring expenses.

EBITDA (underlying): Earnings Before Interest, Taxes Depreciations and Amortization; corresponds to underlying revenue minus underlying Cost of sales, workforce and non-workforce expenses

EBIT: Earning Before Interest & Taxes, corresponds to EBITDA minus depreciations and amortizations

Enterprise: segment addressing the professional market including small businesses with more than 10 employees

Fixed Voice access channels: containing PSTN, ISDN and IP lines. For Enterprise specifically, this also contains the number of Business Trunking lines (solution for the integration of voice and data traffic on one single data network.)

Fixed Voice ARPU: total voice underlying revenue, excluding activation related revenue, divided by the average voice access channels for the period considered, divided by the number of months in that same period.

FCF: Free Cash Flow. This is Cash flow before financing activities.

General and Administrative expenses (G&A): remaining domestic expenses; excluding Marketing, Sales and Servicing and Network and IT expenses, i.e. mainly overhead.

ICT: Information and Communications Technology (ICT) is an extended term for information technology (IT) which stresses the role of unified communications and the integration of telecommunications (telephone lines and wireless signals), computers as well as necessary enterprise software, middleware, storage, and audio-visual systems, which enable users to access, store, transmit, and manipulate information. Proximus' ICT solutions cover, but are not limited to, Security, Cloud, "Network & Unified Communication", "Enterprise Mobility Management" and "Servicing and Sourcing".

Incidental: adjustments including non-recurring income and expenses (*) and other material(**) items that are out of usual business operations, such as: divestments of consolidated activities, gains and losses on disposal of buildings, M&A (acquisition, merger, divestment,…) related transaction costs, deferred M&A purchase price, pre-identified one shot projects (such as rebranding costs), changes of accounting treatments (such as the application of IFRIC 21), financial impacts of litigation files, fines and penalties, financial impact of law changes (one-off impact relative to previous years), recognition of previously unrecognized assets and impairment losses.

A detailed reconciliation from Reported to Underlying Revenue and EBITDA is presented in section 1.

(*) Non-recurring income and non-recurring expenses include gains or losses on the disposal of consolidated companies exceeding individually EUR 5 million, fines and penalties imposed by competition authorities or by the regulator exceeding EUR 5 million, costs of employee restructuring programs and the effect of settlements of post-employment benefit plans with impacts for the beneficiaries.

(**) The materiality threshold is met when an impact exceeds EUR 5 million. No materiality threshold is defined for divestments of consolidated companies, gains and losses on disposal of buildings, M&A related transaction costs and deferred M&A purchase price. No threshold is used for adjustments in a subsequent quarter of the same year if the threshold was met in a previous quarter.

Marketing, Sales and Servicing expenses: all expenses related to Consumer, Enterprise and Wholesale customers, including remote servicing.

Mobile active customers: includes voice and data cards as well as Machine-to-Machine (Enterprise). Active customers are customers who have made or received at least one call and/or sent or received at least one SMS message in the last three months. A M2M card is considered active if at least one data connection has been made in the last month.

Mobile ARPU: calculated on the basis of monthly averages for the period indicated. Monthly ARPU is equal to total Mobile voice and Mobile data revenues, divided by the average number of active Mobile customers for that period, divided by the number of months of that same period. This also includes MVNO's but excludes free data cards and M2M.

Multi-Play household (including Small Offices): two or more Plays, not necessarily in a Pack.

Network and IT expenses: all IT and Network related expenses, including interventions at customer premises

Net debt: refers to the total interest bearing debt (short term + long term) minus cash and cash equivalents.

Non Workforce expenses: all operating expenses excluding workforce expenses, and excluding depreciation and amortization and non-recurring expenses.

Play: a subscription to either Fixed Voice, Fixed Internet, dTV or Mobile Postpaid (paying Mobile cards). A 4-Play customer subscribes to all four services.

Revenue-Generating Unit (RGU): For example, a household with Fixed Internet and 2 Mobile Postpaid cards is considered as a 2-Play household with 3 RGUs.

Reported Revenues: this corresponds to the TOTAL INCOME.

TV ARPU: includes only customer-related underlying revenue and takes into account promotional offers, excluding activation and installation fees, divided by the number of households with Proximus or Scarlet TV.

Underlying: refers to adjusted Revenue and EBITDA (Total Income and Operating Income before Depreciation and Amortisation) for incidentals in order to properly assess the ongoing business performance.

Wholesale: Proximus' unit addressing the telecom wholesale market incl. other telecom operators (incl. MVNO) and ISP's.

Workforce expenses: Workforce expenses are expenses related to own employees (personnel expenses and pensions) as well as to external employees. For subsidiaries, Workforce expenses include internal personnel expenses and pensions only.

X-Play: the sum of single Play (1-Play) and multi-Play (2-Play + 3-Play + 4-Play).

Risk Management

Taking risks is inherent to doing business and successfully managing risks delivers return to Proximus stakeholders. Proximus believes that risk management is fundamental to corporate governance and the development of sustainable business.

The Group has adopted a risk philosophy that is aimed at maximizing business success and shareholder value by effectively balancing risk and reward. Effective risk management is a key success factor for realizing our objectives. The motivation of risk management is not only to safeguard the Group's assets and financial strength but also to protect Proximus' reputation. A structured risk management process allows management to take risks in a controlled manner. Financial risk management objectives and policies are reported in Note 33 of the consolidated financial statements, published on the Proximus website. Risks related to important ongoing claims and judicial procedures are reported in Note 35 of these statements. The enterprise and financial reporting risks are detailed below, together with the related mitigating factors and control measures. Note that this is not intended to be an exhaustive analysis of all potential risks Proximus might be facing.

Enterprise-wide risks

Proximus' Enterprise Risk Management (ERM) is a structured and consistent framework for assessing, responding to and reporting on risks that could affect the achievement of Proximus' strategic development objectives. The Group's ERM covers the spectrum of business risks ("potential adverse events") and uncertainties that Proximus could encounter. It seeks to maximize value for shareholders by aligning risk management with the corporate strategy. It does so by assessing emerging risk (e.g. from regulation, new technologies on the market) and developing mitigating strategies in line with its risk tolerance.

Proximus ERM framework has been reviewed and updated in 2017 in order to be aligned with the market best practices. This risk assessment and evaluation takes place as an integral part of Proximus' annual strategic planning cycle. All relevant risks and opportunities are prioritized in terms of impact and likelihood, considering quantitative and/or qualitative aspects. The bottom up identification and prioritization process is supported by a self-assessment template and validation sessions. The resulting report on major risks and uncertainties is then reviewed by the Executive Committee, the CEO and the Audit and Compliance Committee. The main findings are communicated to the Board of Directors. Among the risks identified in the ERM exercise of 2017, the following risk categories were prioritized (in the following order):

- Competitive market dynamics
- Business model evolution
- Customer experience
- Human Resource cost flexibility
- Employee skills & motivation

Competitive market dynamics

Proximus' business is primarily focused on Belgium, a small country with a few large telecom players, among which Proximus is the incumbent. Proximus is operating in growing (e.g. smartphones, mobile data, security, IOT, smart mobility, API platforms), maturing or saturated (e.g. Fixed Internet, postpaid mobile, fixed voice) or even declining (e.g. prepaid mobile, accelerated by registration obligation mid 2017) markets.

