2017

Proximus Group Annual Report

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Who
we are

Proximus is a telecommunication & ICT company operating in Belgium and internationally, providing services to residential, enterprise and public markets.

We are the leading provider of telephony, internet, television and network-based ICT services in Belgium through our Proximus and Scarlet brands. Our advanced interconnected fixed and mobile networks offer access anywhere and anytime to digital services and data, as well as to a broad offering of multimedia content. We are investing in future-proof networks and innovative solutions, creating the foundations for sustainable growth.

Proximus offers a full range of telecom and ICT services towards both residential and business customers as well as to public institutions.

proximus
"Belgium's leader in Telco & ICT in quality and service with the full choice of features – bringing customers instantly close to who matters to them."

scarlet
"The no-frills offering for customers looking for the best prices."

tango
"The Proximus Group telecom operator in Luxembourg, with fixed, mobile, TV and convergent services."

telindus a Proximus company
"ICT and Telecom with a focus on corporate and institutional customers in the Netherlands and Luxembourg."

bics
"Leading international communications enabler; connecting the world by creating reliable and secure mobile experiences anytime, anywhere."

In the growing digital economy, a company's success is increasingly founded on partnerships and innovation. Proximus firmly believes in this and has signed some major strategic acquisitions the last 2 years: in 2016 we acquired Be-Mobile and in 2017 we acquired 3 other companies: one international with TeleSign and 2 in the enterprise market with Davinsi Labs and Unbrace.

{_}NBRACE

Unbrace: the acquisition of Unbrace has further strengthened Proximus' role as a business partner in digital transformation.

d|si Davinsi Labs

Davinsi Labs: the acquisition of Davinsi Labs gives Proximus a 360° cyber security portfolio.

TeleSign

TeleSign: Proximus Group subsidiary BICS acquired TeleSign, creating the first global end-to-end Communication Platform as a Service (CPaaS)

BEMOBILE

Be-Mobile: 3 mobility companies combined to form Be-Mobile which offers a wide array of solutions to help public authorities, road operators and private companies improve daily mobility for travelers.

2017, an exciting year!

Proximus' Fit for Growth strategy, launched in 2014, sees the company grow further in 2017, now already for the 3th year in a row. Last year CEO Dominique Leroy and chairman Stefaan De Clerck focused on the acceleration of Proximus' Fit for Growth Strategy while strengthening Proximus' ambition to become a Digital Service Provider. We invited them to look back at what was achieved and to look forward to Proximus' ambitions for the coming years.

Looking back on the past 3 years, Proximus has demonstrated growth in an intensely competitive and regulated market. Can you comment on 2017 performance specifically?

Dominique Leroy : Our financial results are fully in line with our promise to the market and this growth is the result of consistently delivering our Fit for Growth strategy to become a more customer oriented, agile and efficient organization.

We grew our Domestic revenue by 1.1% mainly driven by the ongoing expansion of our TV, Internet and Mobile Postpaid customer base and a solid revenue increase from ICT in spite of a more competitive international and Belgian landscape and significant regulatory headwinds. Driven by our efforts to simplify and deliver structur-

al cost reductions, we posted a solid Group EBITDA of 1,823 mio EUR, an increase of 1.5%. At the same time, we invested € 1,092 million in the benefit of the overall customer experience.

Customer experience has always been at the heart of the Fit for Growth strategy. What did 2017 bring?

Dominique Leroy: It's always been our ultimate objective to deliver a superior customer experience. This is why we continued to invest in our high-quality integrated network, easy-to-use and innovative solutions, best accessibility & local reach, and proactive servicing. In 2017 we further enhanced both our Mobile and Fixed networks. We started the roll-out of optical fiber in different cities around the country being the first to bring Fiber directly into the homes of our customers and we also have been first to launch 4.5G. We continued to improve the In-Home experience of our customers with the Happy House visits and the launch of the In Home Optimizer app and we offered them new innovative services for their smartphone with the smartphone omnium, clear coat and the smartphone replacement. For our business customers, we have launched 'Invoice Insights', ensuring they can manage their mobile invoices through an easy-to-use app interface.

Looking at your strategy we can clearly see that the transformation of Proximus will be a key enabler in the success of the strategy. How is this transformation executed inside your company?

Dominique Leroy: To execute our Fit for Growth strategy, we have launched several transformation programs over the past years. These programs are key to provide a better customer experience and to drastically reduce our costs.

We posted a solid Group EBITDA growth of

1.5% vs 2016

We grew our Domestic revenue by

1.1% vs 2016

We focus our transformation efforts around 3 axes: simplification, digitalisation and our organisation.

In 2017 we further simplified our infrastructure with the large-scale transition of customers from legacy networks such as PSTN and ATM to IP-based technology. Year by year, we are moving towards a more simplified portfolio of products and solutions. By the end of 2017, 99.7% of our customers, enjoying our convergent offers, were on the 2 most recent generations of packs. The further digitalisation of our company helps us to reach these simplification objectives. For example, to support our decisions related to fixed and mobile network investments, we have developed an internal data analytics project to help us prioritize our investments and track their return. And of course to adapt to the changing market conditions we need a change in the way we work. This is all about having the right culture and ensuring we have the right attitude and skills, and the best organization to be successful and resilient. For the past three years, we have worked on the cultural transformation of our company 'From Good to Gold', and in 2017, rolled out 'Good to Gold' teams across the entire company.

All those transformation initiatives contributed to a more efficient cost structure, with our underlying domestic expenses decreasing by 3,2% YoY.

Cultural change clearly is one of the important transformation ambitions. How have you ensured that this is being translated into behaviours?

Dominique Leroy: We are pursuing our Good to Gold journey which is key for the successful realization of our strategy. We want to ensure lasting adoption of the Good to Gold principles by reinforcing our Good to Gold training

tracks and fostering role models at every level of the organization. In 2017, we also launched the first projects in full design-thinking mode as we work towards true customer centricity and First Time Right delivery. We are fundamentally changing the way we work and the local self-steering teams we've put in place for the Fiber roll-out are a good example of this. Working with dedicated, co-located, regional and cross-functional teams is the best way to achieve our ambitions. These teams are empowered and have the right tools to take decisions autonomously to optimize the roll-out of Fiber in function of the local context.

People really make our company and we continuously give them the opportunity to move internally and acquire new experiences. Each Proximus employee received an average of 19 hours of courses last year and in 2017, 1177 employees changed jobs internally. We also launched our Newtone digital platform thanks to which people can find temporary projects to work on alongside their regular jobs.

Beside your transformation objectives, you also announced last year that you wanted to keep enriching your content offer. What were the highlights of 2017?

Dominique Leroy: We took the Proximus TV experience to the next level with our new TV interface and our enriched content offer. Football fans enjoy all Belgian professional football and all matches of the UEFA Champions League. We've also signed an exclusive deal with Studio 100. In Flanders Studio 100 TV is now exclusively available in the basic offer. Furthermore our partnership was expanded with Studio 100 GO, a completely revamped digital platform, and Studio 100 HITS, a brand-new music channel. With this we now have a particularly attractive offer for child and family.

Dominique Leroy
CEO

> To execute our Fit for Growth strategy, we have launched several transformation programs over the past years, these programs are key to provide a better customer experience and to drastically reduce our costs.

What other efforts were done to further grow Proximus' core business of telco and ICT solutions?

Dominique Leroy: For our residential customers, we had reinvented our commercial offer at the end of 2016 with the launch of our new all-in offers Tuttimus and Bizz All-in. Already 360,000 customers signed up to these offers. To better respond to customers' expectations in 2017, we increased the volume of mobile data included for both new and existing customers. Scarlet, our no-frills brand, attracted a lot of customers in 2017 thanks to new attractive offers such as Poco & Loco and Hi-Five, our millennial offer with data only.

For our enterprise customers, we have further fortified our collaboration and ICT portfolio with the launch of new solutions like Call Connect, allowing businesses to have their PABX in the cloud without having to invest in expensive hardware. The Office 365 Voice connect plugin also allows customers to call any mobile or fixed number via Skype for Business. We are also proud to confirm our market leadership for connected objects in Belgium by connecting close to 1.3 million things to our IoT networks through LoRaWAN and cellular networks.

Stefaan De Clerck: We believe it's important to launch meaningful innovations on the market, transforming technologies like the Internet of Things (IoT), Big Data, Cloud and Security into solutions with positive impact on people and society, such as smart advertising, smart home, smart mobility or smart city. In addition, Proximus wants to remain at the cutting edge of technological innovation, for itself and its customers, especially with regard to Big Data, Blockchain, Artificial Intelligence, etc.

In the growing digital economy, a company's success is increasingly founded on its ability to build strong partnership & ecosystems. Would you say this also applies for Proximus?

Dominique Leroy: We acknowledge that we, as a telecommunication and ICT 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. 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 B-Hive; as well as our tradition of collaborating with universities. We also gave developers and companies access to Proximus and its partners' technologies so they can create solutions and applications in a fully digital way via The Proximus Enabling Company (EnCo) platform.

We have talked about the products & services you offer, but as a major company in Belgium I imagine your contribution to society goes beyond this?

Dominique Leroy: Being a digital service provider means, for us, helping customers reap the benefits of digital transformation. We believe in the positive aspect of technology. We want to make this world of new possibilities accessible to all, with solutions to answer real needs. Proximus wants to play a positive role in the digitalization of all aspects of life, work and public services, for a more prosperous digital Belgium.

Stefaan De Clerck: As one of Belgium's largest employers and biggest investors, we play an important role in building and boosting our country's digital economy. It's why we are investing in the infrastructure of the future with the

accelerated roll-out of optical fiber. In 2016 we announced Fiber for Belgium, an investment plan of EUR 3 billion over 10 years to bring people & businesses connectivity at the speed of light. The long-term ambition is to cover more than 85% of businesses and the centers in all our cities and communes. In 2017 we started the roll out in cities such as Antwerp, Brussels, Charleroi, Ghent, Hasselt, Liège and Namur and recently signed an agreement with the city of Roeselare to deploy our Fiber network over there as well.

At the same time, we are committed to addressing key society issues by structurally embedding CSR in everything we do, so that we can all live in a more sustainable, more inclusive and safer world. For example, our continued support for the Bednet program meant more than 600 children have been able to attend school virtually. We have also given jobseekers, through our Digitalent program, the chance to increase their digital skills and be better equipped for the digital jobs of the future.

Our Safer Internet initiative has also seen 150 Proximus staff visit primary schools to inform children about the safe and responsible use of Internet, another major challenge for society. Not forgetting, the company became climate neutral in 2017 and received the CDP climate leadership award for the 5th year in a row.

We are proud that Proximus continues to play an active role in society and build a more prosperous and digital Belgium.

Proximus achieved great things in 2017. How do you see 2018?

Stefaan De Clerck: In 2017, Easy Switch and the ID registration of all prepaid cards were introduced. From a regulation perspective, 2018 will be another important year with the outcome of the BIPT broadband market analysis as it relates to fiber and of the review of the full EU telecom package. These key decisions as well as the upcoming spectrum auctions will be key to assure a competitive landscape that secures investments and instigates digital innovation towards a Gigabit society. We're also gearing up for the new General Data Protection Regulation (GDPR) that will come into effect in May 2018. People will get the control of their personal data and we aim to turn the changes needed for GDPR compliance into real competitive differentiators as a data-centric approach can result in a number of key benefits for us at an enterprise level in the areas of data security, customer centricity, data localization and indexing, and data storage.

