

The Proximus logo features the word "proximus" in a white, lowercase, sans-serif font. The letter "x" is stylized with a central vertical bar that extends slightly above and below the main body of the letter, creating a unique symbol.

proximus

Fiber for Belgium

Analyst & Investor presentation

16th December 2016

Disclaimer

“This communication includes some forward-looking statements, without limitation, regarding Proximus. Although we believe these statements are based on reasonable assumptions, they are subject to numerous risks and uncertainties, and there can be no assurance that anticipated events will occur or that the objectives set out will actually be achieved. These forward-looking statements are subject to a number of risks, uncertainties and factors, including, but not limited to those described in disclosures, in particular in the chapter Risks in the Annual Report. Important factors that could cause actual results to differ from the results anticipated in the forward-looking statements include, among others: the success of Proximus’ Fiber strategy and other strategic, financial and operational initiatives, future market conditions, financial or operational results, macro-economic trends, fiscal and regulatory constraints, risks related to the deployment of information and communication technology systems, and other risk factors. These forward-looking statements rely on a number of assumptions concerning future events and are subject to uncertainties and other factors, many of which are outside Proximus’ control. Should one or more of these risks or uncertainties materialize, or should underlying expectations not occur or assumptions prove incorrect, actual results, performance or achievements of Proximus may (negatively or positively) vary materially from those described explicitly or implicitly in the relevant forward-looking statement.

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Investing in long-term value

Dominique Leroy - CEO



Customer needs are changing rapidly



For Business

Fast Digital Transformation for business customers



For Consumer

Multiple new technologies expected to further enrich customer digital life over next decades

Reliable quality

Video conferencing

Mix Professional & Private life

New ways of working

Service continuity 

Work on the move 

 Cloud

Augmented & virtual reality

Concurrent usage

 Gaming

Video-calling

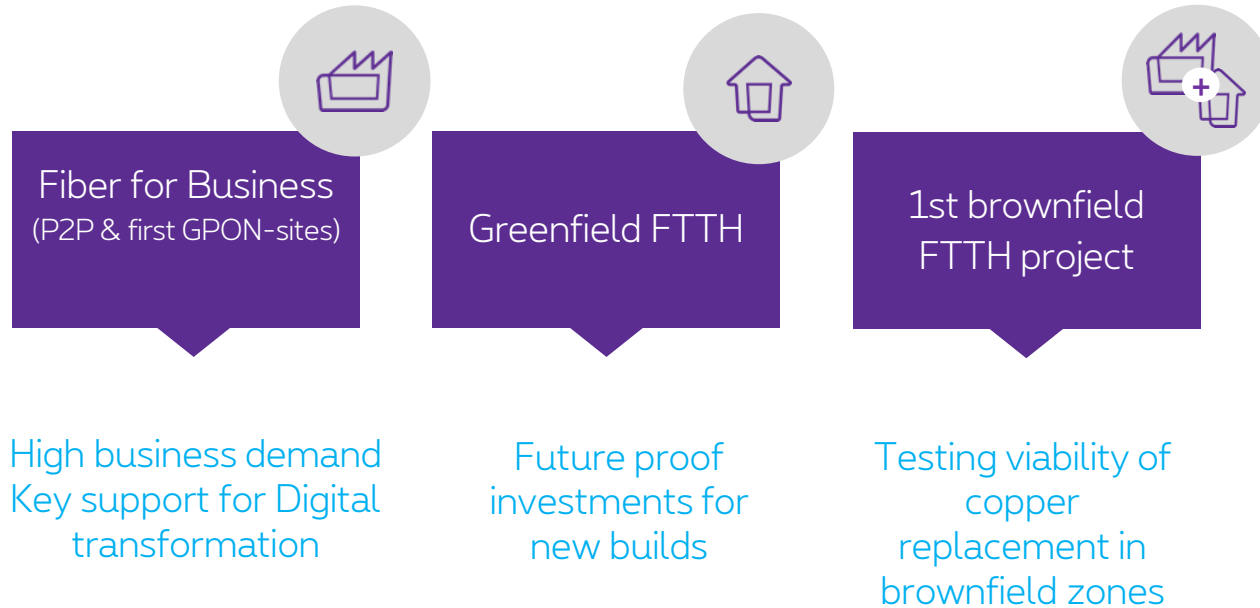
New video standards

 Homeworking

OTT applications

#devices per user

In 2016 we started the roll-out of Fiber for Business customers and selective FTTH projects