The market is in constant evolution, with competitive dynamics at play that might impact market value going-forward.

Substitution by OTT services of fixed line services (e.g. by apps and social media like Skype, Facebook, WhatsApp, etc.) and TV content could put further pressure on revenues and margins as these over the top services are further gaining ground.

As a result of its long-term strategy and continued network investments (Fiber, VDSL/Vectoring, 4G/4G+) Proximus has been consistently improving its multi-play value propositions by putting more customers on the latest technologies, keeping the lead in mobile innovation, structurally improving customer service, partnering with content and OTT players to offer a broad portfolio of content (Sports, Netflix, families & kids with e.g. Studio 100 agreement) , developing an omnichannel strategy and improving digital customer interfaces, …

Proximus has built up an advantageous and solid competitive position providing the company with other levers than just price, reducing the risk to churn and price disruption exposure.

Proximus is also responding through a convergent and bundled approach and by offering new services and opting for an aggregator model, putting at disposal the best content to its customers (e.g. Netflix).

The price-sensitive segment, on the rise in 2017 as more consumers seek 'no frills' offers at a lower price, is successfully addressed via its subsidiary Scarlet. The latter offers attractively priced mobile and triple-play products.

In the corporate large-company market, the scattered competitive landscape drives price competition, which might further impact revenue and margins.

Here also, Proximus intends to respond to increasing competition by strengthening its voice-data-IT convergence strategy, leveraging unmatched sales reach, broad portfolio and expertise. Addressing customer business needs through solutions combining core assets with innovation like IoT, Cloud, Security and big data will help preserving the value. The acquisitions of Davinsi Labs (cyber security) and Unbrace (application development) aim at increasing our expertise in these growth domains.

The international carrier services market continues to be characterized by high volatility within its voice segment. Unit margins for both the legacy voice and data segments continue to be under significant pressure as a result of price competition, consolidation of competitors and the ease with which customers are able to change providers. If these two elements (volatility and unit price pressure) should continue and/or if BICS does not offset price decreases with increased volume on new activities, BICS' growth rate, operating revenue and net profit could come under further pressure. In addition, the competitive pressure on the mobile data market continues to increase and therefore affect the growth profile of the International Carrier Services. However, as a quality-centric full product portfolio provider, BICS is better positioned than its competitors to engage in long lasting relationships with its customers. Additionally, the recent TeleSign acquisition will further accelerate the BICS strategy by creating the first end-to-end CPaaS ("Communication Platform as a Service).

Business model and servicing evolution

Proximus' business model and financial performance have been and will be impacted by (disruptive) technologies, such as eSIM smartphones and OTT (over-the-top) services. Proximus' response to new technologies and market developments and its ability to introduce new competitive products or services, meaningful to its customers, will be essential to its performance and profitability in the long run.

Proximus will also pursue its positioning as smart aggregator.

For ultra-broadband fibre based connectivity, Proximus operates a local marketing approach, joining forces of our sales and the one of technical forces and of local partners for its fibre deployment project.

Proximus also continues to develop capabilities to support business customers in their digital transformation with its industry-tailored support and convergent products combining connectivity, hybrid cloud and managed security solutions (e.g. acquisition of Davinsi Labs).

Proximus continuously explores ways to diversify revenues streams outside the classical connectivity business. Examples include smart advertising and smart mobility (via B-Mobile subsidiary among others). In those adjacent domains Proximus explores new partnership models and considers inorganic growth paths.

Customer experience

For Proximus, delivering a superior customer experience is a core strategic mission – but also an ongoing risk domain, considering:

- the fast evolution of market expectations
- the large & complex offer of product & services
- the process /legacy IT application complexity

Proximus is committed to meet its brand Promise 'Always close' by transforming into a digital service provider while delivering superior customer experience: a consistent and intuitive experience across interactions, high quality and stable network, easy-to-use products and services, a good recommendation index and low effort on all interactions in all customer journeys.

Proximus' transformation strategy holds a key focus on 'customer experience' which is materialized in a company-wide program. Via this program it manages different initiatives companywide:

- ensuring products & services are designed to match customer expectations before launching
- maximizing usage satisfaction of products and services with focus on in-home and in-office experience
- designing or redesigning interactions with the customer, ensuring a personalized and effortless interaction with the Proximus brand
- creating and maintaining a continuous dialogue with our customers to engage with them and evolve towards a real customer centric company
- reacting quickly when things are not going in the right direction from the customer perspective

A few examples of what has already been achieved in 2017:

- massive upgrading of customers to latest technology
- 'Happy House' visits to improve in-home experience
- 'Safety nets' for customers at risk via 360° transversal teams
- 'MyProximus' app upgrade and new 'Home optimizer' app
- 'Everything for your smartphone' servicing campaign

Human resource cost flexibility

Even though Proximus is back on the path of growth since 2015, strong competition, the impact of regulation and fast market evolution require that it needs to further reduce costs in order to remain competitive and preserve EBITDA. A significant part of Proximus' expenses is still driven by the cost of the workforce (whether internal or outsourced, expensed or capitalized). Expressed as a ratio of turnover, Proximus total cost of workforce still lies above the average of international peers and main competitors, even if progress is steadily made over the past years.
Moreover, Belgium applies automatic inflation based salary increases, leading to higher costs, not only of Proximus' own employees but also of the outsourced workforce, with the outsourcing companies being subject to the indexation as well. At Proximus Group level, about one in three employees is statutory. The application of HR rules as defined during successive Collective Agreements is quite strict and doesn't allow high flexibility and even more for statutory employees. This may restrict Proximus' ability to improve efficiency and increase flexibility to levels comparable to those of its competitors.

Major efforts will be needed to increase flexibility and mobility within the organization. Business complexity is continuously increasing, creating a need for upgraded skills and up-staffing mainly in customer-facing functions on the one hand and digital oriented functions on the other hand.

In the digital era, knowledge workers are a competitive asset if they have the right skills and mind-set. Proximus could face a shortage of skilled resources in very specific domains like security, digital front-ends, data science, agile IT,…This shortage could hamper the realization of our convergent and customer-centric strategy and delay some of our ambitions in innovation. This is why the company is putting so much attention on training programs, internal mobility, and selective hiring of young graduates from relevant fields of knowledge Proximus' attractive employer brand is definitely helping to attract and retain the right talents.

In 2017 the next wave of the voluntary early leave plan that was agreed by the unions in 2016 has left the company. However, the need remains to get unions approval on new measures to enhance agility in the company. Discussions with unions are aimed to simplify the current social model, to enhance functional & geographical mobility within the organisation and to increase employability.

Proximus will continue to adapt and simplify the organizational structure in order to evolve towards a high-performance organization and as such transforming the way we work.

Different initiatives are ongoing to safeguard the balance between workforce and workload (both in numbers and competencies), to optimize in- and outsourcing, to stimulate (internal) mobility, and to drastically simplify and/or automate Proximus' products, services, processes and systems.

Employee skills and motivation

Companies in the technology sector face growing pressure to attract, retain & manage talented employees; the challenge even grows when it goes over high qualified workforce, especially top experts, who have new digital and analytical skills that are critical to respond to the challenges Proximus faces to prepare for the future. In this matter, it is also essential for Proximus to adapt her way of working to the needs and requirements of the new generation – "the millennials" - and this way manage all talents within an inclusive multigenerational environment. In these challenging conditions, the Human Resources department within Proximus plays a key role in the company to ensure business success by helping people to develop new skills to be ready for the future.