Dominique Leroy: We operate in a fast changing competitive market where the customers' needs are in constant evolution, both in the residential and enterprise markets. Connectivity has become essential in people's private and professional lives as well as in their interactions with public institutions. Smartphones have become a lifeline and a gateway to information, music and video streaming, communication, gaming, e-commerce, and payments. And this is a great opportunity. Even though it's estimated that traditional Telco revenue worldwide will have very

Stefaan De Clerck
Chairman

> We are committed to addressing key society issues by structurally embedding CSR in everything we do, so that we can all live in a more sustainable, more inclusive and safer space.

limited growth through 2020 as for telecom operators the pressure on the top line is high because of regulation, I'm confident we are well equipped to face the challenges of the future with the further implementation of our Fit for Growth Strategy and as we continue our transformation to being a Digital Service Provider delivering superior customer experience.

We are simplifying and optimizing costs without compromising on the customer experience. We will further grow our core business by offering integrated solutions and build our future by continuing to roll-out fiber and other useful innovations. All this will be fuelled by a further transformation of the way we work, powered by our Good to Gold culture.

I'm confident we have the right people and the right strategy to face what "is coming at us" in the future.

2018 promises to be another exciting year. We know the context is challenging, but I expect our Domestic revenue to remain almost stable, while our EBITDA should grow slightly. At the same time, we'll pursue our investments of around EUR 1 billion during the year and still return a stable dividend to our shareholders.

Regulatory framework

For more information on the regulatory framework, read the full report.

> download the regulatory framework
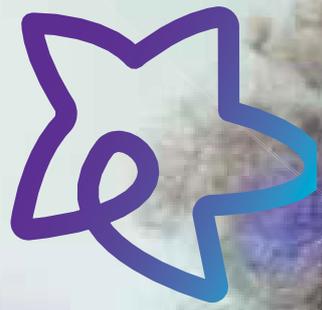
Becoming a Digital Service Provider

Becoming a Digital Service Provider

We need to become a digital service provider delivering a superior customer experience

The international trends and the Belgian market realities mean that we have to get ready for some challenging years ahead, with stagnating telecom revenues, increasing competitive intensity, high Capex needs, rising disintermediation risks, and higher volatility.

In this context it is Proximus' priority to become more agile and efficient. Increased agility will come through continued simplification initiatives, talent development and increased mobility of employees, but also from innovating in the way we set up and deliver services, with more open models and more partnerships. We aim to do things differently, by stopping to develop everything ourselves, and by tapping into digital ecosystems to develop new digital services for the benefit of our customers.

> **We will continue our transformation to become a Digital Service Provider delivering a superior customer experience to help customers reap the benefits of digital transformation.**

We stay true to our Fit for Growth Strategy

To achieve this ambition, we continue to implement our Fit for Growth Srategy.

Our guiding purpose is to connect everyone and everything so people live better and work smarter. We want to make this world of new possibilities accessible to all, with solutions to answer real needs. Proximus wants to play a positive role in the digitalization of all aspects of life, work and public services, for a more prosperous digital Belgium. To fulfill this mission in the medium to long term, we'll save costs and grow our core business so that we can invest, fueling new growth in a virtuous "save-invest-grow" cycle.

We connect everyone and everything
so people **live better** and **work smarter**

Become fit

Simplification
Efficiency
First time right

Grow the core

Integrated solutions
Segmented offers
Digital transformation

Become
a digital
service provider
delivering superior
customer
experience

**Transform the
way we work**

Good to Gold culture
Grow & engage people
Flexible organization

**Build
the future**

Fiber+
Partnerships & ecosystems
Meaningful innovation
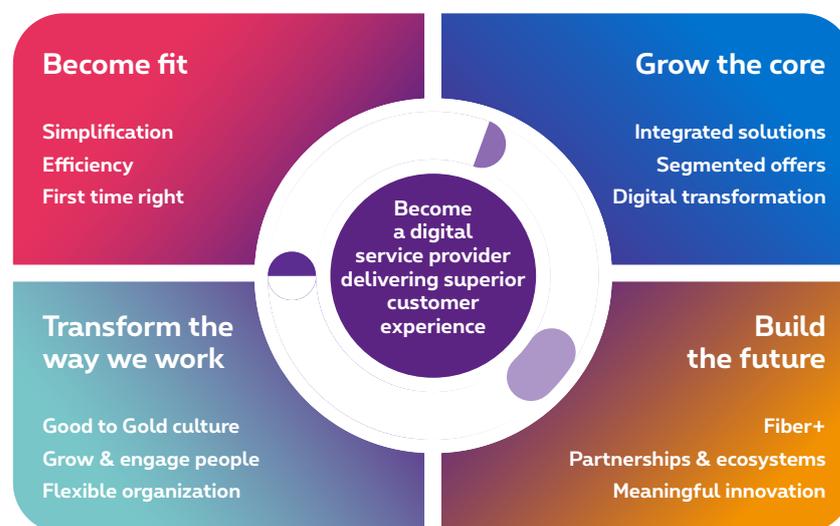
Become fit

Since the launch of our Fit for Growth strategy three years ago, we showed great results in our ambition to reduce our costs and become leaner. Over the coming years we'll continue to simplify by phasing out our legacy IT and network systems and by re-engineering our processes accordingly. At the same time we accelerate our transformation to flexible IT, and better phase our initiatives to reap the maximum benefits. We also continue the simplification of our product portfolio and the migration of legacy plans.

Through our "Fit Battles" we will achieve higher efficiency, optimizing costs without compromising on customer experience and even improving it thanks to the virtuous impact of digital transformation.

And we tackle the structural root-causes of waste by further improving on "First time right" with dedicated action plans, including simplifying product design rules and improving billing quality.

Grow the core

Our core business remains the largest contributor to growth in the coming years. In a challenging ICT market, finding such growth means growing faster than the market. Our market shares are to grow thanks to a more segmented offer driven by a more modular approach in the way we design and price our integrated solutions. Our marketing and sales actions become more targeted and data-driven, moving away from one-size-fits-all marketing actions. We counter commoditization and reinforce our brand consideration and relevance by putting more

emphasis on our customers' wants and needs and less on our products and technology.

Digital transformation is no longer about getting ready for the future. Digital transformation is happening now. It's about doing things right to be in sync with our time and to meet the service standards of younger generations in an efficient way. We accelerate the digitalization of our support and service model and embed continuous customer feedback loops. At the same time, digital sales and CRM tools are being built for a true omni-channel experience and smooth digital interactions on all interfaces.

Build the future

Becoming fit and growing the core allows us to find the means we need to invest in building new assets and finding new revenue sources for the mid- and longer term.

We will continue to roll-out Fiber in Belgium. The objective is to reach 85% of businesses and the households in center of all our cities and communes. Fiber is an opportunity to radically transform the company on all fronts (processes, network maintenance, organization and way of working). We will continue to invest in mobile, further supporting our leadership position and will be ready to invest in 5G when compelling use cases arise. The use of advanced analytics helps us prioritize our network investments and track their return.

Thanks to the creation of winning partnerships and eco-systems we are able to offer truly integrated solutions for consumers and enterprises (e.g. for content, advertising, cloud, collaboration, etc.). We want to capture our fair share of the value that is created by those partnerships. Our collaborations with OTTs, local start-ups, innovative companies, local flagships and universities are continued

and we will provide access to assets via API on the Proximus Enabling company platform (Enco). This will make it easier for ourselves or for third parties to develop new digital services.

We continue to bring meaningful innovations to the market by keeping focus on the innovation domains that we have selected and in which we have the highest chances of success based on our current capabilities and customers. Unified Communication and Collaboration, Cloud and Content aggregation are strengthening our core business and are helping us to remain relevant to our customers. Security is a major growth area. Smart advertising benefits the local content ecosystem and opens the door to new business models. IoT and Mobility services are real adjacent businesses with a large potential for the future.

Transform the way we work

In order to adapt to the changing market conditions we change the way we work. It's about getting the right culture, the right skills and attitudes, and the best organization to be successful and resilient.

We continue our Good to Gold journey to ensure sustainable adoption with training, role modelling and adaptations in our performance management, while our change management approach is being further professionalized to better support our employees, resulting in a more effective transformation.

We will grow and engage the people in our organization, giving them ownership of their continuous development and fostering internal mobility. A "Digital first" mindset is initiated by fostering the digital skills of our employees at Proximus, as well as by providing the appropriate tools and work environment.

With an outside-in perspective, we will gradually shift towards a flexible organization by scaling up selectively, through design thinking, agile development, local teams, and transversal ways of working. Over time, we will align the Group's organizational structure and seek operating models in line with competitive market conditions to enable the sourcing of the right talents at the right cost and with the right flexibility.

International Highlights

BICS

In 2017, BICS acquired TeleSign, a leading US-based CPaaS (Communications Platform as a Service) company founded on security. This strategic acquisition enables BICS to expand from a global carrier to an international digital enabler, and accelerates its strategy to diversify in terms of customers, solutions and geographies. It also allows BICS to acquire expertise in mobile identity, account security and cloud communication.

BICS also launched its global offering of Cloud Numbers-as-a-Service in 120 countries worldwide and has successfully on-boarded its first customers, while constantly developing its service global coverage.

Proximus Luxembourg

Proximus Luxembourg is active through its commercial brands Tango and Telindus. Both companies operate jointly to match all telecommunications needs for residential and business customers in Luxembourg. Tango addresses residential consumers and small enterprises to offer fixed and mobile telephony, Internet and TV services, while

Daniel Kurgan
CEO of BICS

"

We are enthusiastic to add TeleSign's deep pool of talent and expertise to the BICS family. This complementary combination accelerates several of our strategies for growth, including expanding our customer base, regional reach and product innovation.

"

Telindus tackles medium and large sized enterprises to offer ICT and telecommunication services.

Telindus Luxembourg

In order to better address the challenges faced by financial institutions, Telindus Luxembourg introduced its Fintech range of solutions.

Telindus also launched a hybrid cloud solution, which allows for a secure deployment and management of dedicated applications across public, private, and customer on-premises clouds.

Tango

2017 was the year of Fiber for Tango. With the acquisition of more than 5,000 new fixed Internet customers, Tango positioned itself as the new reference for price/speed on the Luxembourg market.

Tango also increased the mobile data of its Smart bundle. During the summer, customers could enjoy 5GB of data to surf anywhere in Europe. This promotion was a real success amongst Tango's customers.

Telindus Netherlands

In 2017 Telindus closed several great deals that perfectly match the main focus areas (managed services, security, cloud, automations and analytics) and segment specific approach. A great example is the Road2016 contract. In this Central Government contract Telindus realized an innovation program facilitating Ministeries to exploit IT investments more efficiently.

Telindus also closed the first deals with Davinsi Labs and will continue to focus on the vulnerability management and security analytics (SIEM) market. Telindus Netherlands signed an important framework agreement for a data center solution with the Dutch authorities.

Key Financial Highlights

With sound financials for the fourth quarter, our Fit for Growth strategy resulted in a full-year Domestic revenue growth of 1.1% and a 1.5% growth in Group EBITDA, increasing for the third year in a row.

In a more and more competitive market we further grew our customer base. Proximus won market share for both Internet and TV, demonstrating solid customer gains and improved Fixed churn levels. We also realised growth in our Mobile postpaid customer base, in spite of the many competitor promotions. These customer gains were supported by our convergent all-in offers, with Tuttimus/Bizz All-in having attracted in total 360,000 subscribers by end-2017 and by Scarlet, occupying a competitive position on the low-end of the market.

Our Enterprise segment sustained its solid position, firmly growing its mobile customer base and benefitting from a solid progress in ICT, and ongoing growth in Mobility and convergent services, offsetting the pressure on legacy products.

With the significant cost reductions achieved in the first nine months of the year, our company-wide transformation program supported the growth in our underlying Domestic EBITDA, up by 2.0% for 2017. This was achieved in spite of the Roam-like-at-Home regulation, causing a EUR -41 million net loss in roaming margin. This aside, the Domestic EBITDA for the year 2017 would have grown by 4.5%.