✓ **Positive outcome of current Fiber projects**

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

Very high customer interest

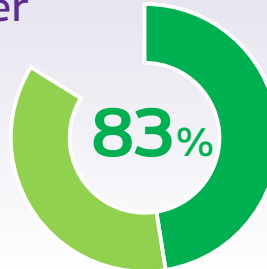
Nearly 80% of P2P Fiber installations were initiated by the customer

Positive installation experience

80%

Of customers found the journey easy

Overall customer satisfaction on Fiber



Recommendation

82%

of companies would probably/certainly recommend Proximus Fiber

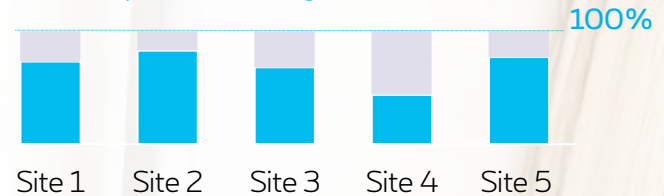
...and from FTTH greenfield projects

High activation rates

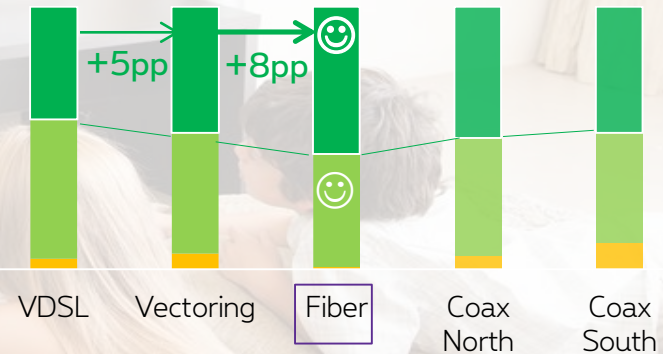
- Solid success rate in activating homes passed with Fiber
- Increasingly cooperating with construction companies

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)



FTTH - Highest overall customer satisfaction



Proximus stepping up its network investments, bringing a future-proof next generation network to its customers

Accelerate

Nation-wide Fiber to the Business



Continue

Fiber in greenfield



New

Full Fiber-roll-out in dense city areas



Target coverage

>85%
FTTBus

>50%
FTTH

Our sound financial position allows for investing in customer satisfaction and long-term value of the company

We will invest more...

- 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

while keeping a solid FCF...

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

and a sound financial position.

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

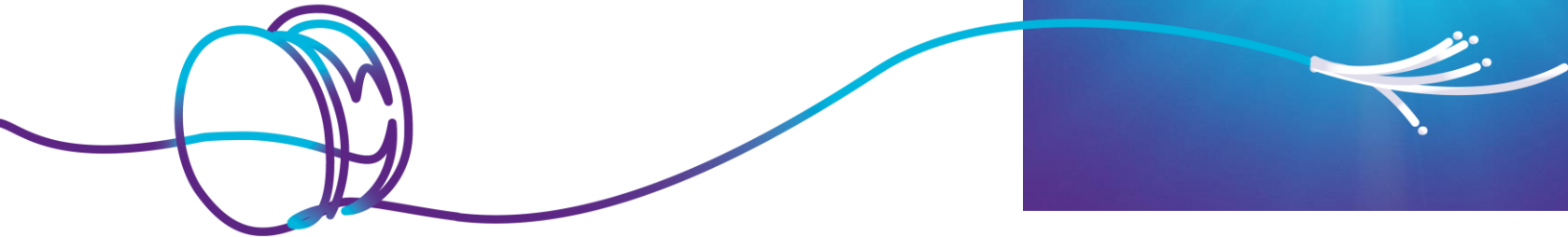
We reconfirm our overall shareholder remuneration policy, i.e. returning most of the Free Cash Flow to shareholders.