Considering the imperative to align skills vs.

customer & business needs, Proximus Human Resources department has taken the necessary steps to identify what skills and skill groups are critical to face tomorrow's challenges. Proximus HR department is also working to spread a talent culture throughout the organization that encourages to know, develop and share each other's talents to have the right talent at the right place.

Operational risks

Operational risk relates to risks arising from systems, processes, people and external events that affect the operation of Proximus businesses. It includes product life cycle and execution; product safety and performance; information management, data protection and cyber security; business continuity; supply chain; and other risks, including human resources and reputation. Depending on the nature of the risk involved and the particular business or function affected, Proximus is using a wide variety of risk mitigation strategies, including adverse scenario stress tests, back up/business continuity plans, business process reviews, and insurance. Proximus' operational risk measurement and management relies on the AMA (Advanced Measurement Approach) methodology. A dedicated "as-if" adverse scenario risk register has been developed in order to make stress tests relevant.

Proximus is covered by extended general and professional liability, property damage and business interruption insurance as well as by a dedicated cyber security insurance program. Nevertheless, those insurance programs may not provide indemnification if the traditional insurance exclusions (non-accidental event) should apply.

The most prominent examples of operational risk factors are stipulated below:

- Resilience & business continuity
- Legacy network infrastructure
- Security (confidentiality, integrity, availability)
- Sourcing & supply chain reliability
- Data protection & privacy

Business Continuity

Interruptions to our ICT and telecom infrastructure that supports our businesses (including those provided by third-party vendors such as power suppliers) could seriously impact our revenues, our liabilities and our brand reputation.

Therefore, building and ensuring resilience of our products and services is and remains a top priority. We are convinced that our business continuity plans will keep our company up and running through interruptions of any kind: power failures, IT system crashes, natural disasters, supply chain problems and more.

For each critical business function, business continuity plans have been developed in order to:

- identify and prevent risks where possible
- prepare for risks that we can't control
- respond and recover if an incident or crisis occurs

Per critical product & services, relevant Recovery Time Objectives (RTO) have been defined in line with the sales business units requirements.

Proximus is closely following the Business Continuity Institute (BCI) best practices guidelines. The level of preparedness (relevant KPIs and score cards) is submitted annually to the Audit & Compliance Committee.

In case of a major adverse event, Proximus has put in place and is continuously testing a crisis management process called PERT (Proximus Emergency Response Team).

Legacy network infrastructure

The systems need to talk to each other over a connected information highway that can deliver information at high speed and without distortion. There is no doubt that in the coming years there will be a continuing demand for ever-increasing quantities of data at ever-increasing speeds. There is a widely held belief that the increased use of wireless and fiber optic technology will render copper wire obsolete.

The problems with services over copper are speed, reliability and value for money. All too often, legacy systems are costly to operate and maintain. Copper has been around for 140 years and has far out-lived any guarantee period. Soon, copper will cease to be maintained at all and outages on the lines will become more frequent.

Considering those elements, Proximus was in 2004 the first operator in Europe to start building a national Fiber network. And today, Proximus is among the world's top five operators for the proportion of Fiber in its VDSL network with over 21,000 kilometers of optical fiber connecting its street cabinets.

In 2017, Proximus has accelerated the roll-out of Fiber on its fixed network thanks to its 'Fiber for Belgium' € 3 Bio investment plan over the next 10 years.

Cyber Security

Increased global cyber security vulnerabilities, threats and more sophisticated and targeted cyber related attacks pose a risk to the security of Proximus as well as its customers', partners', suppliers' and third-party service providers' products, systems and networks. The confidentiality, availability and integrity of Proximus and its customers' data are also at risk.

We are taking the necessary actions & investments to mitigate those risks by employing a number of measures, including employee training, monitoring testing, and maintenance of protective systems and contingency plans.

Sourcing & Supply chain

Proximus depends on key suppliers and vendors to provide equipment needed to operate its business.

Supply chain risk management (SCRM) is defined as "the implementation of strategies to manage both every day and exceptional risks along the supply chain, based on continuous risk assessment with the objective of reducing vulnerability and ensuring continuity".

The following actions have been taken into account in order to keep an acceptable supply chain risk level:

- Top critical suppliers or their sub-suppliers under constant watch
- Stock management
- Consideration of alternative sourcing arrangements
- Business interruption / contingency plans
- Risk assessments and Audits
- Awareness campaigns and training programs
- Strict follow up of critical suppliers contractual liability & Service level Agreement (SLA) clauses
- Data protection & privacy

Data protection & privacy

Data protection laws exist to strike a balance between the rights of individuals to privacy and the ability of organizations to use data for business purposes. Keeping personal data confidential, private, safe and secure is for Proximus a top priority.

General Data Protection Regulation (GDPR) 's unification of data protection standards across the European Union has raised the privacy bar on personal data by requiring organizations to locate, understand its purpose and appropriately secure it.

Our objective is to ensure compliance with the EU General Data Protection Regulation (GDPR) without costly disruptions to Proximus data flow and business operations.

Proximus is committed to protect personal data and privacy, and the company has taken the following actions:

- Appointment of a Data Protection Officer (DPO) for Proximus (& subsidiaries) who reports to EXCO and the Audit & Compliance Committee and who is responsible for privacy compliance & implementation of privacy laws, e.g. GDPR.
- Since end of 2015, a Proximus Privacy Council Committee (PPC) has been established, which reports to the Executive Committee and consists of C-level members from all business units. The Committee decides on the framework and conditions for new and privacy sensitive use cases ("privacy by design") and provides recommendations on all other pertinent aspects related to privacy.
- A Proximus Privacy Charter, adopted in 2016, describes the Proximus' approach to privacy and serves as an internal compass to assess use cases and to respect our stakeholders' privacy, ….
- In view of the EU General Data Protection Regulation, Proximus performed a GDPR readiness assessment and developed a compliance roadmap.
- Mid 2016, Proximus has made a gap analysis between the GDPR requirements & the existing situation. In order to ensure a structured implementation, a multidisciplinary and cross-functional project team has been set up under the supervision of a project manager. Twelve work packages have have been defined in order to meet the May 2018 implementation deadline. The progress of the implementation is monitored through internal project governance and quarterly reporting to the Risk Management Committee (RMC) and the Audit & Compliance Committee.

Risk Management & Compliance Committee

In 2017, the Risk Management & Compliance Committee (RMC) has held 4 sessions. The related decisions have been reported to EXCO & the Audit & Compliance Committee. RMC meetings give opportunity to review files where decisions have to be taken by finding the balance between risk taking and cost in line with the Group risk appetite.

Proximus has general response strategies for managing risks, which categorize them according to whether the company will avoid, transfer, reduce or accept the risk. These response strategies are tailored to ensure that risks are within acceptable Proximus risk and compliance guidelines.

The RMC objectives are:

1. To oversee the company's most critical enterprise & operational risks and how management is monitoring and mitigating those risks.

2. To enhance pending/open internal Audit action points where significant resources have to be re allocated.

A disciplined approach to risk is key in a fast-moving technological and competitive environment, in order to ensure that we only accept risk for which Proximus is adequately compensated (risk/return optimisation).