BICS, facing the ongoing transition from Voice to Data usage, closed 2017 with lower EBITDA. TeleSign, consolidated since November 2017, will accelerate BICS' strategic ambitions in the growing Application to Person market.

Delivering upon our plans, we invested extensively in enhancing our networks and improving the overall customer experience. The renewal of the Jupiler Pro League and the UEFA Champions League aside, the 2017 capex was fully in line with the company guidance of around EUR 1 billion and included investments driven by Proximus' Fiber for Belgium project, now initiated in several cities.

In 2018, we will continue our journey to turn Proximus into a fitter organization, focusing on efficiency and simplification efforts to further structurally reduce our costs and transition to a Digital company. This will support our growth trajectory on EBITDA-level, with the 2018 Group EBITDA expected to be slightly growing from the prior year. This includes some further regulatory headwind. These will also impact the 2018 Domestic revenue, which we expect to remain nearly stable to 2017. Potential spectrum auctions aside, we expect the 2018 capex to be around EUR 1 billion, including a further progress on our Fiber project. We reconfirm our intention to return to our shareholders a stable dividend or EUR 1.50 per share over 2018 and 2019.

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. 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.

Domestic
underlying revenue

+1.1%

Revenue evolution per product group
(underlying, M€)

| 2016	Fixed Voice	Fixed Data	TV	ICT	Mobile Postpaid	Mobile Prepaid	Mobile Devices	Advanced Business Services	Wholesale	Others	BICS	2017
5,871	-40	17	26	34	16	-38	31	10	13	-19	-140	5,778
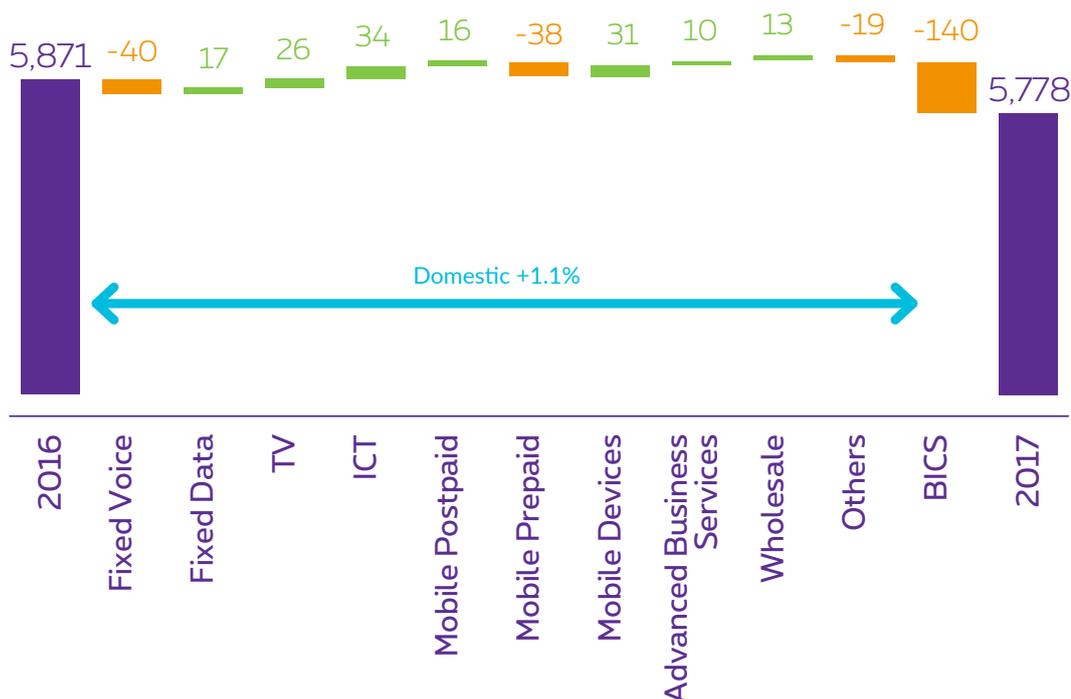
Domestic +1.1%

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 loss of roaming margin, with the regulatory price impact only partly offset by a positive volume impact on roaming-in 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.

EBITDA
(underlying, M€)

	2015	2016	2017
Total	1,733	1,796	1,823
BICS	160	149	143
Domestic	1,573	1,647	1,680

3.6%   1.5%

BICS: -7.2%, -4.2%
Domestic: 4.7%, 2.0%

Domestic   BICS

Group underlying EBITDA

+1.5%
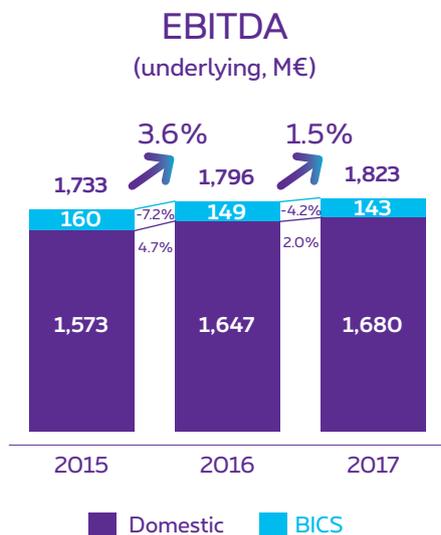
CAPEX

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.

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

Capex (M€)

1,002

1,092*

949

2015   2016   2017

■ excl. Spectrum   ■ Spectrum   ■ Foot
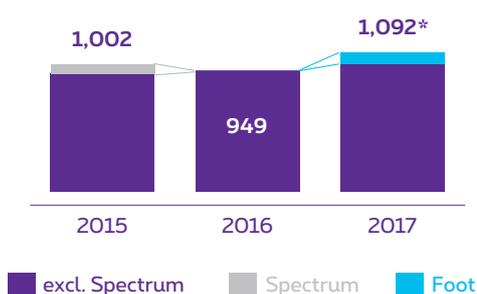
* Including the three-year broadcasting rights of Belgian Jupiler Pro
  league football and Champions League

€ 1,092 M
Capex

Free cash Flow

Proximus' 2017 FCF totaled EUR 292 million, including EUR 219 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.

Free Cash Flow (M€)

528

511

408   559   292

2015   2016   2017
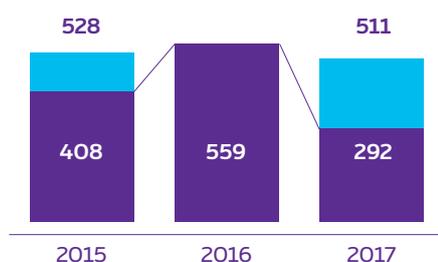
■ Normalized Free Cash Flow
(2017: Acquisition of TeleSign and 2015:
Settlement agreement on mobile tariff related litigation)

€ 511 M
Normalized Free
Cash Flow
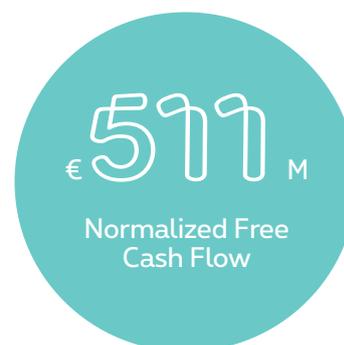
Key achievements

2017

Exclusive partnership with Studio 100

New invoicing tools for business customers

3.4 Mio

Voice lines migrated to IP

Exclusive coverage of the UEFA Champions League

New data traffic analysis tool for Be Mobile

Launch of new MyProximus app

360,000 customers on new Portfolio

Scarlet's HiFive offer for millenial

428

new hires/

1,177

internal job moves

Strategic acquisitions

Market leader for connected things with 1,3Mio things connected

83%
vectoring coverage

largest
vectoring coverage worldwide

Telindus Luxembourg launching Fin tech solutions

We became CO$_2$ neutral, only Belgian telco operator

4.5G

First to start the 4,5G roll out in 7 cities in Belgium

150,000
Happy house visits

NxtPort, a new digital platform for the Antwerp Port community

Fiber roll out in 7 cities

Improving customer experience

Improving customer experience

> **We continue our transformation to become a Digital Service Provider, delivering a superior customer experience.**

We aim to make our products and services easy to use, ensure our customer interactions are uncomplicated and friendly, while customer experience is consistently excellent: anytime, anywhere and on any device.
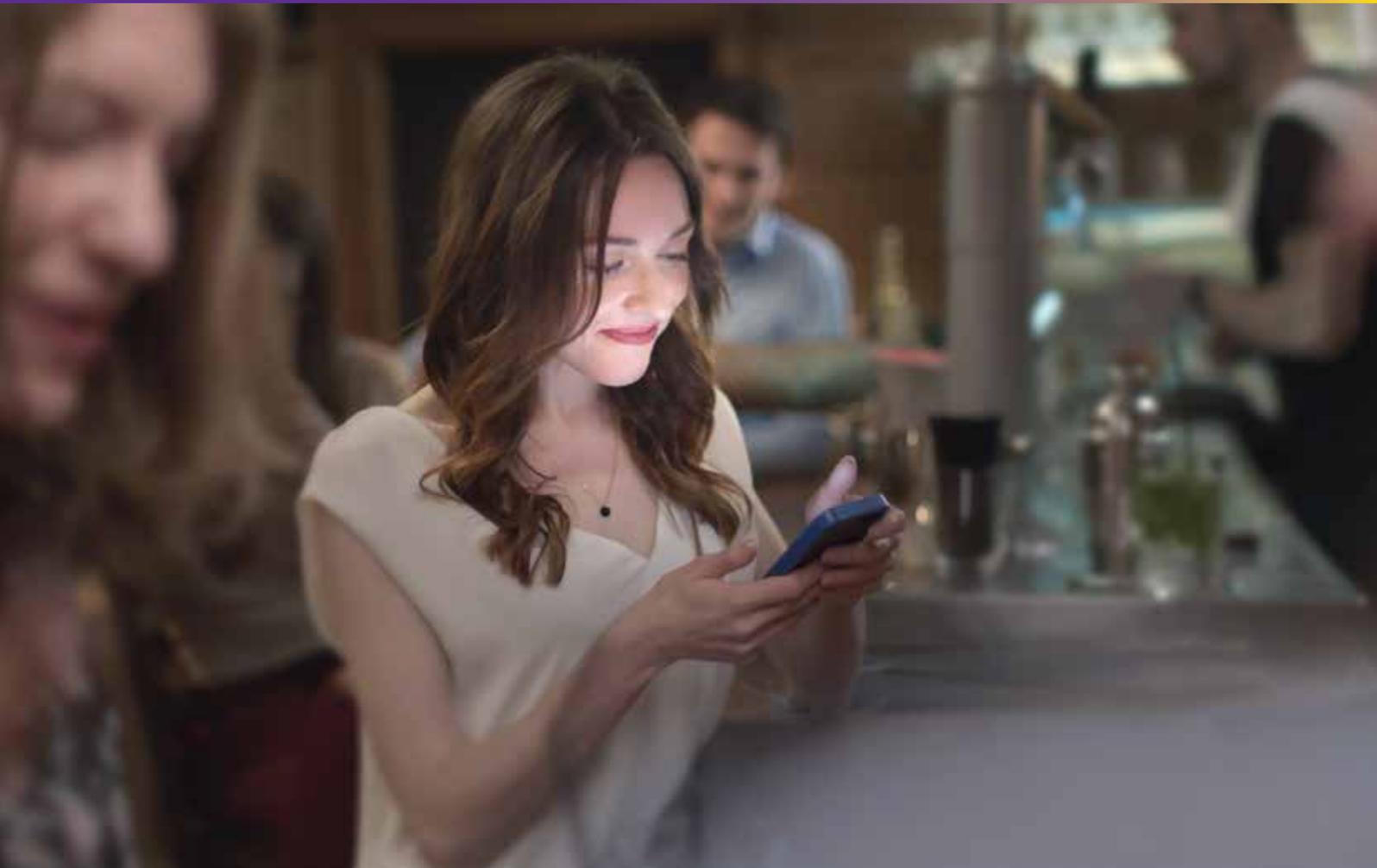
We're seeing a shift from delivering connectivity to the doorstep to providing the best in-home Wi-Fi experience.