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



proximus
Fiber for Belgium

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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

Optimized Fiber approach in function of Residential & Business value potential and deployment cost

In Cities:



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

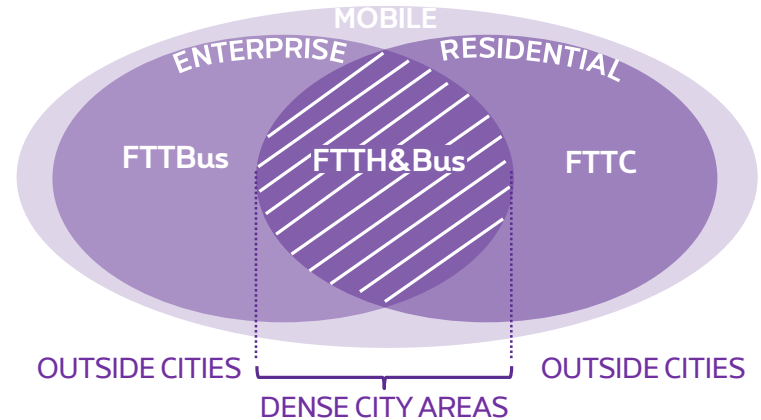
Outside Cities :



Fiber-To-The-Business (FTTBus) for Enterprise



Fiber-To-The-Curb (FTTC) for Residential



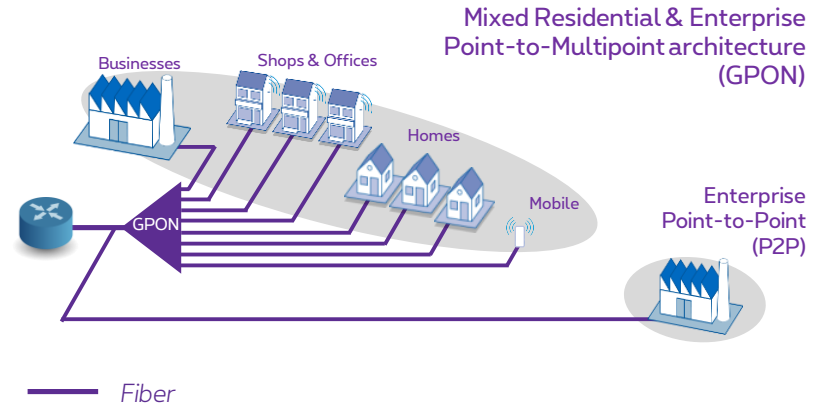


Dense city areas – Start of an integrated Fiber-To-The-Home & Business roll-out throughout Belgium as from 2017 (FTTH&Bus)

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

- Deploy a Point-to-Multipoint Fiber network (GPON¹) 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

Start FTTH&Bus roll-out as from 2017. Areas with most businesses in priority



¹ GPON = Gigabit Passive Optical Network



Dense city areas – How an integrated FTTH&Bus roll-out makes sense in dense city areas where everything comes together

1 Enterprise Fixed

and ...

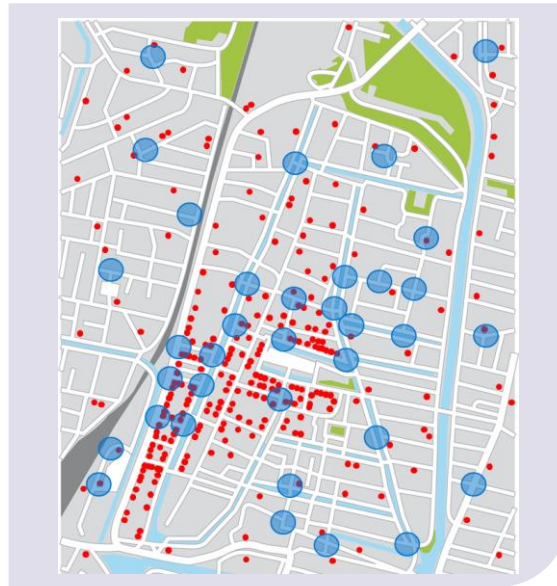
2 Mobile Densification

and ...

