Fiber for Belgium

Analyst & Investor presentation

16th December 2016
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Investing in long-term value

Dominique Leroy - CEO
Customer needs are changing rapidly

<table>
<thead>
<tr>
<th>For Business</th>
<th>For Consumer</th>
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<tbody>
<tr>
<td>Fast Digital Transformation for business customers</td>
<td>Multiple new technologies expected to further enrich customer digital life over next decades</td>
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<tr>
<td>Reliable quality</td>
<td>Augmented &amp; virtual reality</td>
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<td>Video conferencing</td>
<td>Concurrent usage</td>
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<tr>
<td>Mix Professional &amp; Private life</td>
<td>Gaming</td>
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<td>New ways of working</td>
<td>New video standards</td>
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<td>Service continuity ∞</td>
<td>Video-calling</td>
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<td>Work on the move</td>
<td>Homeworking</td>
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<td>Cloud</td>
<td>OTT applications</td>
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<td>#devices per user</td>
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- Work on the move
- Homeworking
- Cloud
- Gaming
- Video conferencing
- Augmented & virtual reality
- Concurrent usage
- New video standards
- OTT applications
- #devices per user
In 2016 we started the roll-out of Fiber for Business customers and selective FTTH projects

- **Fiber for Business (P2P & first GPON-sites)**
  - High business demand
  - Key support for Digital transformation

- **Greenfield FTTH**
  - Future proof investments for new builds

- **1st brownfield FTTH project**
  - Testing viability of copper replacement in brownfield zones

- **Positive outcome of current Fiber projects**

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(proximus)
Encouraging positive outcome of completed Business Fiber projects, with 83% of overall customer satisfaction...

Very high customer interest
Nearly 80% of P2P Fiber installations were initiated by the customer

Positive installation experience
80%
Of customers found the journey easy

Overall customer satisfaction on Fiber
83%

Recommendation
82%
of companies would probably/certainly recommend Proximus Fiber
High activation rates
• Solid success rate in activating homes passed with Fiber
• Increasingly cooperating with construction companies

99% overall Customer satisfaction in Fiber greenfield. Better than VDSL, vectored VDSL and Coax

Activation rate on homes passed (sample of 5 FTTH greenfield sites)

<table>
<thead>
<tr>
<th>Site 1</th>
<th>Site 2</th>
<th>Site 3</th>
<th>Site 4</th>
<th>Site 5</th>
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<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>100%</td>
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FTTH - Highest overall customer satisfaction

- +5pp
- +8pp

VDSL  Vectoring  Fiber  Coax North  Coax South
Proximus stepping up its network investments, bringing a future-proof next generation network to its customers

**Accelerate**
- Nation-wide Fiber to the Business
- Go faster following high market traction

**Continue**
- Fiber in greenfield
- Continue with Fiber for new living units

**New**
- Full Fiber-roll-out in dense city areas
- Capture in an efficient way the Fiber potential for business and residential

Target coverage:
- >85% FTTBus
- >50% FTTH
Over the next 10 years a total Fiber investment of €3Bn

Large part covered by rebalancing of Capex envelope

Bringing the total group annual Capex over the next 3 years to around €1Bn

FCF-level expected to sustain a stable dividend over the next 3 years*

Maintaining a very sound leverage of around 1x net debt/EBITDA

* provided Proximus delivers upon its 3-year strategic plan
We can maintain a very attractive shareholder return policy

**Attractive overall shareholder return policy**

We reconfirm our overall shareholder remuneration policy, i.e. returning most of the Free Cash Flow to shareholders.

**3-year dividend outlook**

We intend to pay a stable yearly dividend of €1.50/share over the period 2017-2019.
Network
Fiber roll-out

Geert Standaert - CTO
Wide-scale future proof Fiber roll-out for Enterprise & Residential in Belgium

Reach substantial Fiber footprint in both Enterprise & Residential markets over the next decade

**In Cities:**

- Integrated Fiber-To-The-Home & Business (FTTH&Bus) for Enterprise & Residential

**Outside Cities:**

- Fiber-To-The-Business (FTTBus) for Enterprise
- Fiber-To-The-Curb (FTTC) for Residential

Optimized Fiber approach in function of Residential & Business value potential and deployment cost
Dense city areas – Start of an integrated Fiber-To-The-Home & Business roll-out throughout Belgium as from 2017 (FTTH&Bus)

High density of Enterprise & Residential in cities driving integrated FTTH&Bus approach

- Deploy a Point-to-Multipoint Fiber network (GPON\(^1\)) to serve all businesses and all living units while building flexibility points for future mobile densification
- Optimize deployment through combination of wall mounting and underground roll-out
- Switch-off the existing copper network through complete fiberization

\(^1\) GPON = Gigabit Passive Optical Network

Start FTTH&Bus roll-out as from 2017. Areas with most businesses in priority
Dense city areas – How an integrated FTTH&Bus roll-out makes sense in dense city areas where everything comes together

1. Enterprise Fixed and ...
2. Mobile Densification and ...
3. Residential Fixed

(proximus)
Outside dense city areas, Enterprise – Accelerate roll-out of Fiber-To-The-Business for large & medium enterprises (FTTBus)

Support the fast Digital Transformation of businesses

- Proximus will proactively deploy Point-to-Multipoint Fiber (GPON) to clusters of businesses outside Cities:
  - Industrial & commercial zonings
  - Areas with high concentration of businesses
- Point-to-Point Fiber (P2P) will be deployed to individual business sites outside Cities upon customer request

FTTBus roll-out started in 2016, maximally re-using existing FTTC assets: scale fast & efficient