Our ultimate objective is to deliver a superior customer experience. This is crucial to meeting our brand promise "Always Close". Proximus aims to bring customers close to who really matters to them. It's why we continue to invest in our high-quality integrated network, easy-to-use and innovative solutions, best accessibility & local reach, and proactive servicing.

Always Close by means of the best in Home and in Office experience

Every day, we go the extra mile to make sure our millions of customers are getting the best user experience. Our Happy House program continued throughout 2017, and as a result we've now visited more than 150,000 homes in the past 2 years and achieved a 93% satisfaction level. With our Happy House visits we ensure that customers have the best in-home experience possible: all Internet and Wi-Fi connections are checked and secured, and modems and decoders are replaced when necessary. We also proactively migrated customers from ADSL to VDSL which substantially improved the customer experience by means of a better TV experience with HD TV and increased Internet speed.

We launched a new Home Optimizer app which lets customers analyse Wi-Fi quality by taking measurements in their homes, after which they can configure the most optimal Wi-Fi channel on their modems with just the push of a button. The solution also gives information on Wi-Fi signal strength and if required, advises on the best position for Wi-Fi extenders. In less than 3 months more than 16,000 users have already downloaded the application.

150,000
Happy House visits

93%
customer satisfaction for the Happy House visits

Always Close, by offering new innovative services for smartphone users

Mobile phones have become virtually indispensable today, and can do so much more than merely call and text. They have become pocket computers with a computing power unimaginable just a few years ago. A new service campaign for smartphones recognises just how important they have become to both individuals and businesses.

"Everything for your smartphone" includes a number of brand new and unique services for our residential and professional mobile customers such as Smartphone Omnium insurance offering a real peace of mind for the protection of smartphones; clear coat to protect smartphones comprehensively against scratches and dents, thanks to a protective layer as well as the replacement smartphone.

It means that if the smartphone of our customers gets damaged, lost or stolen, they can simply visit a Proximus shop and receive a replacement smartphone for one month – free of charge! This way, our customers are reachable again in no time and can have their current phone repaired or choose a new one.

Always Close, by ensuring businesses get what they need

We want our business customers to appreciate every experience they have with us. With this in mind, we launched a business transformation program called *Excite*.

Our ambition to deliver the best end-to-end customer experience means we're looking to optimise our pro-

Giles Daoust
CEO Daoust

> " The Voice of the customer program focused on sharing feedback between Proximus and its customers. It gave Daoust the opportunity to participate in the creation of solutions at Proximus and to develop solutions that are truly tailor-made for its customers. It is really a win-win situation! "

cesses, simplify our portfolio and digitize our interactions. *Excite* will also bring new top collaboration tools to our customers and it will enable them to work in a more agile and digital way.

In order to achieve this, we listen to and actively involve our customers by creating "Voice of the Customer" advisory board & workshops. Made up of customers from our different segments, this approach allows us to validate if our projects are meeting customer expectations. The immediate feedback has already proved being remarkably valuable and as a consequence we are adapting our plans and deliverables in line with this feedback. For example, we have changed our internal IT development roadmap to prioritise the roll-out of Invoice Insights, as it was highlighted as being a key priority for our customers.

Made in partnership with our customers, Invoice Insights will let professionals manage their mobile invoices through an app interface, ensuring they have all the information they need at hand. Going forward the platform will be extended towards our entire customer base and also used for other products and solutions.

Some of our customers have already experienced better reactivity after the recent launch of our new servicing platform, *ServiceNow*. Designed to raise and track issues, this portal promises to let us resolve issues faster and more efficiently in the future. *ServiceNow* is key to our servicing transformation that will result in new digital ways of working for our customers and internal teams. As such it will be an important factor to improve the customer experience.

Salesforce, the new customer relations management system, means that each business customer's data is available anywhere and anyplace. This ensures better customer service and more efficient interactions. Not only does this system take the customer's product portfolio into account but also other information based on data analytics and CRM (Customer relationship management).

Always Close, Always on to support our customers

In a hyper-connected world, constant availability and up time is increasingly vital. It's why we are refining our services still further. We are proud to maintain service continuity levels at around 99.99% for small enterprises, and where there is a problem, offer same day repairs. For all technical questions, our experts are available until midnight every day of the week, and our technical help center is available to business customers 24/7. For all other questions, we are available from Monday to Saturday between 8.00 AM

99.99%
business continuity for Small Enterprises

24 / 7
availability for business customers

7 / 7
technical support

and 10.00 PM. For all questions that can't be answered on the phone, customers can request a technician's visit at a time that suits them, including evenings and Saturdays.

Our new internal commercial knowledge tool (cliX), ensures with all the latest high-quality information and promotional offers that more customers receive faster and smarter service, and a better overall experience. To better apprehend the complexity of some situations, our data analytics teams are now able to identify proactively customers with particular issues and provide them with a personalized approach. This will allow us to identify high-risk customers and transfer their call to a dedicated team who can address their multi-dimensional problems (technical, administrative or commercial).

When certain customers need special attention to solve their problems, we can appoint high-care teams if necessary. These are specialized experts capable of resolving

even the toughest of problems. Furthermore, we've got a "safety net" system in place so we are sure they receive the necessary follow-up information on any issues detected.

## Always Close, by improving the readability of our invoices

We are also further improving the readability of our invoices. Together with customers and internal stakeholders, we are co-creating a new invoice layout. The aim is to reduce the number of calls and complaints regarding our invoices and reduce costs in our operations. The layout of our new "Invitation to Pay" has been totally reviewed and some items have been renamed to offer greater clarity and better understanding.

Always Close, by bringing enjoyment speed to customers

The next generation technologies on copper

Proximus also continues to invest in new technologies on the copper network to bring high speeds to all of 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 coverage to 94% of the population. In fact, we've exceeded 2 million active VDSL2 users in October 2017.
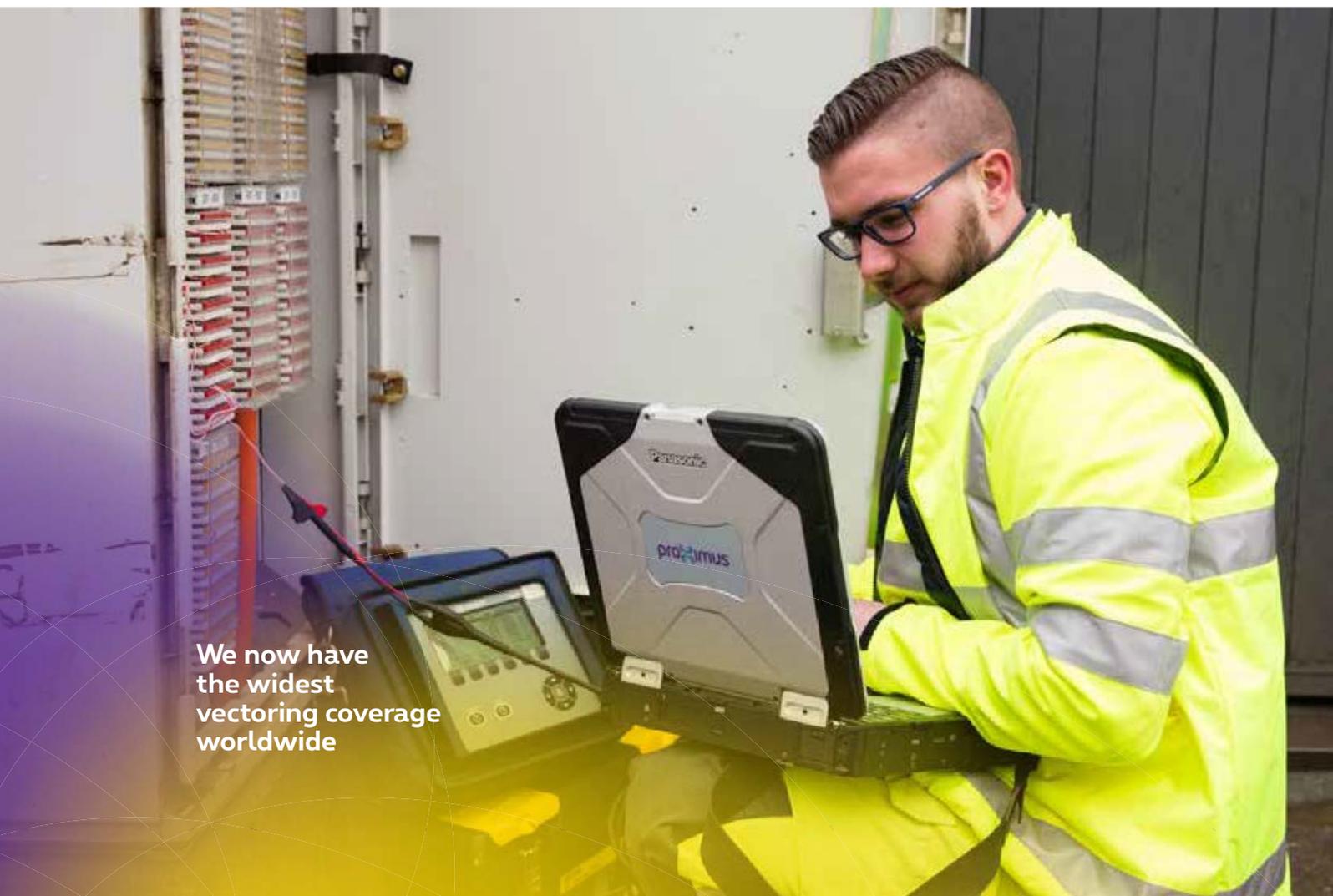
We now have the widest vectoring coverage worldwide

With the combination of further densifying our Fiber network, bringing Fiber closer to the customers, and installing the latest vectoring technologies Proximus will ensure to stay ahead of the speed need of the customer.

High Speed even in remote areas

By combining the strength of the Proximus fixed and mobile networks, Proximus can bring high speeds to sparsely populated rural areas. This "Access bonding" solution was co-developed with Tessares, a Belgian start-up in which Proximus owns a minority share. And after extensive testing with great customer feedback, we should now further offer this to selected customers. This solution allows to boost drastically the Internet speed of the customers.

Always Close by maintaining leadership in mobile

Proximus continues to invest in its mobile network as more and more businesses depend on anytime/anywhere access to mobile, and ensure their business is at the cutting edge of connectivity. These efforts are reflected in tangible numbers, as for the 3rd time in a row, the BIPT confirmed that Proximus has the widest coverage in terms of both surface area and population. This proves that our investments are paying off and we are delivering the best mobile experience to our customers.

Roll-out of 4.5G

Proximus has been the first to launch 4.5G mobile technology in Belgium. This technology, that offers 2 to 3 times faster download speeds, has already been rolled out in 7 cities. 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.

> **We were the first to roll out 4.5G in 7 cities in Belgium with 2 to 3X faster download speeds.**

Improving current experience

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.

231,710

average visits per month on the forum

100

support videos available

Always Close, through digital-first

Our Digital Transformation program has raised the stakes in terms of servicing to our customers. By letting customers communicate with the company faster, more efficiently and in a more personalized way, the new **MyProximus app** delivers flexibility, interactivity and, above all, simplicity to our customers. Customers can now buy extra data directly, manage products and options, and have an overview of bills including payment history via the app. It's even possible to check data usage in real time!