3 Residential Fixed



+



+



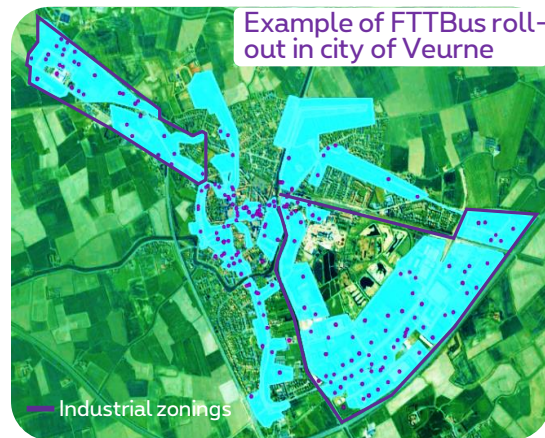


Outside dense city areas, Enterprise – Accelerate roll-out of Fiber-To-The-Business for large & medium enterprises (FTTBus)

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**

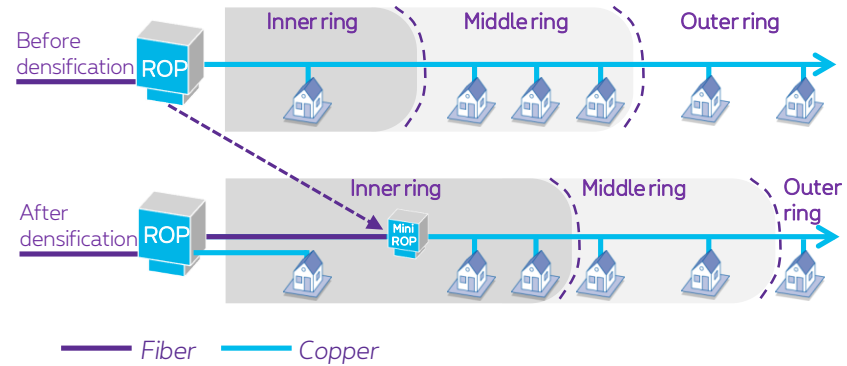


Outside dense city areas, Residential – Start densification of our existing Fiber-To-The-Curb network for homes & small offices (FTTC)