Internal Audit

Proximus internal audit function is– in line with the European best practices requirements – an integral part of the Internal Risk Management and Control System and provides assurance to the Audit and Compliance Committee concerning the "in control status" of the Proximus Group segments/units/entities and processes. Internal Audit provides to both the Audit and Compliance Committee and Proximus Management analyses, appraisals, recommendations, counsel, and information.

Therefore, internal audit objectives using the COSO and other professional standards are to ensure:

1. The effectiveness & adequacy of internal controls.
2. The operational effectiveness (doing it right) and/or efficiency (doing it well).
3. The compliance with laws, regulations and policies.
4. The reliability & the accuracy of the information provided.

Internal Audit helps Proximus to accomplish those objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. Internal Audit conducts its activities in a manner based on a continuous evaluation of perceived business risks, and has full and unrestricted access to all activities, documents/records, properties and staff. The Chief Auditor has a reporting line to the Chairman of the audit Committee. Quarterly Audit activity reports are submitted and discussed with the Audit and Compliance Committee.

Financial reporting risks

In the area of financial reporting, in addition to the general enterprise risks also impacting the financial reporting (e.g. personnel), the major risks identified include: new transactions and evolving accounting standards, changes in tax law and regulations and the financial statement closing process.

New transactions and evolving accounting standards

New transactions could have a significant impact on the financial statements, either directly in the income statement or in the notes. An inappropriate accounting treatment could result in financial statements which do not provide a true and fair view any more. Changes in legislation (e.g. pension age, customer protection) could also significantly impact the reported financials. New accounting standards can require the gathering of new information and the adaptation of complex (billing) systems. If not timely and adequately foreseen, the timeliness and reliability of the financial reporting could be put at risk.

It is the responsibility of the Corporate Accounting department to follow the evolution in the area of evolving standards (both local General Accepted Accounting Principles (GAAP) and International

Financial Reporting Standards (IFRS)). Changes are identified and the impact on the Proximus financial reporting is proactively analyzed.

For every new type of transaction (e.g. new product, new employee benefit, business combination), an in depth analysis from a financial reporting, risk management, treasury and tax point of view is performed. In addition, the development requirements for the financial systems are timely defined and compliance with internal and external standards is systematically analyzed. Emphasis is on the development of preventive controls and setting up reporting tools that enable a posteriori controls.On a regular base, the Audit & Compliance Committee (A&CC) and the Executive Committee are informed about new upcoming financial reporting standards and their potential impact on the Proximus' financials.

Changes in tax law and regulations

Changes in tax laws and regulations (corporate income tax, VAT,...) or in their application by the tax authorities could significantly impact the financial statements. To ensure compliance, it is often required to set up, in a short timeframe, additional administrative processes to collect relevant information or to implement updates to existing IT systems (e.g. billing systems).

The tax department continuously follows potential changes in tax law and regulations as well as interpretations of existing tax laws by the tax authorities. Based on laws, doctrine, case law and political statements as well as draft laws available etc., an impact analysis is made from a financial perspective and from an operational point of view. The outcome of the analysis is reflected in the corresponding financial statements in accordance with the applicable framework.

Financial statement closing process

The delivery of timely and reliable financial statements remains dependent on an adequate financial statement closing process.

Clear roles and responsibilities in the closing process of the financial statements have been defined. During the monthly, quarterly, half-yearly and annual financial statement closing processes, there is a continuous monitoring on the different steps. In addition, different controls are performed to ensure quality and compliance with internal and external requirements and guidelines.

For Proximus and its major affiliates, a very detailed closing calendar is established, which includes in detail cross-divisional preparatory meetings, deadlines for ending of specific processes, exact dates and hours when IT sub-systems are locked, validation meetings and reporting deliverables.

For every process and sub-process, different controls are performed, including preventive controls, where information is tested before being processed, as well as detective controls, where the outcome of the processing is being analyzed and confirmed. Specific attention is given to reasonableness tests, where financial information is being analyzed against more underlying operational drivers and coherence tests, where financial information from different areas is brought together to confirm results or trends, etc. Tests on individual accounting entries are performed for material or non-recurrent transactions and on a sample basis for others. The combination of all these tests provides sufficient assurance on the reliability of the financials.

Internal control system

The Proximus Board of Directors is responsible for the assessment of the effectiveness of the systems for internal control and risk management.

Proximus has set up an internal control system based on the COSO model, i.e. the integrated internal control and enterprise risk management framework published by the Committee of Sponsoring Organisation of the Treadway Commission ("COSO") for the first time in 1992 and updated in May 2013. This COSO methodology is based on five areas: the control environment, risk analysis, control activities, information & communication and monitoring.

Proximus' internal control system is characterized by an organization with a clear definition of responsibilities, next to sufficient resources and expertise, and also appropriate information systems, procedures and practices. Proximus cannot guarantee that this internal control will be sufficient in all circumstances as risks of misuse of assets or misstatements can never be totally eliminated. However, Proximus organizes a continuous review and follow-up of all the components of its internal controls and risk management systems to ensure they remain adequate.

Proximus considers the timely delivery to all its internal and external stakeholders of complete, reliable and relevant financial information in conformity with International Financial Reporting Standards (IFRS) and with other additional Belgian disclosure requirements as an essential element of management and governance. Therefore, Proximus has organized its internal control and risk management systems over its financial reporting in order to ensure this objective is met.

Control environment

Organization of internal control

In accordance with the bylaws, Proximus has an Audit & Compliance Committee (A&CC) (see caption 'Independence and expertise in the accounting and audit domain of at least one member of the Audit and Compliance Committee'). Its role is to assist and advise the Board of Directors in its oversight on (i) the financial reporting process, (ii) the efficiency of the systems for internal control and risk management of Proximus, (iii) the Proximus' internal audit function and its efficiency, (iv) the quality, integrity and legal control of the Proximus statutory and the consolidated financial statements, including the follow up of questions and recommendations made by the auditors, (v) the relationship with the Group's auditors and the assessment and monitoring of the independence of the auditors, (vi) Proximus compliance with legal and regulatory requirements, (vii) the compliance within the organization with the Proximus' Code of Conduct and the Dealing Code.

The A&CC meets at least once every quarter.

Ethics

The Board of Directors has approved a Corporate Governance Charter and a Code of Conduct "A Socially Responsible Company". All employees must perform their daily activities and their business objectives according to the strictest ethical standards and principles, using the Group values (Collaboration, Agility and Accountability) as guiding principle.

The Code "A Socially Responsible Company", which is available on www.proximus.com, sets out the above-mentioned principles, and aims to inspire each employee in his or her daily behavior and attitudes. The ethical behaviour is not limited to the text of the Code. The Code is a summary of the main principles and is thus not exhaustive.

In addition, Proximus in general, and the Finance department in particular, has a tradition of a high importance to compliance and a strict adherence to a timely and qualitative reporting.

Policies and procedures

The principles and the rules in the Code "A Socially Responsible Company" are further elaborated in the different internal policies and procedures. These Group policies and procedures are available on the Proximus intranet-sites. Every policy has an owner, who regularly reviews and updates if necessary. Periodically, and at moment of an update, an appropriate communication is organized.

In the financial reporting domain, general and more detailed accounting principles, guidelines and instructions are summarized in the accounting manuals and other reference material available on the Proximus intranet-sites. In addition, the Corporate Accounting department regularly organizes internal accounting seminars to update finance and non-finance staff on accounting policies and procedures.