The commercial Proximus website – www.proximus.be – has been revamped to make it even more customer-friendly. Customers are now able to reserve products
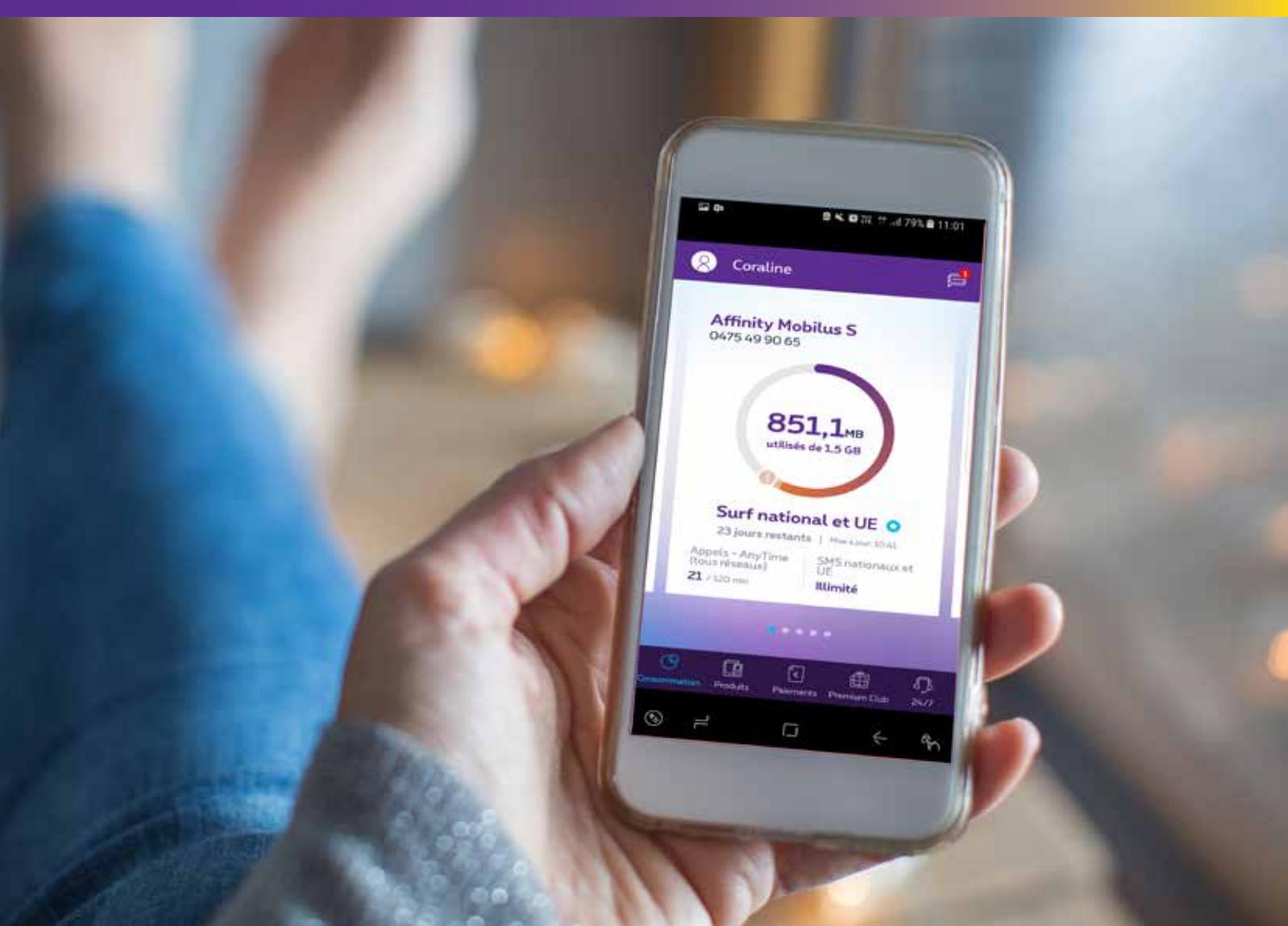
Using your Proximus account for payment of digital goods

Customers with an official ID (Apple, Android or Windows) can now buy games, music, books and other entertainment via their Proximus account. It's a simple and secure way to buy content or other solutions. For example, customers can buy a bus ticket and pay directly via their smartphone. The payment will appear on their next Proximus bill. Very practical and easy to use, it allowed us to further improve our customer service!

online, check which devices are available in the shops and so much more! With more than a million residential visitors/month and 36,000 small enterprise customers, the Frequently Asked Questions section is a great success – better still 7 out of 10 customers indicate they're satisfied with this section of the website.

The support section has also been structurally improved. Customers now have at their disposal more than 100 support videos on all sorts of subjects. They can also visit the Forum, our online self-servicing platform where customers can help other customers or ask questions to Proximus agents.

As social media are also becoming a more important support channel for our customers, we have opened Facebook Messenger as a dedicated support channel as well as the

chat function. We have approximately 50,000 webchat conversations per quarter with a very high satisfaction rate of 86%. We also introduced chatbots to guide our customers to the right solution or channel.

We have also improved the efficiency and effectiveness of the interactions we have with our customers through increased digitalization.

The BCI platform, our major customer relationship management application, used by more than 6,000 users in commercial and technical teams in front and back office, has been upgraded too. Customers can now directly answer an email from Proximus knowing that it will be automatically directed to the agent who initially handled his case.
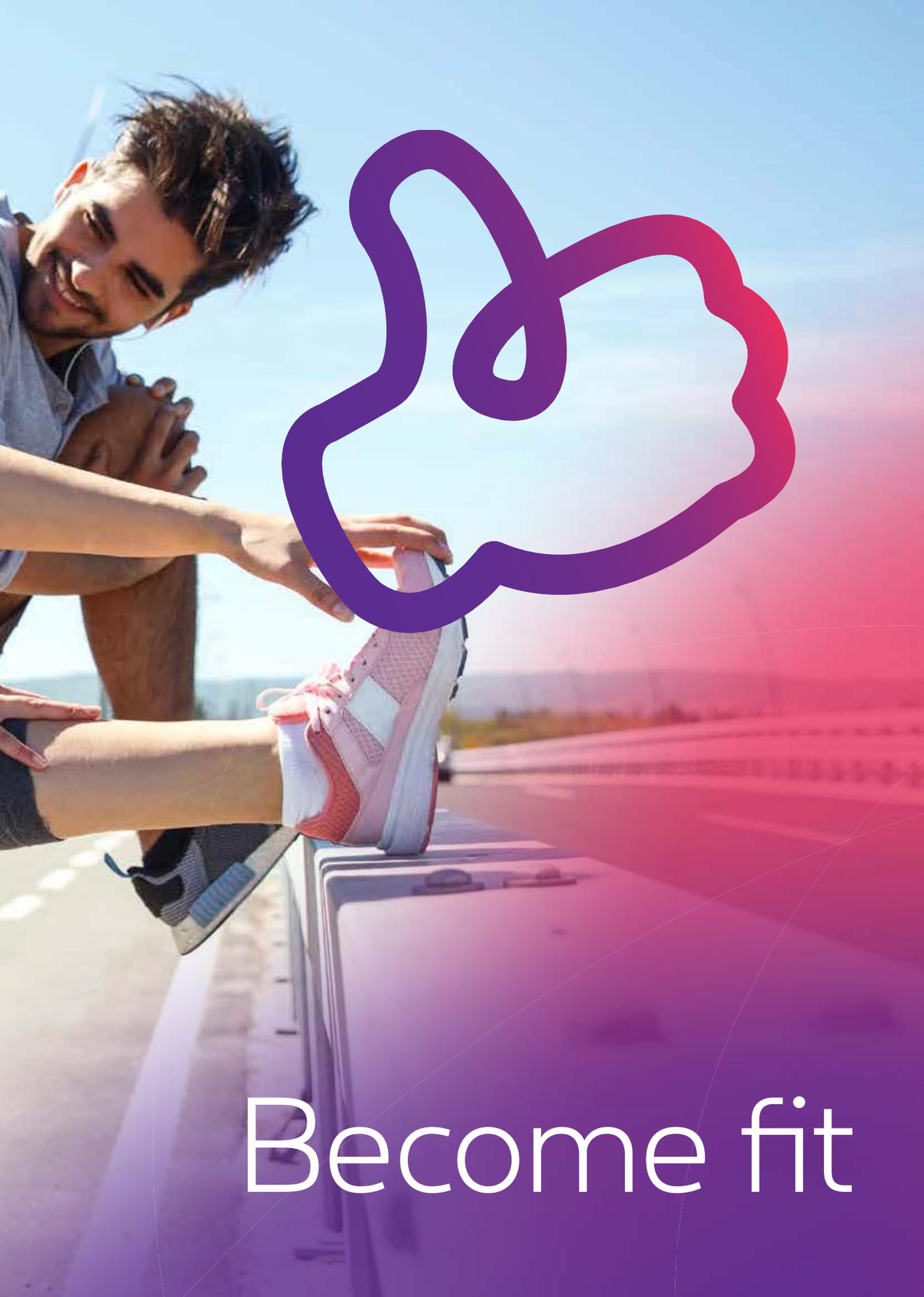
Become fit

Become fit

Since the launch of our Fit for Growth strategy 4 years ago, we have made extra efforts to further reduce costs and increase our operational efficiency. At the same time we have continued the simplification of our products and services to better serve our customers.

In order to fully execute our strategy, we have launched several transformation programs over the past years. A "Group Transformation Office" was created in January 2017 for overall orchestration. It was needed, seen the scale of our transformation and to cope with the complexity and interdependencies between programs. With a strong governance and adequate program management methodology, the Group Transformation Office guides every program on the transformation roadmap, in order to reach common goals transcending each individual program.

Next to our transformation objectives lead by the Group Transformation Office, we also started to tackle cost reduction in a transversal way: our "Fit battles". Our objective is to structurally reduce costs and realize major OPEX savings over the period 2017-2019. Thanks to different initiatives we are well on track to realize these cost reductions objectives with domestic underlying expenses decreasing by 3.2% YoY.

A simpler organization

Transforming our infrastructure

Proximus continuously invests in modernising and simplifying its networks. It reduces costs, makes the company more agile in the marketplace and ensures that customers can be easily moved to future-proof solutions.

The large-scale transition of customers from legacy networks such as PSTN and ATM, to IP-based technology has allowed us to phase out 1,119 switches and migrate 3.4

million voice lines over the past five years. We completely phased out our PSTN network. At the same time we have modernized our core network by continuing the roll out of our Simplified Backbone Optical network (SIMBA) increasing our core-network capacity by factor 10.

As a consequence, this year we vacated three buildings and sold our premises in Antwerp, leading to an incremental total of 14 phased-out buildings in addition to 19 building sold over the past five years.

IT & process simplification

The redesign of the IT architecture is accompanied by the redesign of the processes to improve First Time Right and maximize efficiency gains. For example, the new mass market IT systems have drastically simplified the selling & ordering systems at Proximus. We are also simplifying our billing systems with the migration of mass market customers to a single platform.

-18%

energy in 4G antenna by activating Green ICT functionalities

1,119

switches phased out

3,400,000

voice lines migrated

Hilde Essers
Chairman of the board
H. Essers

> **Our collaboration with Proximus can be defined as a real partnership always aiming for a win-win situation. The center in Courcelles helps to safeguard more than 200 jobs in a region with a significant unemployment rate.**

Portfolio simplification

Year by year, we are moving towards a more simplified portfolio of products and solutions. This includes slimming down our legacy catalogue and proactively offering pack migrations to future-proof, easy-to-use solutions that are more advantageous for our customers. By the end of 2017, 99.7% of our customers enjoying our convergent offers were on the 2 most recent generations of packs. In total we migrated 680,000 customers to our current product portfolio, 44% of our total customer base.