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

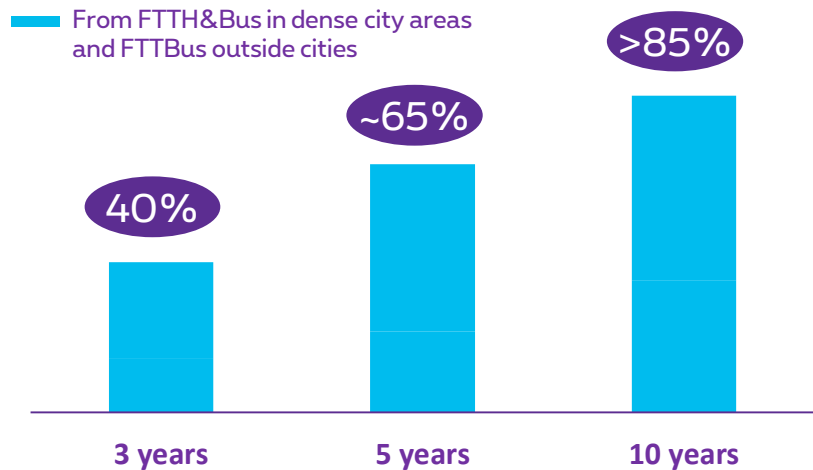


¹ ROP = Remote Optical Platform

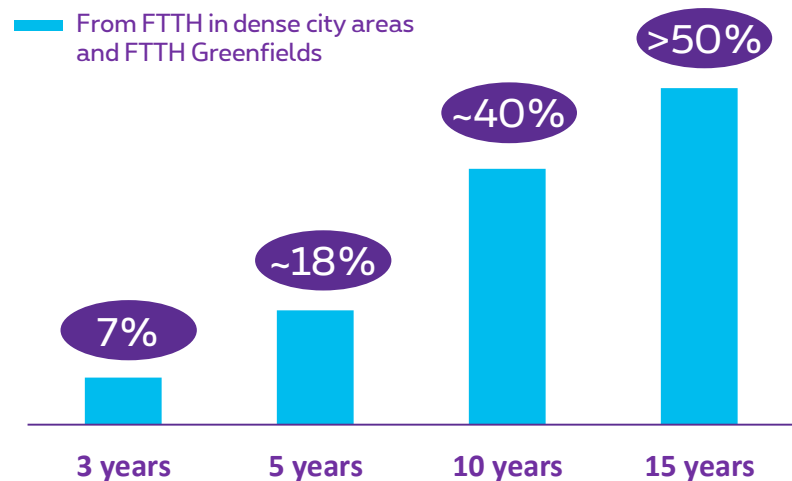


Proximus ambitions – Substantial Fiber footprint over the next decade for long time sustainable value

Enterprise – 85% corporate & medium businesses passed with Fiber



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





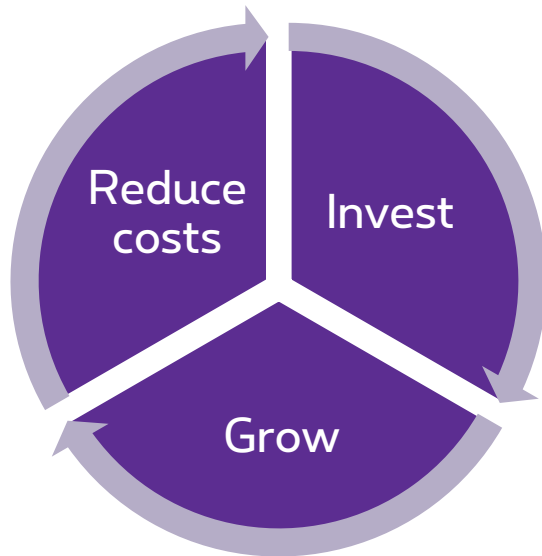
Investing in future growth while preserving sound FCF levels

Sandrine Dufour - CFO

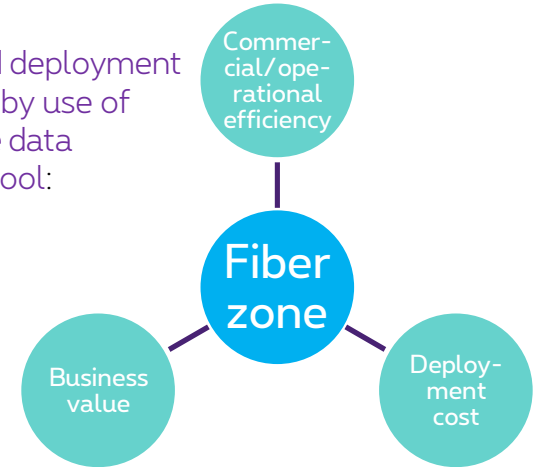


Optimized investment case

- ✓ € 3Bn Fiber Capex over the next 10 years will be financed through growth



- ✓ Optimized deployment sequence by use of innovative data analytics tool:



- ✓ NPV positive, for both FTTH and FTTBus
- ✓ Supporting future market position and topline
- ✓ Structurally lowering future expenses

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...

