Consolidated Management Report

Management discussion and analysis of financial results

1. Introductory remarks

Underlying revenue and EBITDA

Proximus' management discussion is focused on underlying figures, i.e., after adjustments. The underlying company figures are reported to the chief operating decision-makers in view of resource allocation and performance assessment.

Proximus provides a transparent view of the operational drivers of the business by isolating adjustments, i.e., revenues and costs that are unusual or not directly related to Proximus' business operations, and which had a significant impact on the year-on-year variance of the Proximus Group revenue or EBITDA. In addition, following the application of the IFRS 16 accounting standard, the definition of "underlying" was adapted to include lease depreciation & interest as of 2019. The adjusted revenue and EBITDA are referred to as "underlying" and allow for a meaningful year-on-year comparison.

Definitions can be found in Section 6 of this document.

	Revenues		Ebitda	
(EUR million)	2022	2023	2022	2023
Reported	5,914	6,048	1,826	1,786
Adjustments	-5	-7	-40	-29
Underlying	5,909	6,042	1,786	1,757
Adjustments	-5	-7	-40	-29
Lease Depreciations			-83	-84
Lease Interest			-2	-7
Transformation			39	14
Acquisitions, mergers and disposals	-5	-6	7	48
Litigation/regulation			-2	-1

Remark: "Underlying Revenue" corresponds to "Total Income", excluding adjustments.

Rounding

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

Key Figures - 10-year overview

Income Statement (EUR million)	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Reported income	6,112	6,012	5,873	5,802	5,829	5,697	5,481	5,579	5,914	6,048
Revenue adjustments	248	17	3	24	21	11	2	1	5	7
Underlying revenue	5,864	5,994	5,871	5,778	5,807	5,686	5,479	5,578	5,909	6,042
Reported EBITDA (1)	1,755	1,646	1,733	1,772	1,794	1,676	1,922	1,828	1,826	1,786
Lease depreciation and interest	N/A	N/A	N/A	N/A	N/A	84	84	82	84	90
EBITDA adjustments	102	-88	-63	-51	-70	-278	1	-26	-44	-62
Underlying EBITDA (1)	1,653	1,733	1,796	1,823	1,865	1,870	1,836	1,772	1,786	1,757
Depreciation and amortization	-821	-869	-917	-963	-1,016	-1,120	-1,116	-1,183	-1,179	-1,185
Operating income (EBIT)	933	777	816	809	778	556	805	645	647	601
Net finance income / (costs)	-96	-120	-101	-70	-56	-47	-48	-54	-49	-110
Share of loss on associates	-2	-2	-1	-2	-1	-1	-1	-10	-20	-30
Income before taxes	835	655	715	738	721	508	756	581	578	461
Tax expense	-154	-156	-167	-185	-191	-116	-174	-137	-128	-104
Non-controlling interests	27	17	25	30	22	19	18	1	0	0
Net income (Group share)	654	482	523	522	508	373	564	443	450	357

Cash flows (EUR million)	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Cash flows from operating activities	1,447	1,386	1,521	1,470	1,558	1,655	1,515	1,621	1,717	1,620
Cash paid for Capex	-916	-1,000	-962	-989	-1,099	-1,091	-1,089	-1,137	-1,441	-1,453
Cash flows from / (used in) other investing activities	180	22	0	-189	-8	12	9	-168	-20	-57
Lease payments	N/A	N/A	N/A	N/A	N/A	-78	-82	-79	-89	-92
Free cash flow (2)	711	408	559	292	451	498	352	237	167	18
Adjusted Free Cash Flow (3)	408	454	559	517	501	504	354	376	181	61
Cash flows from / (used in) financing activities other than lease payments	-364	-608	-764	-256	-444	-515	-363	-299	-119	398
Net increase / (decrease) of cash and cash equivalents	347	-200	-205	36	7	-17	-13	-62	50	416