Becoming more efficient

Optimizing network investments

Data Driven investments

To support our decisions for fixed and mobile network investments, we have developed an internal data analytics

680,000
customers on current portfolio

99.7%
of convergent customers on 2 most recent packs

project covering the end-to-end network investment chain from Prioritization to Benefit Management, we can prioritize our investments and track the return based on analysis of a wide variety of data, from deployment cost, to expected market share increase and customer value. We are already using this tool for prioritizing the Fiber zones and will also use it for mobile investments.

Operational efficiencies

Logistics

At the end of September 2017, we renewed our warehouse agreement with H. Essers for our distribution centre in Courcelles, thereby assuring employment to the approximately 220 employees. By centralizing all our logistics operations there, we have managed to reduce our CO_2 emissions by 170 tonnes and have cut transport distances by 200,000 km.

Our customers will continue to benefit as well, as new logistics systems, designed to improve flexibility and reactivity, deliver their fruit. For example a redesign around the repairs of our decoders allowed us to refurbish over 1 Mio boxes in Courcelles since the start of the activity in 2014.

Internet of Things for a more efficient Proximus

As an important national provider of IoT services, it's no surprise we also use this new technology ourselves. Indeed, it is a great way to further build operational efficiencies. For example, we use it to track where all our mobile network extender containers are located. These network extenders move around the country to boost our network coverage at festivals and events, thereby ensuring our customers always enjoy the best quality network in the country. IoT sensors are also used to identify when a street cabinet is opened or closed, and see where cable bobbins are located.
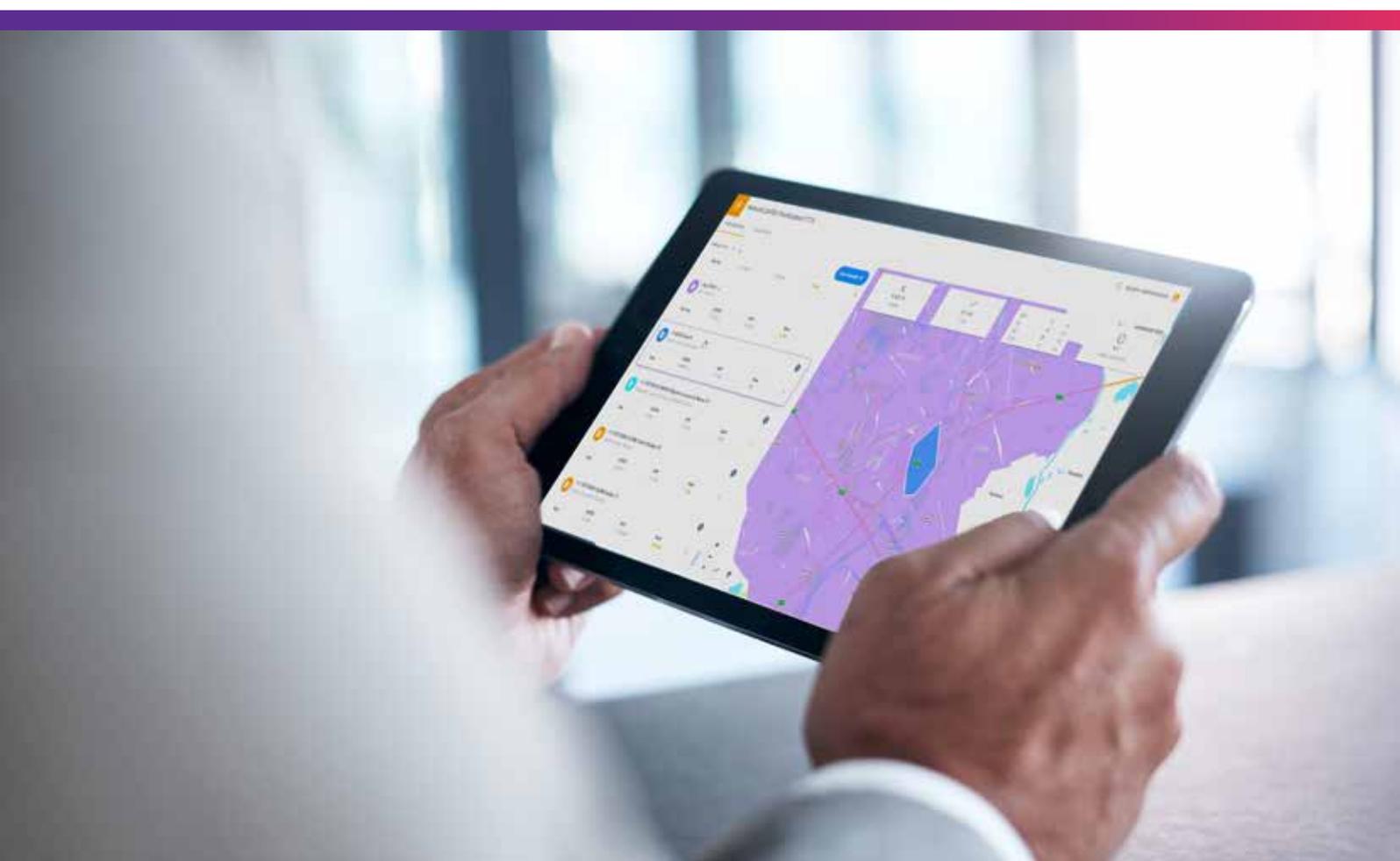
Grow
the core

Grow
the core

The seismic changes seen in the telecom market over the past few years make it more important than ever that we create value for customers by intelligently bundling our solutions and growing the proportion of multi-play customers, as well as building usage value through smart pricing.

Our integrated and targeted offers for residential customers

End 2016, Proximus reinvented its commercial offer with the launch of its all-in offers Tuttimus and Bizz All-in. This offer allows everyone to tailor the services available according to their own needs and preferences. It is designed for the digital age where customers want an all-in pack-

age with an abundance of options, which they can easily personalize. Users can call, surf, watch television and work worry-free, at home and on the move. The success was immediate with already more than 360,000 customers on these new offers at the end of 2017.

To respond to the customer's expectations even better, we adjusted in July our offerings by increasing the included volume of mobile data for both new and existing customers. For customers with a Mobilus subscription, they receive up to 10 GB more, and for the self-employed and small businesses with a Bizz Mobile or Bizz all-in pack this translates into an increase up to 20GB.

We've also seen that customers are looking for a quality experience with specific needs while also being price sensitive. This is why we launched Minimus. This subscription is exactly what customers need at home and on the go: it includes surfing both at home and mobile, Proximus TV with 80 channels, and unlimited calls or 120 minutes depending on the mobile formula chosen.

Scarlet, our no-frills brand, attracted new customers in 2017 thanks to its new offers. Scarlet has launched the

The brand essence of Proximus -to bring you closer to those who matter to you- has been explicity articulated in our new communication campaign, "Always Close"

cheapest fixed Internet offer in Belgium with Poco and unlimited Internet affordable to all with Loco. And to ensure we have a perfect offer for our teenage customers, Scarlet has launched HiFive, the first mobile subscription with no call minutes or text messages but lots of mobile data.

Customers on the move want to access their content anywhere, even if they are abroad. As of June 2017, the roaming charges applicable within the EU were completely abolished, so customers were able to surf, call and text in the EU countries at the same tariff as in Belgium. Proximus went a step further by offering their customers free usage of their favourite applications even when they are abroad.

Proximus: a gateway to an exciting world of sports, music and entertainment

Football fans can, with Proximus TV, see almost everything they might ever want: exclusive coverage of the prestigious UEFA Champions League, all Belgian professional football (Proximus League and Jupiler Pro League) and also the most spectacular moments of basketball, American foot-ball, tennis, volleyball, handball, cycling and international

Hans Bourlon
CEO Studio 100

> **We are very satisfied with our cooperation in recent years, and are delighted to extend it to Flanders. Together with Proximus, we will write a fine Belgian story. Proximus offers us national reach for all our characters, through every possible channel, in both parts of the country.**

60,000
radio stations and audio podcasts

1,1 million
customers on the new TV experience

De grote verhuis van Studio 100 TV

football thanks to Eleven Sports. As of this year Scarlet customers can also enjoy the best of sports thanks to a new thematic channels package.

In 2017, we further enlarged our offer for families and children with the exclusive deal signed with Studio 100. As of the 1st of January Studio 100 TV in Flanders was exclusively available in the basic offer, and Njam!, the first cooking channel in Flanders, became available for all Proximus TV customers. Furthermore our partnership was expanded with Studio 100 GO, a completely revamped digital platform, and Studio 100 HITS, a brand-new music channel.

Music is another major passion point for our customers; as such Proximus has signed an agreement with Radioline, the European leader in radio aggregation with a catalogue of over 60,000 radio stations and audio podcasts.

All this is available via a new Proximus TV interface and a redesigned shop, thanks to which customers are better able to browse the on-demand movie catalogue, and make automatic recordings of their favorite content. This new user experience is already available to 1.1 million customers.

We help business customers be 'ready for tomorrow'

Proximus has also launched new solutions for its business customers with Unified communication and Call Connect.

With the Office 365 Voice Connect plugin, every Proximus customer can now combine Office 365 and Call Connect, our voice application in the cloud. This lets customers call any number (mobile or fixed) via Skype for Business.

Call Connect offers our business customers a convergent and flexible solution, so they are reachable anywhere, and at all times. Call Connect is in fact a PABX in the cloud so customers don't have to invest in expensive hardware. Furthermore, customers can manage all their fixed and mobile calls on any device and configure their virtual telephone exchange themselves, via an app or web portal.

Proximus and Vodafone have also renewed their co-operation agreement for Belgium and Luxembourg for a further five years, building on a successful long-term partnership that began in 2003, with the two companies jointly providing a range of products and services to better serve their business and residential customers.

Our business strategy is paying off, and has resulted in many new customers signing up for our services, for example: USG People, Astrid, Bel&Bo, Daoust, Argenta, Vinçotte International, the Federation of Notaries, and numerous others.

Ready for tomorrow
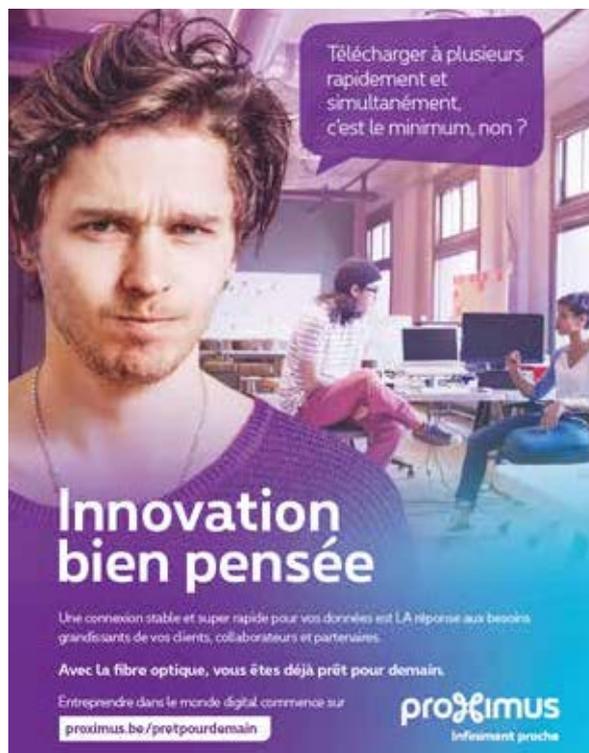
The new campaign for our business customers called "Ready for tomorrow" supports the brand promise "Always close". It re-inforces our relevant partnership between all parties & positions Proximus as the enabler for the digital transformation. The campaign was built around different themes reflecting the business goals our customers want to achieve & supporting the underlying key storylines like customer experience, agile organisation & operational excellence. With "Ready for tomorrow" we illustrate this with value creating, customer centric & meaningful stories using all communication tools, on- & offline. Innovation, IOT, security, servicing & efficient collaboration were the themes highlighted in 2017.