Roles & responsibilities

Proximus' internal control system benefits from the fact that throughout the whole organization, roles and responsibilities are clearly defined. Every business unit, division and department has its vision, mission and responsibilities, while on individual level everybody has a clear job description and objectives.

The main role of the Finance Division is to support the divisions and affiliates by providing accurate, reliable and timely financial information for decision making, to monitor the business profitability and to manage effectively corporate financial services.

The team of the Corporate Accounting department assumes this accounting responsibility for the mother company Proximus and the major Belgian companies. They also provide the support to the other affiliates. For this centralized support, the organization is structured according to the major (financial) processes. These major processes include capital expenditures and assets, inventories, contracts in progress & revenue recognition, financial accounting, operational expenditures, provisions & litigations, payroll, post-employment benefits and taxes. This centralized support, organized around specific processes and IFRS standards, allows for in depth accounting expertise and ensures compliance with group guidelines.

The consolidation of all different legal entities into the Consolidated Financial Statements of the Proximus Group is done centrally. The Consolidation department defines and distributes information relating to the implementation of accounting standards, procedures, principles and rules. It also monitors changes in regulations to ensure that the financial statements continue to be prepared in accordance with IFRS, as adopted by the European Union. The monthly instructions for consolidation set forth not only the schedules for preparing accounting information for reporting purposes, but also includes detailed deadlines and items requiring particular attention, such as complex issues or new internal guidelines.

Skills & expertise

Adequate staffing is a matter to which Proximus pays careful attention. This requires not only sufficient headcount, but also the adequate skills and expertise. These requirements are taken into account in the hiring process, and subsequently in the coaching and formation activities, facilitated and organized by the Proximus Corporate University.

For financial reporting purposes, a specific formation cycle was put in place, whereby junior as well as senior staff have to participate mandatory. These internally and externally organized accounting seminars cover not only IFRS but local accounting rules & regulations, Tax and Company law & regulations as well. In addition, the knowledge and expertise is also kept up to date and extended for more specific domains for which staff is responsible (revenue assurance, pension administration, financial products, etc.) through attendance to seminars and self-study. Furthermore, employees also attend general formations session on Proximus new business products & services.

Risk analysis

Major risks and uncertainties are reported in the caption 'Risk Management'.

Risk mitigating factors and control measures

Mitigating factors and control measures are reported in the caption 'Risk Management'.

Information and communication

Financial reporting IT systems

The accounting records of Proximus and most of its affiliates are kept on large integrated IT systems. Operational processes are often integrated in the same system (e.g. supply chain management, payroll). For the billing systems, which are not integrated, adequate interfaces and a monitoring system have been developed. For the consolidation purposes, a specific consolidation tool is used.

The organizational set-up and access management are designed to support an adequate segregation of duties, prevent unauthorized access to the sensitive information and prevent unauthorized changes. The set-up of the system is regularly subject to the review by the internal audit department or external auditors.

Effective Internal communication

Most of the accounting records today are kept under IFRS as well as local GAAP. In general, financial information delivered to management and used for budgeting, forecasting and controlling activities is established under IFRS. A common financial language used throughout the organization positively contributes to an effective and efficient communication.

Reporting and validation of the financial results

The financial results are internally reported and validated on different levels. On the level of processes, there are validation meetings with the business process owners. On the level of the major affiliates, a validation meeting is organized with the accounting and controlling responsible. On Proximus group level, the consolidated results are split per segment. For every segment, the analysis and validation usually includes comparison with historical figures, as well as budget-actual and forecast-actual analysis. Validation requires (absences of) variances to be analyzed and satisfactorily explained.

Afterwards, the financial information is reported and explained to the Executive Committee (monthly) and presented to the A&CC (quarterly).

Supervision and assessment of internal control

The effectiveness and efficiency of the internal control are regularly assessed in different ways and by different parties :

- Each owner is responsible for reviewing and improving its business activities on a regular basis: this includes a.o. the process documentation, reporting on indicators and monitoring of those.
- In order to have an objective review and evaluation of the activities of each organization department, Proximus' Internal Audit department conducts regular audits across the Group's operations. The independence of Internal Audit is ensured via its direct reporting line to the Chairman of the A&CC. Audit assignments performed may have a specific financial processes scope but will also assess the effectiveness and efficiency of the operations and the compliance towards the applicable laws or rules.
- The A&CC reviews the quarterly interim reporting and the specific accounting methods. The main disputes and risks facing the Group are considered; the recommendations of internal audit are followed-up; the compliance within the Group with the Code of Conduct and Dealing Code is regularly discussed.
- Except for some very small foreign affiliates, all legal entities of the Proximus Group are subject to an external audit. In general, this audit includes an assessment of the internal control, and leads to an opinion on the statutory financials and on the (half-yearly and annual) financials reported to Proximus for consolidation. In case the external audit reveals a weakness or identifies opportunities to further improve the internal control, recommendations are made to management. These recommendations, the related action plan and implementation status are at least annually reported to the A&CC.

Research and development activities

In 2017, the RD&I (Research, Development & Innovation) of Proximus continued activities, started a number of new studies and introduced new technologies & services in numerous domains, in quite some cases in co-operation with other innovation actors. Proximus makes sure to capture major trends in innovation & venturing linked to technology as well as the outcomes from standardization & industry policies bodies and continuously feeds innovation programs with relevant elements that fit the targeted chapter of Proximus long term company strategy: Build the Future.

Build the future

The network of the future

Optical fiber

Optical Fiber is the ultimate broadband network for both residential and business customers.

With optical Fiber, every member of a household can browse the Internet, watch streamed content, and play games online simultaneously, with no latency or loss in quality. They'll also benefit from the sharpest of images on all their screens.

Thanks to its high reliability and increased data protection, Fiber is the perfect solution for business customers as well, further enabling remote collaboration and the move to cloud applications.

For years Proximus had extended its Fiber network: as backbone for the VDSL network, covering already 94% of Belgium, offering dedicated Fiber solutions to enterprises, and by launching greenfield (new construction) projects.

The Fiber roll-out is extremely transversal, and almost all divisions of Proximus are impacted to some extent. We have launched internally a specific program to maximize all Fiber opportunities, Fiber+. In order to support the Fiber To the Home mass roll-out a new sourcing model has been established relying on several construction companies contractually organized in 2 consortia, GO4Fiber and 5thNet. About 450 employees are currently involved in this program in addition to the people in these consortia (300 – 500). This will grow exponentially with the fiber roll-out bringing a major scale up challenge.

Proximus has decided to take the next leap in bringing the capabilities of Fiber right up to the existing customer's home or business (brownfield) by launching a major investment plan "Fiber for Belgium" with the ambition to cover more than 85% of businesses and over 50% of households. In 2017 we started the roll out in different cities Antwerp, Brussels, Charleroi, Ghent, Hasselt, Liège and Namur and we recently signed an agreement with the city of Roeselare to start the deployment of our Fiber network over there as well.

Besides point-to-point Fiber connections, in 2017, we started offering GPON technology based on shared Fiber to our business customers to increase our reach and make Fiber more affordable.

The next generation technologies on copper

Proximus also continues to invest in new technologies on the copper network to bring high speeds to all its customers.

Thanks to this, Proximus now has the largest vectoring coverage worldwide. Over the last 3 years, we have set up no fewer than 26,500 ROP cabinets in the streets, offering VDSL to 90% of the population. In fact, we've exceeded 2 million active VDSL2 users in October 2017.