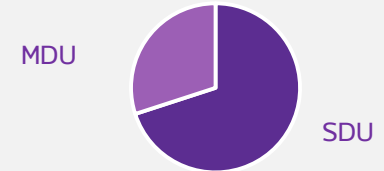
MIX OF HOME CONNECTION



HIGH % OF PRE-TERMINATION OF HOMES

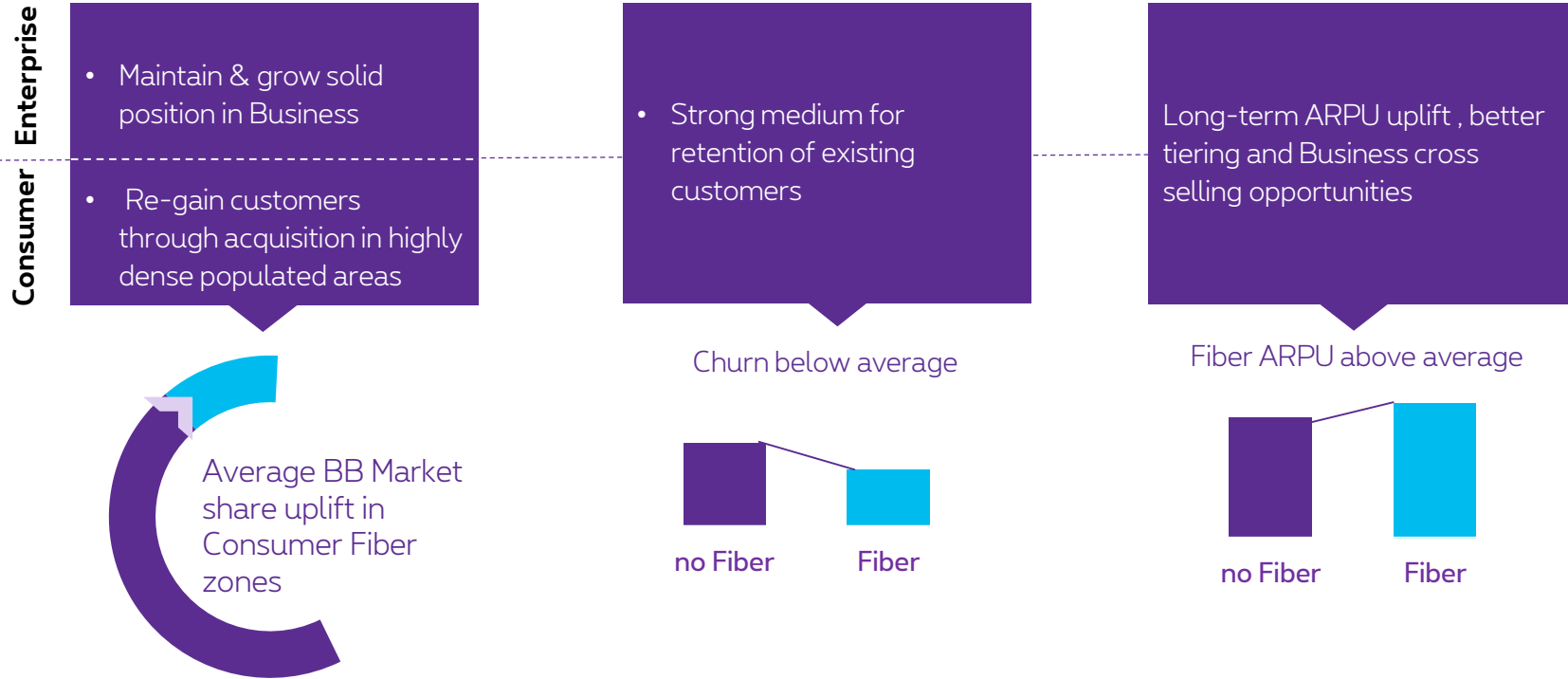


HIGH % SDU



... 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 ...



... and will bring important operational savings, while avoiding copper renewal expenses in the Fiber zones.

Structural and proactive renewal of the network

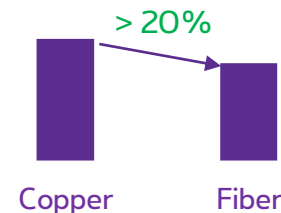
- ✓ Capitalize on roadwork synergies
- ✓ Anticipate copper maintenance and renewal needs