Build the
future

Build the future

Data traffic and digital services will continue to grow exponentially over the next few years, driven mainly by video and cloud applications and the Internet of Things. As a pioneer in the field of network technologies, Proximus wants to anticipate customer needs and prepare its infrastructure for the future. At the same time Proximus is creating winning partnerships and new ecosystems to offer truly integrated solutions for consumers and enterprises.

Optical Fiber – the network of the future

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

The Fiber roll-out is extremely transversal, and almost all divisions of Proximus are involved to some extent. We have launched internally a specific program called Fiber + to maximize all Fiber opportunities. About 450 employees are currently involved in this program in addition to the almost 500 people in the consortium. This number will grow exponentially in the next years.

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.

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, Namur and we recently signed an agreement with the city of Roeselare to start the deployment of our Fiber network over there as well.

7

cities where Fiber is deployed: Antwerp, Brussels, Charleroi, Ghent, Hasselt, Liège, Namur

46

industrial zones equipped with GPON network

94%

of backbone network consists out of Fiber

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. In 2017, 46 industrial zones have been totally equipped with a GPON network, allowing our customers to onboard on this network without any termination cost.

Paving the way for 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. This way, Proximus wants to address the changing needs of customers.

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 2017. We also became member of the 5G automotive association . 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 as well as other assets with the appropriate sensors in order to connect them with each other and the Internet.

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. We are constantly analysing new technologies. We are testing and looking into 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 added a 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.

Proximus has also signed a partnership with TVH, a global market leader in replacement parts for handling materials, industrial vehicles and agricultural machines. Thanks to machine connectivity, they gather pertinent data pertain-

ing to their use. After the collected data 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 programs based on statistical models.

> **We are the market leader for connected objects in Belgium with close to 1.3 million things connected.**

LoRaWAN network

98% coverage
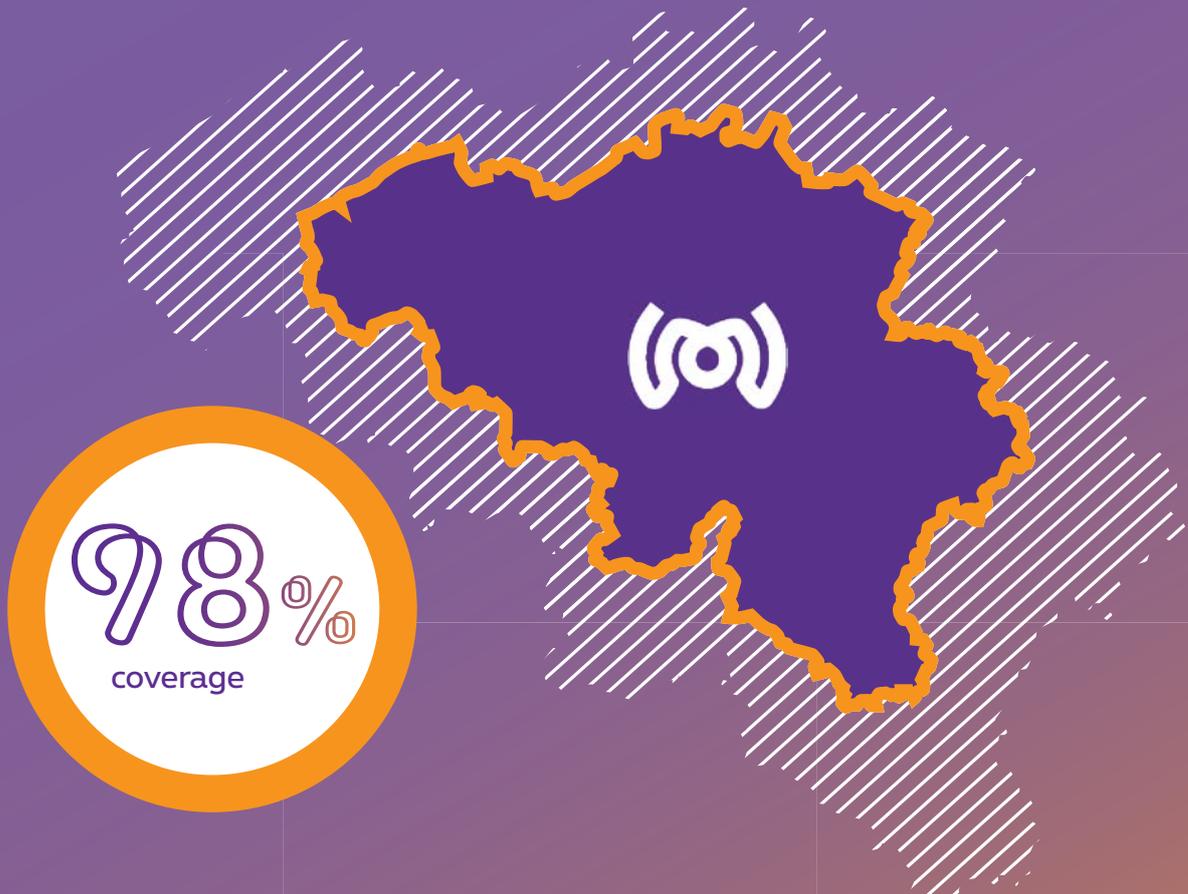
The Proximus Enabling Company (EnCo)

The Proximus Enabling Company (EnCo) is a fine example of Proximus becoming a provider of digital services and encouraging software developers to create new solutions using Proximus assets. The EnCo platform gives developers and companies' easy access to the technologies of Proximus and its partners in the fields of Telecommunications, IoT, Data, Cloud. It gives as well integration capabilities 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 open manner, in constant interaction with developpers, customers and partners via hackathons, workshops and co-creation projects. The EnCo digital parketplace is visible on www.enco.ie

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 team that won the bid, in partnership with Microsoft and Nallian, a Belgian data exchange expert with deep logistics expertise. Together with Nxt-Port 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 care takers and family members in case of unusual situations.

EnCo also makes it easier to combine SMS with other services like IoT and Data analytics.
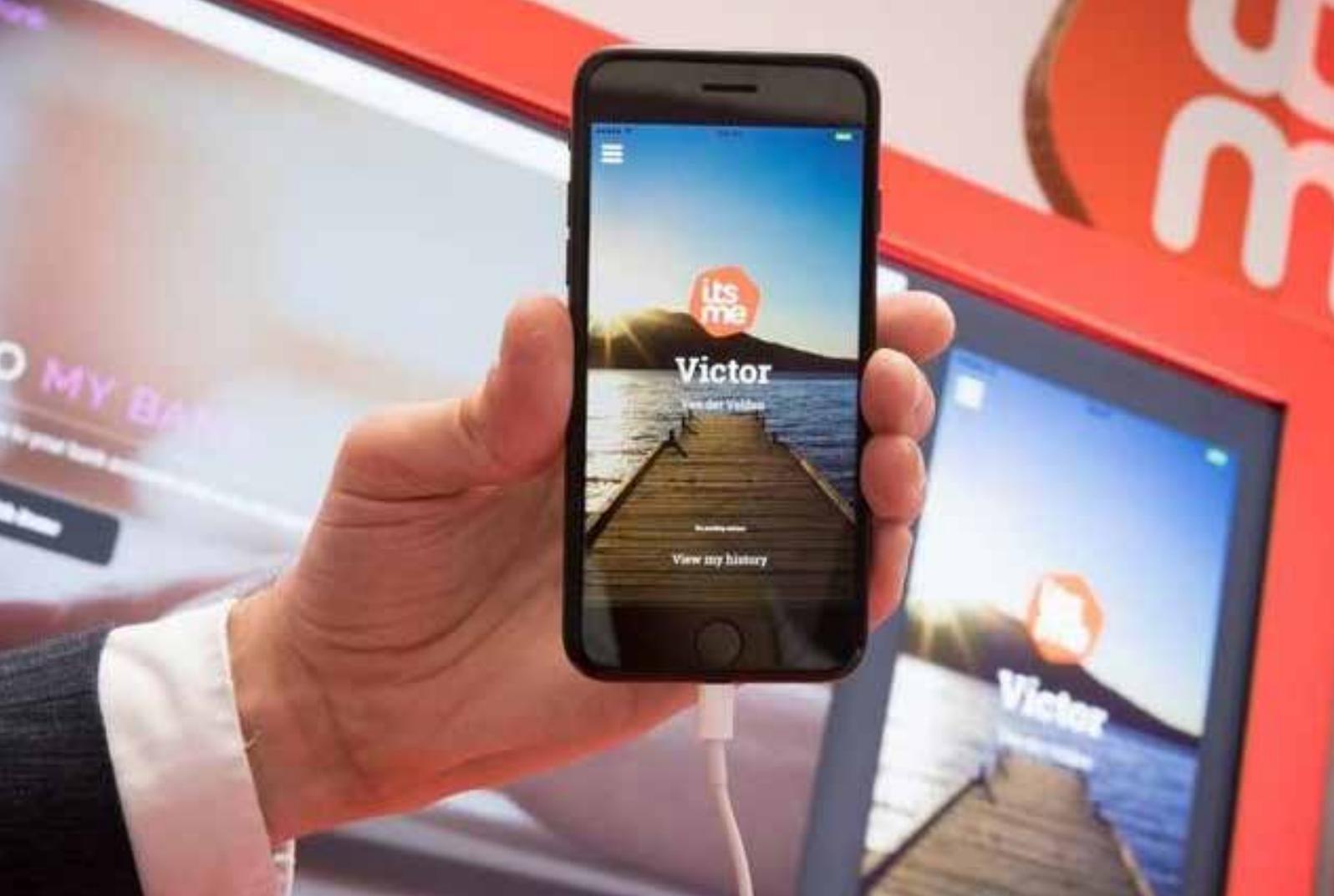
Security, a key domain for Proximus

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.

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.

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, the digital ID

Itsme is the product of a unique collaboration in Belgium between the four major banks and the three leading telecom operators. They will provide each citizen with a unique and secure mobile identity. What's interesting is that 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.

Telindus Luxembourg, an expert in cybersecurity

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 the following awards in 2017: "FinTech Solution Provider of the Year", "Awareness Security Initiative of the Year", "Security Provider of the Year", and "Telecom Provider of the Year".

Steven
Chief Traffic at Be-Mobile

> " We send real time information to trucks to avoid any traffic problem. We help find the right speed and reduce traffic jam. Different companies such as Colruyt, work together with us and the results are promising with an improved traffic, fewer CO_2 emissions and a better security. "

Smart Mobility

Be-Mobile

Working in a consortium called Citrus, the smart mobility company Be-Mobile, together with the Flemish authorities and other leading companies, is working on an application that promises to deliver safer roads and make HGV ("Heavy goods vehicle") transport more sustainable. Since September 2017, 19 municipal authorities in Flanders have been retrieving traffic data via a Be-Mobile web tool. This information is important in the discussions around the redevelopment of the Brussels ring road.

Be-Mobile has also launched "Slim naar Antwerpen", (Smart to Antwerp), a mobility app for getting around during the road works in Antwerp.

ConnectMy.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; and our tradition of collaboration 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.

While TeleSign will continue to operate independently as a wholly-owned subsidiary of BICS with the brand name TeleSign, 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

d|si

Know where to find the information and how to use it - that's the secret of success.

Albert Einste

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.

Proximus has been collaborating with Co.Station since September 2016 and in doing so 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, promot-

ing collaborative innovation, brings major banks, insurers and market infrastructure together, thereby supporting startups and entrepreneurs who develop solutions for financial markets.