Roll-out of 4.5G

Proximus has been the first to launch 4.5G mobile technology in Belgium. This technology, that offers 2 to 3x faster download speeds, has already been rolled out in different areas in Aalst, Antwerp, Bruges, Ghent, Leuven, Nieuwpoort and Sint-Niklaas. High business activity zones (e.g. large parts of the port of Antwerp and a number of industrial zones) and areas with a large student population have been designated as the first to receive this technology.

VoLTE

With more than 600,000 users already, Proximus was also the first operator in Belgium to launch VoLTE. This technology, first available on compatible Samsung devices, is now also available on iPhone. VoLTE ensures we continue to offer the "Best Mobile Experience" in the country by delivering a faster call set up time and significantly higher voice quality. It also gives users the possibility to surf at 4G speeds while making a call.

With those innovations, Proximus is once again taking the lead to provide its customers with the best possible user experience. It's technology at the service of the customer.

5G

In November 2016, Proximus was the first Belgian operator to start testing 5G.Together with a series of other innovations, this unstoppable development will lead to a drastic increase in download speeds and reduction of latency. With 5G Proximus will be able to adress the changing needs of the customers in a wide variety of use cases, on top of the existing 4G capabilities.

With 5G on the horizon, Proximus has been readying itself for this hyper-fast mobile network by doing tests (already in 2016) and working on the European Trials Roadmap definition of 5G in the first half of 2017. We also became member of the 5GAA. This association's mission is to develop, test and promote communications solutions to address society's connected mobility and road safety needs.

Meaningful innovation

Our ambition is to become a digital service provider bringing new technologies in an easy way to our customers and improving their lives and work environment. Our focus is not only tech-oriented, but on how we can transform technologies like the Internet of Thing (IoT), the Cloud, Big Data, Security into solutions with positive impact on people and society such as smart advertising, smart home, smart mobility or smart city.

The Internet of Things (IoT): exponential growth in the future

The Internet of Things (IoT) represents the next step towards the digitisation of our society and economy, whereby objects and people are interconnected through communication networks and report about their status and/or the surrounding environment.

Proximus is taking the opportunity to provide objects such as buildings, machines, cars as well as other assets with the appropriate sensors in order to connect them with each other and the Internet.

Proximus confirms market leadership for connected objects in Belgium by connecting (close to) 1.3 million things to its IoT networks through LoRaWAN and Cellular networks.

By collecting valuable information about their condition and/or environment, the sensors exchange information over the IoT networks, allowing the objects to be monitored, operated and controlled remotely. Proximus plans to grow its LoRaWAN network still further and is developing partnerships with users and established IT application integrators to embed IoT in new customers' applications. Furthermore we will launch narrowband-IoT, in order to provide the widest range of networks and solutions that best meet the needs of our customers.

Proximus continuously invests in new products which address applications in a wide variety of verticals. Key ingredients to success are always similar: customer centricity by the involvement of industry experts as of the conception phase, re-usage of our existing modular assets (platforms, sensors …) and an openness to open our assets to partners, utilizing our ecosystem (of nearly 200 partners).

The LoRaWAN® network

The LoRaWAN® network offered by Proximus positions itself on a mobile level on the long range / low power network. This network is a key-element in the Internet of Things (IoT) architecture and enables an automatic and accurate transmission of small packages of data.

By the end of 2017, Proximus had rolled-out its nationwide commercial Internet of Things network (using LoRaWAN technology) in Belgium and Luxemburg and added geo-localization functionality.

LoRaWAN® in action

Thanks to the LoRaWAN® network of Proximus and the expertise of SilentSoft, , Antargaz has chosen to equip its gas meters with connected IoT sensors. Once the LoRaWAN® sensor has been connected to an Antargaz gas meter in their propane gas network, consumption readings are transmitted regularly and can be consulted at any given point in time on SilentSoft's online platform.

TVH is a global market leader in replacement parts for handling materials, industrial vehicles and agricultural machines. Thanks to machine connectivity, they gather pertinent data pertaining to their use. After the data collected is analysed, they can advise their customers on how to efficiently put their machines to better use. But the primary objective is to optimise maintenance and servicing. Real-time data-analysis makes it possible to plan pre-emptive maintenance programmes based on statistical models.

Value of the data - Artificial Intelligence

2017 was also the year in which worldwide attention grew for artificial intelligence (AI). Proximus believes strongly that AI in its various applications can bring great value, being it to enhance products and services, optimise its operations or enable new ways of interacting with customers. In these different areas several proofs of concept are launched, with the first implementations of predictive models build via machine learning and chatbots for interacting with our customers. To achieve this Proximus partners its own competences in the field of data science with technologies from the large OTT players and specific knowledge from Belgian start-ups (for example for implementation of Dutch language NLP models).

One concrete example is the implementation of a collaboration with the Belgian start-up Real Impact Analytics. Together Proximus and RIA develop next generation applications using analytics & predictive models in order to prioritize the future network (mobile & fixed) investments. Those applications use high number of commercial & technical data sources integrated into business logics. Encouraging "better customer experience & convergent" investments.

The Proximus Enabling Company (EnCo)

The Proximus Enabling Company (EnCo) is a fine example of Proximus becoming a provider of digital services and encouraging software developers to co-create new solutions using Proximus assets. The EnCo platform gives developers and companies' easy access to the technologies of Proximus and its partners so they can create solutions and applications in a fully digital way. The Proximus EnCo platform was built over the past year in an agile and digital manner, in constant interaction with target customers via hackathons and workshops.

NxtPort, a digital data platform for the Antwerp Port Community

In January 2017, the Antwerp Port Community launched its data utility platform NxtPort. This has ensured that the Port of Antwerp is ready for a world in which every object and every process can be made intelligent and in which data can be turned - in real time - into relevant insights for better decisions.

Proximus was part of the consortium that won the bid, in partnership with Microsoft and Nallian, a Belgian data exchange expert with deep logistics expertise. Together we have delivered a state-of-the-art platform that enables data to be shared securely and new solutions to be built quickly.

The NxtPort platform makes it possible to integrate a vibrant ecosystem of companies, developers and IT players. Proximus has been able to offer digital assets including its IoT sensors, SMS services and mobility data and deliver new solutions. In this way Proximus is not only building a platform with its partners but also enabling other companies to enrich the Port's digital transformation journey.

One of the first commercial API services on EnCo involves SMS. Senso2me, a company committed to provide safe and simple care technology solutions that support individual and assisted living, allows message alerts to be sent to carers and family members in case of unusual situations.

EnCo also makes it easier to combine SMS with other services like IoT and Data analytics.

Security, a key domain for Proximus

From its existing strong position on the Benelux cyber security market, the acquisition of Davinsi Labs in May 2017 gives Proximus a 360° cyber security portfolio, covering the prevention and detection of cyber-attacks as well as prediction and response to breaches.

The Belgian authorities now have a new 24/7 public warning system if ever there is a crisis. It's called BE-Alert. As one of the partners in the Crisis Center, we have created a tool to easily inform the population through different channels. BE-Alert can broadcast news and information in the event of a crisis via SMS, fixed voice, email and social media.

itsme

itsme is the product of a unique collaboration in Belgium between the four major banks and its three leading telecom operators. They provide the user with a unique and secure mobile identity. The Federal Government certified the application, making itsme a totally secure key that's useful, 100% safe, simple, and yet respectful of digital privacy. Login access to a MyProximus account via the itsme app is also possible.