Balance sheet (EUR million)	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Balance sheet total	8,522	8,283	8,117	8,527	8,671	8,978	8,779	9,233	10,541	11,153
Non-current assets	6,339	6,386	6,372	6,735	6,850	7,160	7,120	7,548	8,589	8,932
Investments, cash and cash equivalents	710	510	302	338	344	327	313	249	299	716
Shareholders' equity	2,779	2,801	2,819	2,857	3,005	2,856	2,903	2,978	3,307	3,300
Non-controlling interests	189	164	162	156	148	142	123	0	1	0
Liabilities for pensions, other post-employment benefits and termination benefits	504	464	544	568	605	864	645	508	413	378
Net financial position (incl. lease liability)	N/A	N/A	N/A	N/A	N/A	-2,492	-2,639	-3,013	-3,030	-3,429
Net financial position (excl. lease liability as from 2019)	-1,800	-1,919	-1,861	-2,088	-2,148	-2,185	-2,356	-2,740	-2,758	-3,131

Proximus share	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Weighted average number of ordinary shares (4)	320,119,106	321,767,821	322,317,201	322,777,440	322,649,917	322,918,006	322,752,015	322,751,990	322,552,465	322,442,197
Basic earnings per share - as reported (EUR) (5)	2.04	1.50	1.62	1.62	1.58	1.16	1.75	1.37	1.40	1.11
Total dividend per share (EUR) (6)	1.50	1.50	1.50	1.50	1.50	1.50	1.20	1.20	1.20	1.20

Data on employees	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Number of employees (full-time equivalents)	14,187	14,090	13,633	13,391	13,385	12,931	11,423	11,532	11,634	11,654
Average number of employees over the period	14,770	14,040	13,781	13,179	13,161	13,007	11,544	11,445	11,529	11,650
Underlying revenue per employee (EUR)	410,746	426,958	425,997	438,413	441,238	437,173	474,647	487,381	512,534	518,604
Total income per employee (EUR)	413,826	428,194	426,201	440,240	442,870	438,005	474,783	487,451	512,936	519,163
Underlying EBITDA per employee (EUR)	111,923	123,467	130,315	138,325	141,681	143,801	159,057	154,814	154,912	150,844
Total EBITDA per employee (EUR)	118,798	117,251	125,743	134,483	136,342	128,856	166,467	159,721	158,394	153,326

Ratios - on reported basis	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Equity	23.5%	17.2%	18.6%	18.3%	16.9%	13.1%	19.4%	14.9%	13.6%	10.8%
Direct margin	60.4%	60.5%	61.8%	62.7%	63.5%	64.6%	65.3%	64.2%	63.0%	63.7%
Net debt / EBITDA (7)	1.03	1.17	1.07	1.18	1.20	1.30	1.23	1.50	1.51	1.75
EBITDA Margin	29%	27%	30%	31%	31%	29%	35%	33%	31%	30%

Ratios - on underlying basis	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Equity	21.8%	18.9%	19.4%	19.2%	18.4%	19.9%	19.5%	15.5%	14.6%	11.8%
Direct margin	57.8%	59.6%	61.8%	62.5%	63.4%	64.6%	65.3%	64.2%	63.0%	63.7%
Net debt / EBITDA (7)	1.09	1.11	1.04	1.15	1.15	1.17	1.28	1.55	1.54	1.78
EBITDA Margin	28%	29%	31%	32%	32%	33%	34%	32%	30%	29%

CAPEX	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total CAPEX (8)	994	1,002	949	1,092	1019	1035	1237	1246	1923	1328
Capex excl Spectrum and Football right	912	927	949	1,002	1019	1027	1000	1203	1,305	1,325

(1) Earnings Before Interests, Taxes, Depreciation and Amortization.
(2) Cash flow before financing activities but after lease payments.
(3) FCF adjsuted to exclude M&A transactions and M&A related transactions costs.
(4) i.e. excluding Treasury shares
(5) No difference between basic and diluted earnings per share
(6) Accounting view (not cash view)
(7) Net debt excluding lease liabilities, Proximus definition
(8) Capex was restated for years 2020 and 2021
2018: IFRS15
2019, 2020, 2021, 2022, 2023: IFRS15&16