Avoid future expenses related to the aging of the copper network

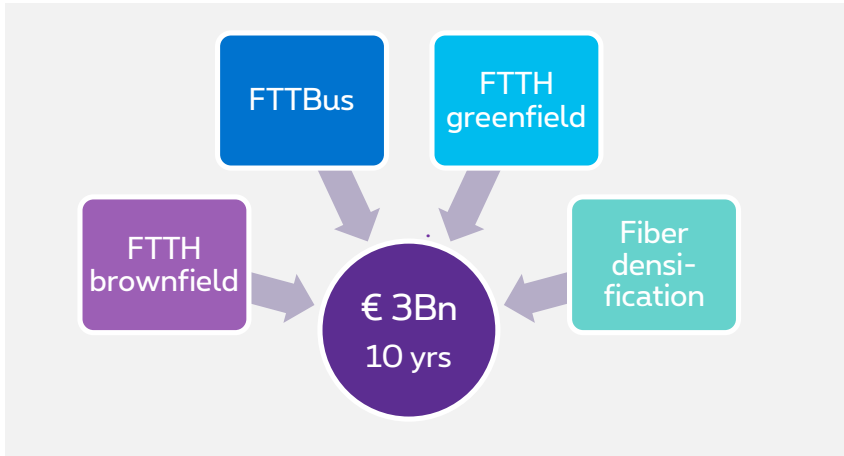
Gradual outphasing of copper infrastructure as Fiber is rolled-out

- ✓ Passive network, low maintenance effort
- ✓ Ducts availability
- ✓ Lower power consumption
- ✓ Lower real estate footprint
- ✓ Longer equipment lifecycle

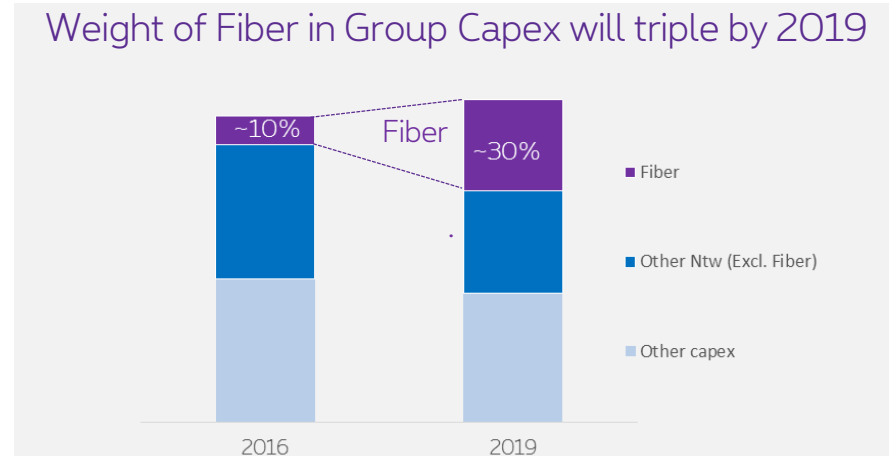
Lower maintenance cost per customer on Fiber



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



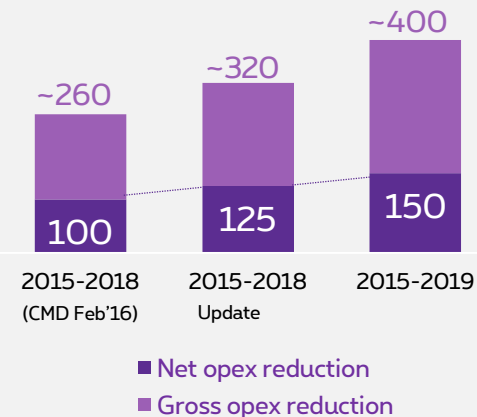
Capex resources gradually freed up as large projects reach completion

- ✓ 4G roll-out
- ✓ Vectoring roll-out
- ✓ IT & platforms
- ✓ Switching outphasing

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



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

Supported by early leave plan

Partly offset by...

- Automatic wage indexations & higher pension cost
- Skills needed for ICT/innovative solutions
- Increasing customer installed base
- Capacity driven maintenance costs
- 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

Limited
incremental
annual
Capex

Underlying
EBITDA
growth

FCF
covering
dividend

Sound
financial
position

- 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 ➡ ...)

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