Cyber security is of vital importance to everyone particularly as cyber threats are rapidly increasing and today's threat actors are ever more sophisticated. In such a context, trustworthy collaboration between major players is key. For several years already, the Proximus Cyber Security Incident Response Team (CSIRT) has been exchanging cyber threat information with its European peers, to protect Proximus' infrastructure and its customers. This has now been extended through the Cyber Partnership Agreement with the NATO Communications and Information (NCI) Agency.

Telindus in Luxembourg

Telindus Luxembourg completed its existing range of services in Cyber Security with a Cyber Security & Intelligence Operation Center (CSIOC) for the detection and management of cyber incidents.

As a recognition for its determination to innovate and its multi-domain expertise, Telindus has received in 2017 the following awards: "FinTech Solution Provider of the Year", "Awareness Security Initiative of the Year", "Security Provider of the Year", and "Telecom Provider of the Year".

Smart Mobility

Be-mobile

Be-Mobile has an unique market position in the Smart Mobility ecosystem, offering solutions to road users, companies, cities, municipalities and government services, using the Internet of Things and Big Data.

Be-Mobile offers its expertise to increase the accessibility of cities, manage and optimize traffic flows through services such as mobility monitoring, dynamic traffic control, electronic toll charging, and mobile mobility payment services like parking.
Be-Mobile provides road traffic information in real time. Be-Mobile developed an innovative system which supplements traditional sources of traffic information, such as loop-based traffic counters in the road surface, with anonymous data collected via global positioning systems and mobile applications.

The data that Be-Mobile collects is very valuable for mobility studies and provides good insights for businesses.

Be-Mobile is further expanding its business in an international context.

Connect my car

ConnectMy.Car is an all-in-one connected car solution designed to help car drivers and fleet managers gather and exchange information. It enables an Internet connection within the car, and offers the flexibility of an open platform and the comfort of roadside assistance.

ConnectMy.car is an integrated system based on a device that is simple to plug in and which collects useful real-time data such as location, technical and other information about the vehicle as well as driving behaviour. In agreement with the driver and in function of the services required, this data is shared via an open yet secure platform with application service providers, proposed by Proximus and Touring. The solution is a new telematics approach offering maximum transparency yet respecting the privacy of the driver.

Finding and embracing strong partnerships & ecosystems

In the growing digital economy, a company's success is increasingly founded on partnerships, while innovation is becoming more and more open and collaborative.

The following strategic initiatives are testament to the commitment Proximus is making in this domain: the recent acquisitions of companies such as TeleSign, Davinsi Labs and Unbrace ; the co-creation initiatives with other companies and local start-ups to set up new ecosystems such as Co.Station; and our tradition of collaborating with universities.

Strategic acquisitions

TeleSign, a CPaaS company

In October 2017, Proximus Group subsidiary BICS, a global provider of international wholesale connectivity and interoperability services, concluded the acquisition of TeleSign, the US-based Communication Platform as a Service (CPaaS) company.

The acquisition creates the world's first end-to-end CPaaS provider, thereby bridging the market leading TeleSign cloud communications platform with one of the largest global carriers in the world.

This strategic acquisition is accelerating the transformation of BICS from a global wholesale carrier business to an international digital enabler, more specifically allowing real-time and secure digital communications through the integration of voice, messaging and identity solutions into any web or mobile applications. This will reinforce BICS' footprint in the Americas and expand its customer reach to global over-the-top Internet brands.

Davinsi Labs, a cyber security company

The acquisition of Davinsi Labs in May 2017 is in line with our Fit for Growth strategy and our ambition to invest in key strategic domains in order to become a Digital Service Provider. Thanks to this acquisition Proximus will have the most complete cyber security offering on the Belgian market. With the upcoming regulation to better protect all EU citizens from privacy and data breaches in an increasingly data-driven world (the General Data Protection Regulation); the detection and prediction of security threats - which are Davinsi Labs' main areas of expertise - will become even more important.

Unbrace, an application development company

Proximus has further strengthened its role as a business partner in digital transformation by acquiring Unbrace, an application development company. Unbrace creates custom-built applications that help businesses engage with their customers, empower their employees and optimize their operations.

There is no doubt that future success depends on an ability to integrate applications, develop APIs (application programming interfaces), and digitize legacy assets of companies. Unbrace is a strategic fit with Proximus' current expertise, particularly as Digital Transformation is reshaping the ICT landscape of all companies and impacting the way they consume ICT resources.

Partnership & ecosystem

We acknowledge that we, as a telecommunication operator, can't be successful alone. It's important to build strong partnerships to be able to move up the value chain and create end-to-end solutions with true impact on people's life and work. Therefore, in this journey of Open Innovation, we steadily evolve towards partnership and ecosystems.

New shareholder of Co.Station

Co.Station is a Belgian community that unites some 2,000 entrepreneurs, start-ups, scale-ups, corporates, investors and influencers and materialized in 2 co-working spaces in Brussels and Ghent with the ambition to further expand.

Proximus has been collaborating with Co.Station since September 2016 and in so doing has been working with a number of external parties to jointly develop the products of tomorrow. Proximus is therefore a catalyst in stimulating entrepreneurship and helping new digital companies in Belgium innovate and grow. In September 2017, Proximus became a shareholder in the community – a logical next step.

B-Hive

B-Hive is a start-up community of which Proximus is a founding partner. This European fintech platform, promoting collaborative innovation, brings major banks, insurers and market infrastructure together, thereby supporting startups and entrepreneurs who develop solutions for financial markets.

Call-for-Innovation

Call for Innovation (call-for-innovation.com) is a platform where Proximus and partner companies (Swisscom, Telia) are reaching out to find the leading startups and innovators around specific topics / challenges to co-create products and services for our customers. Two calls have been organized:

- Next Generation Virtual Telco Functions & Services Startups (SDN/NFV 2.0)
- Business Cases leveraging Big Data in Telcos

Collaboration with Universities

A partner to universities for many years already, we have intensified collaboration still further by initiating joined RD&I projects. For example, Proximus participates to the BoSS project (Blockchain for online Service Security). This cooperative research project enables online service providers to leverage improved blockchain technology to enhance the security and privacy of their application services by providing appropriate middleware platforms as well as technical and legal building blocks. The project is executed under the framework of the ICON.IMEC research program and involves the following partners: KU Leuven (DistriNet, COSIC and CiTiP), Up-nxt, Thanksys, EURid, Noesis Solutions and Agfa Healthcare. The project starts in October 2017 and has a duration of 24 months.

Cooperation agreement with the University of Ghent

Proximus and UGent announced their intention to jointly create research projects in the telecom and ICT fields and will also to cooperate on doctoral research and theses in subjects such as “big data analytics”, “process engineering”, “artificial intelligence” and “behavioural analytics”.

Together, they also expressed the intention to help build the “embassy of ingenuity” to promote “Belgian ingenuity”. Furthermore, they would cooperate more closely to align training courses with the fast evolving employment market in today’s and tomorrow’s new digital economy, and bring the corporate and university worlds closer together.