Collaboration with Universities

Proximus has been a partner to universities for many years already, and has intensified collaboration still further by inviting them to the hackathons we organize on new eco-systems. From fundamental technologies to education and up-skills, Proximus has a coherent portfolio of initiatives with key universities. We work together with UCL on the Tessares access bonding solution, we collaborate with UHasselt on a POC around high quality 360° video, we partner up with University of Liège for IoT projects. We also organize together with "Emergent Leuven", an analytics hackathon where Proximus data was merged with public data (number of inhabitants, number of beds in various emergency services, ...) in order to determine who to send to which hospital in case of another terrorist attack. The solution was afterwards given to the authorities.

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 they will also 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.

Transform
the way we wor

Transform the way we work

In a fast moving digital world, responsiveness, customer centricity, a digital mindset, a winning spirit and boundary-less collaboration matter more than ever. Juggling our many challenges and adapting to ever changing market conditions demands a change in the way we work. To build an agile organization that stimulates employees and teams to deliver swiftly and seamlessly new or improved solutions to the customer, our People, Culture, and Organization need to evolve hand in hand. It's about building the right culture, ensuring we have the right attitude and skills, and the fittest organization to be successful and resilient. Real change only happens if every single employee embraces this vision and puts it into concrete actions. Getting every individual in our organization to adopt this transformation necessitates an integrated change management approach.

> We continued to grow and engage our people, giving them the ownership of their continuous development and fostering internal mobility in a flexible empowered organization

People make this company

We continued to grow and engage the people of our organization, giving them the ownership of their continuous development and fostering internal mobility in a flexible empowered organization. In 2017, each Proximus employee received an average of 19 hours of courses. 1,177 employees changed jobs internally and had the opportunity to acquire new skills and experiences.

Learning does not only come from training, but also by sharing and working with others and exploring new job & project horizons.

Therefore we launched our NewTone initiative, a whole new way of collaborating. This digital platform changes the way we work together and provides new ways to grow and to develop. Thanks to NewTone, people can find temporary projects to work on alongside their regular jobs. Many colleagues have already shared their talents with other teams.

Also the renewal of our talent base continued. We welcomed 428 new colleagues. They could apply to Proximus via our new job platform, Cornerstone, which made it easier to apply for jobs or consult the vacancies.

It's clear that expertise is vital for a technology driven company like Proximus. Employees with critical expertise are the engines for growth and are a valuable source of competitive advantage for our organisation. They help us realize our Fit for Growth strategy and to remain competitive in the quickly evolving Telecom & ICT market. Each year, we offer privileged soft skills development opportunities to a number of critical experts of Proximus in order to help them increase their impact within and outside of the company. In 2017 more than 70 expert professionals shared their knowhow with other colleagues during numerous TEDX sessions.

Our culture defines how we work

Culture is about the way we work with our customers and our colleagues. It's only by our actions and our behaviours that our culture becomes tangible. At the heart of it is our purpose to connect everyone and everything so that people, including our own employees, live better and work smarter. Our culture mindset becomes reality by our individual behaviors if we want it to be effective.

We started in 2013 with the Good to Gold journey which is key for the successful realization of our strategy. Already more than 6,000 employees have followed the Good to Gold sessions since 2015. In 2017, 1,500 people followed the Good to Gold training tracks, spread over 119 sessions, such as Good to Gold concepts, Growth Mind-set and Coaching & Feedback, all with a very high satisfaction score of over 83%. By the end of 2018 we plan to have another thousand new attendees. 2018 will be the year of a key investment in leadership development with a focus on role modelling, inspiring and assuring that our leaders will be demonstrating the values of Proximus in their behaviour, in close connection with their teams.

Above that, we pursue the roll out and embed the best practices of Good to Gold teams through our organization to support the operational teams on the work floor in their efforts of continuous improvement. By the end of 2018 we'll have 426 teams.

1,177
employees changed jobs internally

428
new hires

1,500
employees followed the Good to Gold training in 2017

And as we aim for a more effective transformation in the future, we are professionalizing our change management approach to better support our employees. After having set up an expert group and having piloted key lighthouses we will move into professionalizing the teamleaders through training and co project ownership, to strengthen individual and organizational change capabilities.

Becoming an organization with a digital DNA

As a Digital Service Provider, our people should have the right digital tools and a 'Digital First' mind-set, part of our culture, must be the new normal.

We have made great progress this year. We have invested in social technologies such as #WAP, our new Intranet, to connect, find info and break silos. We are now also able to "Work Smarter" in an easier way, by collaborating digitally and cross-functionally via shared documents on any device with Office 365.

But the human aspect remains fundamental. It's why we piloted a new working environment that enables cross collaboration, yet recognises specific needs like a quiet space. Indeed based on our employees' feedback, we recognized the need for a variety of workspaces. Rather than doing it purely from a facilities' view point we went the collaboration and co-creation way from the start, applying our values in the project. We developed a new working environment by means of floors with more workspace for collaboration, silent places as well as collaboration and co-creation spaces.

Important is that our people don't face this digital transformation alone. We have foreseen multiple trainings that will boost the use of our digital tools, with basic digital literacy training for the majority of employees and in-depth digital skill tracks for focused communities in data, marketing and security.

Changing the way we work

Our Fiber project is a great example of how Proximus has 'transformed the way it works', and as such has become a model in how to handle projects in the future. Through the creation of local self-steering teams, we've truly re-

invented the way we deploy networks, do our marketing, interact with partners and sell and provide services to our customers. Most importantly, it has got separate divisions working more closely together.

Working with dedicated, co-located, regional and cross-functional teams is the best way to achieve our ambitions, and it will get our people to adapt faster to new ways of working. These teams are empowered and have the right tools to take decisions autonomously to optimize the roll-out in function of the local context. By working in local teams it also allows us to show agility and openness to work with external partners (public administrations for permits,…). At the same time we continuously simplify and standardize our processes with as first objective to provide at least a customer experience which is at par with copper in the short term and as second objective to differentiate and create a premium experience on Fiber in the mid and long term.

The Fiber local teams are a great example of working agile in the Good to Gold spirit. This way we succeed well in responding swiftly to the changes around us. We are turning clear accountability into real empowerment and for sure bring great results for Proximus and our customers.

Stefaan Van Impe
member of a Fiber local team

"The Fiber local teams are a great example of our new way of working: local empowered teams are flexible to respond to external changes thanks to a closer collaboration with our partners, the integration of advanced analytics in our decision making and simplified processes."

A
sustainable
digital
society

A sustainable digital society

As a leading employer in Belgium, we strongly assume corporate and social responsibilities. With telecom beating as the very heart of the digital society, we play an important role in the contribution to a better Belgium.

By connecting everyone and everything we have a significant effect on the country's economy and its people that we want, without exception, to live better and work smarter. Besides the economic value of being a large employer and important tax payer, we act as key sponsor of many important sports, music and cultural events throughout the year.

True to this commitment and according to our CSR strategy, we keep a close eye on society and its future. We continue our green initiatives and small community projects, just as we further support the acquisition of digital skills in an inclusive society.

CSR achievements to be proud of… because it matters to all of us!

We are committed to a prosperous Belgium

As a company strongly rooted in Belgium and being one of the country's largest employers and biggest investors we bring a lot to Belgium. The profit we generate is re-invested to develop further growth of Belgian's digital infrastructure and we distribute 100% of our Free Cash Flow to shareholders while we pay €1.53 billion in direct and indirect taxes and social security.

Our infrastructure investments aim to stimulate the digital economy by providing broadband access to all. Today 99.85% of the population has access to 1Mbps through Proximus' network. At the same time more than 360,000 people benefit from a social tariff granted on social or humanitarian grounds. We also develop the new economy by fostering strong ecosystems, partnerships and M&A's through which we build new solutions and platforms that bring local value.

In order to fulfil our role as motor of innovation in the country our recruitment strategy focuses on attracting and developing the digital skills needed for new growth thus assuring future employability.

Being a major media distributor in Belgium, providing a strong platform for local content, we invest massively in media and culture. We were the third most important advertiser in Belgium and we stimulate Belgian co-productions while sharing sport rights (foot, cycling) with local media. At the same time we're a proud active sponsor of local sports: football with Sporting Club Anderlecht, Sporting Charleroi and Club Brugge, cycling with Flanders Classics and Proximus Cycling Challenge and basketball with Spirou Charleroi, and a major sponsor of music and cultural events: Bozar, Queen Elisabeth Music Chapel, Werchter, les Ardentes, Dour, Pukkelpop.

Next to this we are committed to addressing key society issues by structurally embedding CSR in everything we do, so that we can all live in a more sustainable, more inclusive and safer world.

Yasmina Jobseeker

participant to the Digitalent initiative

> " Finding a nice job is not always easy. Thanks to Digitalent I had the opportunity to develop new digital skills that are now much needed on the job market. "

Environment: a carbon neutral company

We are on track toward meeting the commitments we made in advance of the COP21 Climate Conference in Paris.

As of 2016, Proximus is a carbon neutral company. We have reduced our carbon emissions on Group level for the 7th year in a row and we compensate for the emissions we cannot reduce.

Proximus received the CDP Climate Leadership Award for the fifth year in a row. There are several key areas where our carbon footprint has been reduced. First we have reduced our carbon footprint in our fleet mobility, our employees prefer the green mobility plans which favor public transport and which, for the first time, include the possibility to lease a bicycle. We are also running energy efficiency projects for our networks, datacenters, office buildings and transport. We mainly use electricity from renewable energy sources. Most of our waste is recycled

and we also help our customers to reduce their carbon footprint thanks to our products and services.

Finally we reached the 115,000 mark for the collection of old mobile phones in schools, in collaboration with our partner GoodPlanet Belgium.

Education & skill building

Empowering and sharpening young minds, the Proximus Foundation supports jobseekers through new technologies and aims to give young people a better shot at their dreams.

Digitalent

Among its initiatives, the Digitalent project immerses young jobseekers with no diploma in the ICT world. In 2017 we trained 58 people. In total we had training sessions in 6 cities across Belgium. The project is very successful

with 35% of participants following a qualifying training, 35% finding a job and one even starting his own company.

Safer Internet

Through the Safer Internet program our employees, in collaboration with Child Focus, trained about 11,000 school pupils in 2017 on how to use the Internet and social media safely. Twice a year some 150 of our employees visit - on a voluntary basis - the fifth and sixth year classes of primary schools to promote safe internet use. Since the start of the project more than 77,000 pupils have been trained.

Introductory internships

In 2014, Proximus began offering "introductory internships". This is a federal project for low-skilled jobseekers, facilitated by VDAB, Forem and Actiris.

Since 2015, Proximus offers this "transition internships" to approx. 100 job seekers/year. The introductory internship lasts for three months in Flanders and a minimum of three months and a maximum of ix months in Brussels and Wallonia.

Technobel

Technobel has started in 2011 as a partnership between Forem and Proximus. It offers ICT-trainings towards unemployed persons, teachers, students and professionals. Every year we realize more than 100.000 training hours.

Community

Our evolving technologies also make a difference for communities in need of specific solutions to improve their lives.

Proximus is active in helping children with long-term illnesses, people with disabilities and the disadvantaged.

Bednet & Take-off program

In 2017, the Bednet & Take-off program has enabled more than 600 children with long-term illness to remain in contact with their classmates and to attend school.

People with disabilities.

Through the People with disabilities program we continuously test the accessibility of all the devices that we put on the market. This aids and reinforces constant improvements by manufacturers.

77,000
pupils have been trained

600
children with long-term illness remained in contact with their classmates

Digital sustainable society

For more information on our role in society, read the full report

❯ Download the Digital sustainable society report here