- Proximus posted an overachievement of its full year 2023 revenue and EBITDA guidance.
- The Domestic segment delivered an excellent commercial momentum
- Underlying Domestic revenue was up by 4.2% to a total of EUR 4,665 million for full-year 2023.
- Internationally, Telesign delivered 5.1% revenue growth, and BICS, cycling against high comparable, -7.2% mainly driven by low-margin Legacy Voice.
- Significant inflationary effects on Proximus OPEX were mitigated by the multi-year cost efficiency program.
- The Domestic segment EBITDA decreased by -1.7% year-on-year, including a return to growth in the fourth quarter.
- Despite its lower revenue, BICS posted a growing EBITDA of +5.5% year-on-year. Telesign closed the year at EUR -5 million, reflecting OPEX investments in its growth strategy.
- The underlying Group EBITDA for the year 2023, totalled EUR 1,757 million, down by -1.6%.
- Group CapEx for the full year 2023 totaled EUR 1,325 million, excluding spectrum and football rights.
- Proximus Group generated FCF of EUR 18 million in 2023, or EUR 61 million on adjusted basis.

2. Proximus Group

Revenue

The Proximus Group ended the year 2023 with total underlying revenue of EUR 6,042 million, an increase on the previous year of 2.2% or EUR 133 million.

Group underlying revenue
EUR 6,042M
Up 2.2% YoY

Within the mix, the underlying Domestic revenue was up by 4.2% to a total of EUR 4,665million.

The Residential revenue totaled EUR 2,396 million, up year-on-year by +6.0%. This was mainly driven by a +5.5% increase for revenue from Customer Services, with a strong commercial performance throughout 2023 driving growth in the main customer bases, further supported by price indexations. Especially convergent revenue was up strongly, up by +9.4%. Moreover, revenue from Terminals was up by EUR 48 million from the year before.

The 2023 revenue of the Business unit ended +3.1% above the 2022 base. Business Services revenue improved its trend in 2023 from the preceding year, up by +2.2%, with higher revenue from IT Services (+6.8%), Fixed Data (+4.4%) and Mobile services (+1.2%) more than offsetting the ongoing but moderating Fixed Voice revenue erosion. It was also a strong year for customer IT equipment installations, posting a year-on-year revenue increase of +14.1%.

Proximus' Wholesale unit posted 2023 revenue of EUR 258 million, -8.0% or EUR -23 million down from 2022. This is fully driven by a EUR -24 million decrease in low-margin interconnect revenue. Revenue generated by Fixed and Mobile wholesale services was up by +0.9%.

Telesign contributed to the growth in 2023 Group revenue while BICS cycled against an exceptional second half of 2022. Both International segments have been impacted by currency headwinds.

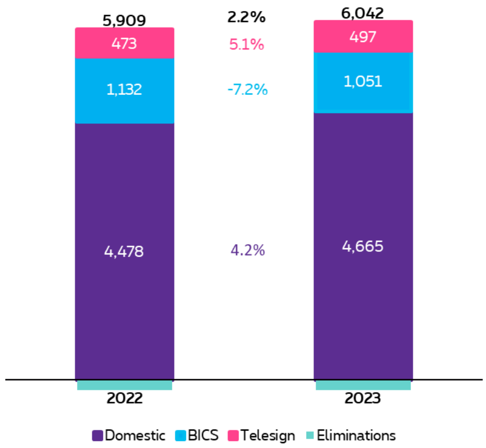
Telesign posted EUR 497 million of revenue over 2023, a year-on-year increase of +5.1% impacted by foreign exchange headwinds (+8.5% on a constant currency basis[1]), resulting from growing revenue from both Digital Identity and Communication services (CPAAS).