- First FTTBus construction multi-city wave started in SEPT 2016
- By EO 2016, 6,100 enterprises will be connected on Fiber

Example of FTTBus roll-out in city of Veurne
Outside dense city areas, Residential – Start densification of our existing Fiber-To-The-Curb network for homes & small offices (FTTC)

Prepare for further digitalization by optimizing our existing FTTC network

- **Densify the network** – Deploy new Fiber distribution points closer to the customer

- **Upgrade performance** – Use new ultra-vectoring technology (17 to 35 MHz) to upgrade performance up-to-250 Mbps

Shorten the average distance to the optical node from 530 meters to < 350 meters

\[\text{ROP = Remote Optical Platform}\]
Proximus ambitions – Substantial Fiber footprint over the next decade for long time sustainable value

Enterprise – 85% corporate & medium businesses passed with Fiber

- From FTTH&Bus in dense city areas and FTTBus outside cities
- ~65%
- >85%

Residential – 50% homes & small offices passed (Green- & Brownfield)

- From FTTH in dense city areas and FTTH Greenfields
- 7%
- ~18%
- ~40%
- >50%

10 years
15 years

3 years
5 years

40%
Investing in future growth while preserving sound FCF levels

Sandrine Dufour - CFO
Optimized investment case

- €3Bn Fiber Capex over the next 10 years will be financed through growth
- NPV positive, for both FTTH and FTTBus
- Supporting future market position and topline
- Structurally lowering future expenses

- Optimized deployment sequence by use of innovative data analytics tool:
  - Commercial/operational efficiency
  - Business value
  - Deployment cost

- Invest
- Grow
- Reduce costs
We will use wall mounting and maximally terminate during construction to optimize the cost of FTTH in dense city areas to an average cost of 1000€ per home.

Maximized wall mounting where possible for cheaper & faster roll-out...

... high pre-termination to maximize winback & commercial potential

... higher average single living units in Belgium vs other EU countries...

... and without having ducts in the distribution, though will reuse feeder ducts available from past FTTC investment.
Investing in a superior network will create important opportunities to drive sustainable long-term growth …

- Maintain & grow solid position in Business
- Re-gain customers through acquisition in highly dense populated areas

Churn below average

- Strong medium for retention of existing customers

Long-term ARPU uplift, better tiering and Business cross selling opportunities

Average BB Market share uplift in Consumer Fiber zones

Fiber ARPU above average

no Fiber  Fiber

no Fiber  Fiber
... and will bring important operational savings, while avoiding copper renewal expenses in the Fiber zones.

- Capitalize on roadwork synergies
- Anticipate copper maintenance and renewal needs
- Passive network, low maintenance effort
- Ducts availability
- Lower power consumption
- Lower real estate footprint
- Longer equipment lifecycle

Avoid future expenses related to the aging of the copper network

Lower maintenance cost per customer on Fiber

- > 20%

Structural and pro-active renewal of the network

Gradual outphasing of copper infrastructure as Fiber is rolled-out
Fiber investments for large part covered by rebalancing of the current Capex envelope

- We estimate the annual Group Capex to be around €1Bn* for 2017-2019
- Annual Fiber Capex spend depends on variables such as timing of permits and final contractor pricing
- Capex/sales ratio expected to remain below 18% over the period 2017-2019, supported by growing revenue

![Weight of Fiber in Group Capex will triple by 2019](chart)

- Capex resources gradually freed up as large projects reach completion
  - 4G roll-out
  - Vectoring roll-out
  - IT & platforms
  - Switching outphasing

*referring to Capex estimations excluding potential spectrum costs or renewal of Belgian football broadcasting rights
Continued ambition to realize cost efficiencies in Domestic will further support the EBITDA growth

Ambition to realize € 150M net Opex reduction in 2015- 2019

- Company-wide cost programs Running ahead in 2016 vs plan
  - ~260
  - ~320
  - ~400

Initiatives for Gross Opex savings

- **Agile organization**
  - Optimized Sales channels
  - Reducing support functions
  - Structurally reducing contractors

- **Productivity & Efficiency**
  - Productivity gains
  - Network simplification
  - ICT industrialization
  - Process optimization & automation

- **Volume deflation**
  - Improve customer experience to reduce bad volumes

- **Digitalization**
  - E-billing
  - E-ordering
  - E-servicing

Partly offset by...

- Automatic wage indexations & higher pension cost
- Skills needed for ICT/innovative solutions
- Increasing customer installed base
- Opex linked to mobile spectrum licenses
- New taxes on e.g. electricity, real-estate
- Fiber-related Opex
Investing in future growth while preserving sound FCF levels, covering stable dividend pay-out over the next 3 years

- Through rebalancing of Capex envelope, the annual Capex is estimated to stay around €1Bn for 2017-2019

- Sound market position, with room for continued customer growth, upselling and improving market shares
- Lower the cost base through efficiencies

Proximus intends to return a stable dividend of €1.50/share over the period 2016-2019

- Net debt/EBITDA ratio expected to remain stable at ~1X
Investing in long-term value by increasing customer satisfaction

Dominique Leroy - CEO
Fiber will enhance customer satisfaction, improve our market position and create long-term value for the company.

**Very large bandwidths**
- Gigabit grade infrastructure
- Very fast content availability

**Virtual unlimited capacity**

**Better customer experience**
- No latency, concurrent usage
- Gaming, Netflix offline mode, ...

**Symmetrical**
- Cloud, backup, heavy file exchange, virtual presence, video conferencing, ...

**Security & Reliability**

**Future proof**
- Path of exponential speed increases delivered on the same Fiber physical medium
- (1 Gbps ➔ 10 Gbps ➔ 40 Gbps ➔ ...)
For further information

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