Independence and expertise in the accounting and audit domain of at least one member of the Audit and Compliance Committee

Proximus has an Audit & Compliance Committee which consists of five non-executive directors, the majority of whom must be independent. In line with its charter, it is chaired by an independent director.
A majority of the members of the Audit & Compliance Committee have extensive expertise in accounting and audit. The Chairman of the Audit & Compliance Committee, Mr. Guido J.M. Demuynck, holds a degree in Applied Economics. Mrs. Catherine Vandenborre holds a degree in Business Economics as well as degrees in Tax and Financial Risk Management. Mr. Paul Van de Perre holds a Master's degree in Economics and several postgraduate degrees. The Chairman and the majority of the members exercised several board or executive mandates in large Belgian or international companies

Diversity statement

In accordance with article 3 of the Law of 3 September 2017 on the disclosure of non-financial and diversity information by certain large companies and groups, Proximus' diversity policy, its purpose and results are described below.

The statement on other non-financial information is included in a separate report which is annexed to this Consolidated Management Report

Strategic orientation about diversity & inclusion

Proximus believes that a diverse workforce, through employees' unique capabilities, experiences and characteristics, will help to reach a more diverse marketplace and will create sustainable business. It is also important to reflect the diversity of our customers and markets in our workforce.

Therefore, Proximus has a **Charter on diversity and equal rights**, which applies to all employees of the Proximus Group.

With this policy Proximus wants to enable conditions, where these differences are recognized and respected, and where all employees are given equal opportunities. For Proximus, diversity and equality mean:

- Treating all applicants and employees equally, based only on relevant competencies and objective criteria.
- Creating an open and welcoming work environment that encourages contributions from people of all backgrounds and experiences.

- Promoting a mind-set of respect and openness throughout all levels of the organisation and treating all employees fairly and equally.
- Demonstrating behaviour free from any form of racism, intolerance, discrimination, harassment or other attitude that could negatively affect the dignity of men and women at the workplace.
- Incorporating diversity in all aspects of the way we do business without any form of intolerance.

Within Proximus specific teams are in charge of monitoring the compliance with the Charter and of taking the correct measures in case of non-compliance.

Diversity & inclusion in our management and employees communities

Proximus is particularly conscious about the importance of diversity at all levels of the organisation and concentrates on attracting and retaining highly talented leaders and employees, people considered as strong role models who are high performers and ambassadors of our company values.

While taking care of putting in place well-balanced mixed teams, Proximus reinforces its capacity for innovation and fosters its learning culture, the satisfaction of its employees and their creativity towards the future challenges of a digital world.

With regards to gender diversity, this approach is also reflected in the female representation at the different levels of our company:

- 43% of the Board of Directors
- 25% of the Executive Committee
- 24% of the members of the Leadership Team
- 32% of all employees' population

In certain technical units with activities such as welding, female representation is relatively low, whereas other business units have a more gender-equal representation.

Proximus also has a very diverse workforce in terms of culture with 58 nationalities.

Proximus supports internal and external diversity network activities and initiatives such as the AfroPean network (APN) and WinC (women network). We have a Diamond Sponsorship in the organisation "Women on Board". Our CEO participates in events regarding women at the top. Proximus also ensures ad hoc presence to external events such as "Yes she can" in order to encourage young girls to choose for engineering studies and a technical career.

Creation of a culture that allows to reconcile activities during the different life phases

Proximus wants to create conditions to allow its personnel to reconcile the different aspects of their professional and private life during their different life phases by offering opportunities for internal job change and development opportunities, homeworking, part-time schedules, home child care, … These measures allow our workforce to be optimally present, supported and motivated.

Proximus is founding partner of "Experience@Work". Thanks to this company, experienced talents from organisations can be deployed in other organisations which are looking for specific experience and/or talent.

Diversity as part of Proximus code of conduct

Proximus' mission consists in connecting everyone and everything so people live better and work smarter. This also means that we have to earn and keep the trust of our customers, our employees, our suppliers, our shareholders, our partners and the company as a whole.

Successful business must go hand in hand with honest and ethical behaviour. Each employee has a crucial role to play in this matter. This is the reason why the Code of Conduct is in place, representing our corporate culture and values. This Code of Conduct reflects the fundamental principles and rules which are the foundations of our engagement to be a socially responsible company. The Code of Conduct applies to everyone: Board Directors, managers and all employees. Although the Code of Conduct cannot directly be imposed to our business partners, we seek to always work with partners respecting the same ethical standards.

Proximus expects its employees to respect the Code of Conduct and use it as a reference in their day-to-day way of working.

Human rights

People are entitled to be treated with respect, care and dignity. Proximus business practices can only be sustainable if we respect basic human rights and value diversity, cultural and other differences. Our Code of Conduct, values and behaviour are inspired by fundamental principles such as those of the Universal Declaration of Human Rights, the European Convention on Human Rights and the United Nations Convention on the Rights of the Child.

Working conditions

Proximus is committed to creating working conditions which promote fair employment practices and where ethical conduct is recognized and valued. We maintain a professional workplace with an inclusive working environment, and we are committed to respecting Belgian legislation and the International Labour Organisation's (ILO) fundamental conventions.

Proximus recognizes and respects the right to freedom of association and the right to collective bargaining within national laws and regulations. We will not contract child labour or any form of forced or compulsory labour as defined by ILO fundamental conventions. Moreover, we are opposed to discriminatory practices and do our utmost to promote equality and diversity in all employment practices.

Our working environment standards shall be extended to every member of our diverse community and are exemplified by all managers, team leaders and employees.

Other information

Rights, commitments and contingencies as of 31 December 2017

Disclosures related to rights, commitments and contingencies are reported in note 35 of the consolidated financial statements.

Use of financial instruments

Disclosures related to the use of financial instruments are reported in note 33 of the consolidated financial statements.

Circumstances which may considerably impact the development of the Group

Circumstances which may considerably impact the development of the Group are reported in the sections “ Risk Management ” and “ Internal Control ” of this management report.

Treasury shares

Disclosures related to treasury shares are reported in note 17 of the consolidated financial statements.

Capital management

The purpose of the Group's capital management is to maintain net financial debt and equity ratios that allow for security of liquidity at all times via flexible access to capital markets, in order to be able to finance strategic projects and to offer an attractive remuneration to shareholders.

The latter was updated by the Proximus' Board of Directors of 25 February 2010 and Proximus now commits to return, in principle, most of its annual free cash flow before financing activities (or "Free Cash Flow"), to its shareholders. The return of free cash flow through dividends will be reviewed on an annual basis, in order to keep strategic financial flexibility for future growth, organically or via selective merger and acquisition projects, with a clear focus on value creation. This also includes confirming appropriate levels of distributable reserves.

Furthermore, as confirmed and approved by the Proximus' Board of Directors on December 15 2016, Proximus' Board of Directors intends to pay out a stable dividend of EUR 1.50 per share (interim dividend of EUR 0.50 and ordinary dividend of EUR 1.00) for the years 2017, 2018 & 2019, provided Proximus' financial performance delivery in line with the strategic plan.

Over the two years presented, the Group did not issue new shares or any other dilutive instruments.

Post-balance sheet events

Disclosures related to post-balance sheet events are reported in note 40 of the consolidated financial statements.

On behalf of the Board of Directors,

Brussels, 1 March 2018.

Dominique Leroy

Chief Executive Officer

Stefaan De Clerck

Chairman of the Board of Directors