BICS came back from an exceptional 2022, which still partially benefitted from elevated post-Covid travel and in the second half of the year, a very beneficial regional mix. For 2023, BICS posted revenues of EUR 1,051 million, down year-on-year by -7.2% or EUR -81 million. This partly reflects USD currency

[1] Provides a view on the business performance, filtering out the currency effects by using a constant currency.

headwinds on BICS' topline (-5.8% on constant currency basis). BICS' year-on-year revenue decrease was primarily driven by the loss of high volume-low margin traffic in Legacy Voice services and to a lesser degree by lower Core services revenue, while posting an increase in Growth services revenue.

Group revenue by segment (underlying, M€)



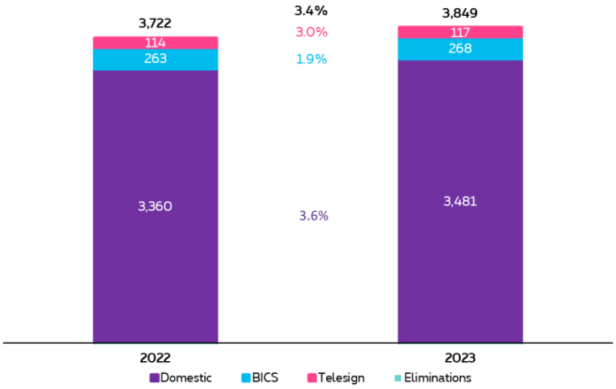
Direct Margin

Over the full year 2023, Proximus Group posted an underlying direct margin of EUR 3,849 million, i.e., up by EUR 127 million or 3.4% on full-year 2022, with Domestic contributing significantly to this uplift. The Domestic direct margin was up by 3.6% to a total of EUR 121 million. Compared to the preceding year, BICS' direct margin was positive by +1.9%, reaching EUR 268 million, and Telesign grew its direct margin by +3.0%, totaling EUR 117 million.

Group underlying direct margin

EUR 3,849M
Up 3.4% YoY

Direct Margin (underlying, M€)



Operating expenses (OPEX)

Steep inflation significantly impacted the Proximus Group operating expenses, up from the previous year by 8.0%, reaching a total of EUR 2,091 million.

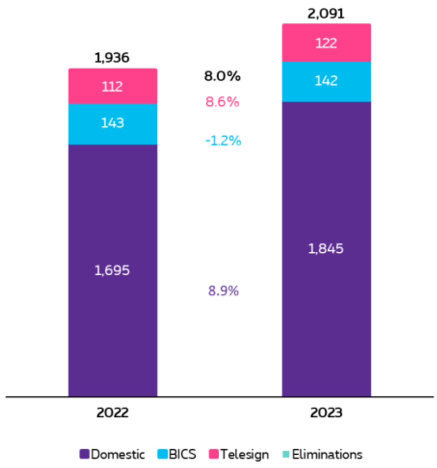
The **Domestic OPEX** totaled EUR 1,845 million, a 8.9% increase. The steep inflationary impact, costs related to the company's growing customer base and transformation related OPEX where partially offset by a slightly lower headcount and especially by significant cost efficiencies. In 2023, Proximus' company-wide cost program delivered EUR 95 million of its total 3-year ambition of EUR 220 million.

BICS posted EUR 142 million OPEX for 2023, a decrease of -1.2% compared to 2022, following good cost containment initiatives and a favorable year-on-year impact of performance-related labour expenses.

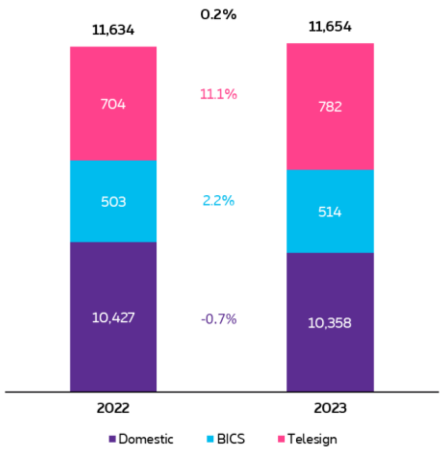
Telesign's operating expenses totaled EUR 122 million, EUR 10 million higher than 2022, driven by the anticipated significant investment to realize its growth plan. This includes amongst others increased marketing expenses as well as additional employee hiring, with headcount increasing year-on-year by 78 FTEs. Overall, the OPEX trend turned positive since mid-2023, reflecting Telesign being beyond its OPEX investment peak.

Operating Expenses increased for 2023, reaching a total of **EUR 2,091M** for the Proximus Group.

Operating expenses (underlying, M€)



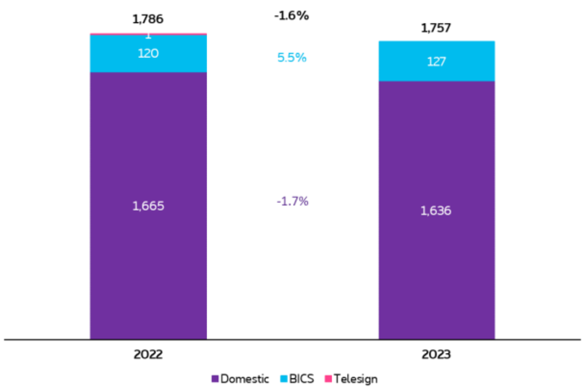
Headcount evolution (in FTE per YE)



Underlying EBITDA

The underlying Group EBITDA for the year 2023 totaled EUR 1,757 million, down by -1.6% or EUR -29 million on the previous year, mostly resulting from the inflationary cost increase within the Domestic segment.

Group EBITDA by segment (underlying, M€)

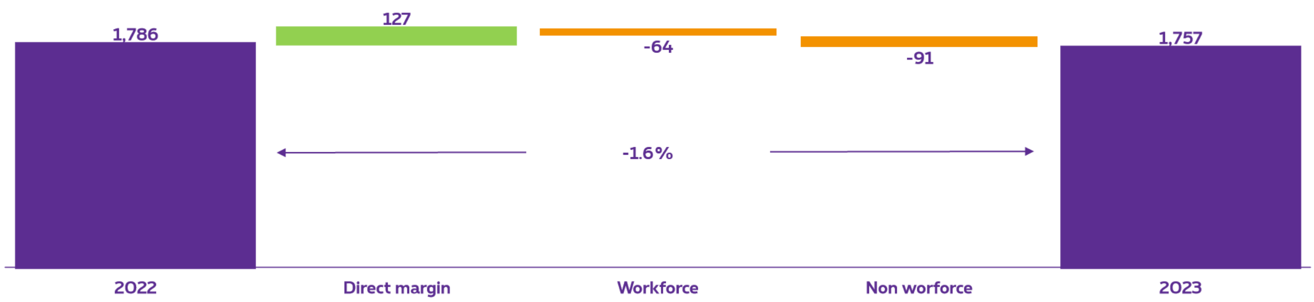


Group underlying EBITDA
€ 1,757
Down -1.6% YoY

The **Domestic operations** of Proximus posted EUR 1,636 million EBITDA, a year-on-year decrease of -1.7%, mainly driven by higher operating costs, for a large part offset by a strong growth in direct margin.

In a normalizing comparable context, BICS closed 2023 with EBITDA of EUR 127 million, up +5.5%. BICS' segment margin as percentage of revenue further improved, with 12.0% for 2023, compared to 10.6% the previous year. Telesign closed the year 2023 with a negative EBITDA of EUR -5 million.

Group EBITDA evolution (underlying, M€)



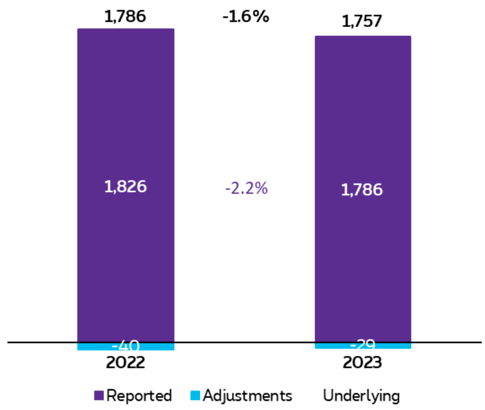
Reported EBITDA

Operating lease excluded, and other adjustments included, the Proximus Group reported EBITDA of EUR 1,786 million, compared to EUR 1,826 million in 2022, a year-on-year decrease by 2.2%.

In 2023, the Proximus Group recorded a net of EUR 29 million in adjustments, compared to EUR 40 million net positive EBITDA incidentals for 2022.

The lease depreciation and interest for 2023 were EUR -6 million lower year-on-year, totaling EUR -91 million. (As of 2019, following the application of IFRS 16, these expenses are excluded from the reported EBITDA). This was partly offset by transformation costs of EUR 14 million and adjustments for M&A related costs for EUR 48 million.

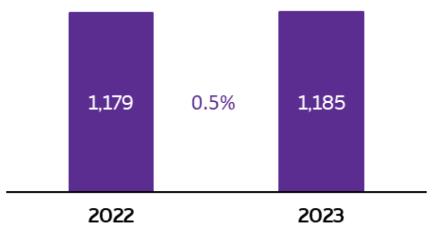
Reported and underlying EBITDA (M€)



Depreciation and amortization

In 2023, the Group depreciation and amortization totaled 1,185 million, including lease depreciation. This was slightly above the EUR 1,179 million for 2022.

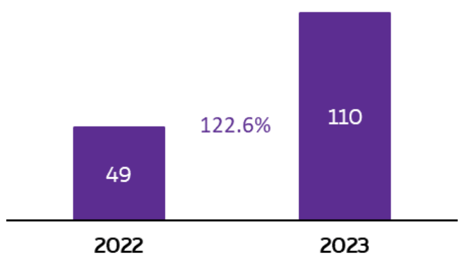
Depreciation and amortization incl. lease depreciation (M€)



Net finance cost

The full-year 2023 net finance cost totaled EUR 110 million including lease interests, EUR +60 million above one year ago, mainly explained by interest on Spectrum license (of which part is not recurring) and by some hedging activities.

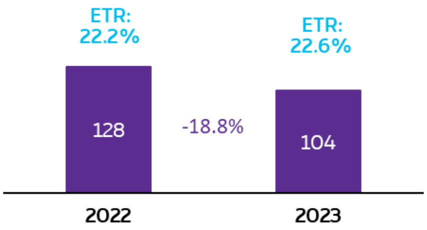
Net finance cost incl. lease interest (M€)



Tax expense

The 2023 tax expenses amounted to EUR 104 million, leading to an effective tax rate of 22.6%. The difference with the Belgian statutory tax rate of 25% is the result of the application of general principles of Belgian tax law, such as the patent income deduction and other R&D incentives.

Tax expense (M€) and ETR

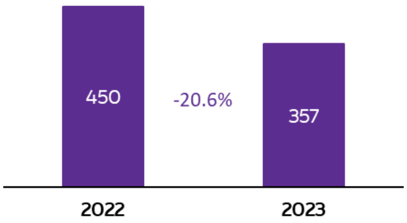


Net income

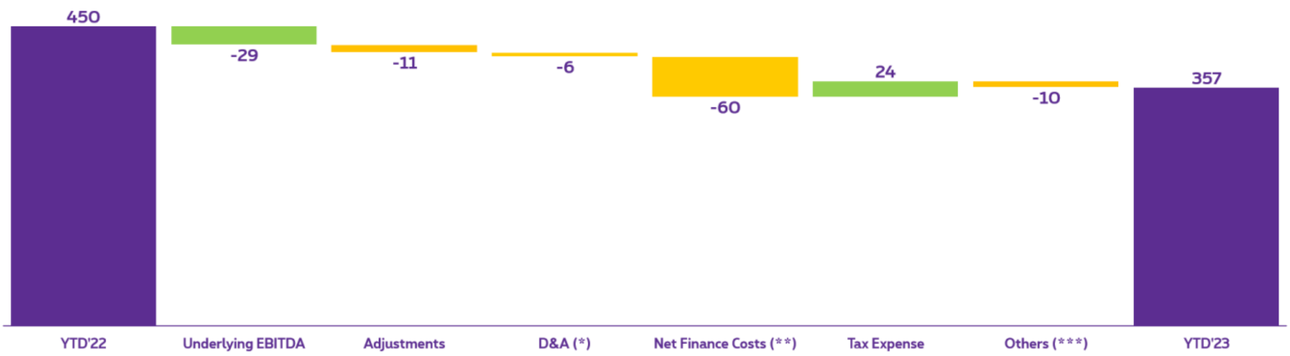
The year-on-year Proximus Net income (Group share) decreased by -20.6%, due to lower EBITDA, higher net finance costs and higher share of loss on associates, partly offset by lower tax expenses.

€ 357M
Net income

Net income (Group Share) (M€)



Net income evolution (M€)



(*) excluding lease depreciation; (**) excluding lease interest; (***) includes Non-controlling interests and Share of loss from associates

CAPEX

Overall, the Proximus Group accrued CAPEX totaled EUR 1,328 million for 2023, compared to EUR 1,923 million for 2022, which included EUR 618 million of capex for acquired mobile spectrum.

Excluding spectrum and football broadcasting rights the Proximus Group accrued CAPEX over the year 2023 totaled EUR 1,325 million, in line with its provided guidance for the year. The year-on-year increase of EUR 20 million from 2022 was largely driven by customer related CAPEX. Following an increased level of customer installations over 2023, more specifically for fiber, the customer-related CAPEX increased, covering customer equipment and activation costs.

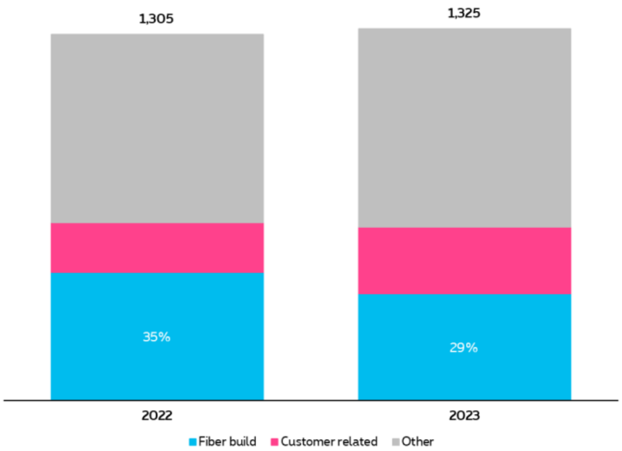
Fiber-deployment related investments now accounted for 29% of the total CAPEX compared to 35% in 2022. By end-2023, Proximus was deploying Fiber in 147 cities and municipalities in Belgium. Compared to end-2022, Proximus increased its footprint by 36% in 2023, reaching 1,748,000 premises with fiber.

Moreover, the Mobile network (RAN) consolidation between Proximus and Orange Belgium is ongoing, led by the created joint-operation Mwingz with CAPEX incurring following the pace of the mobile site consolidation.

In line with its strategy, Proximus also significantly invests in digitalization and IT.

Accrued CAPEX (M€)

(excl. spectrum and football rights)



Free Cash Flow

The total FCF over the year 2023 totaled EUR 18 million, or EUR 61 million when adjusted for acquisitions and M&A-related transaction costs. The decrease from the comparable adjusted 2022 FCF of EUR 181 million (EUR 167 million reported FCF) was mainly due to higher payments for taxes, Spectrum interests, Equity Injections in the Fiber joint ventures Fiberklaar and Unifiber, the two entities created to deploy Fiber in the Flanders and Walloon regions, respectively. And, to a lesser extent, cash CAPEX.

€ **61M** adjusted FCF

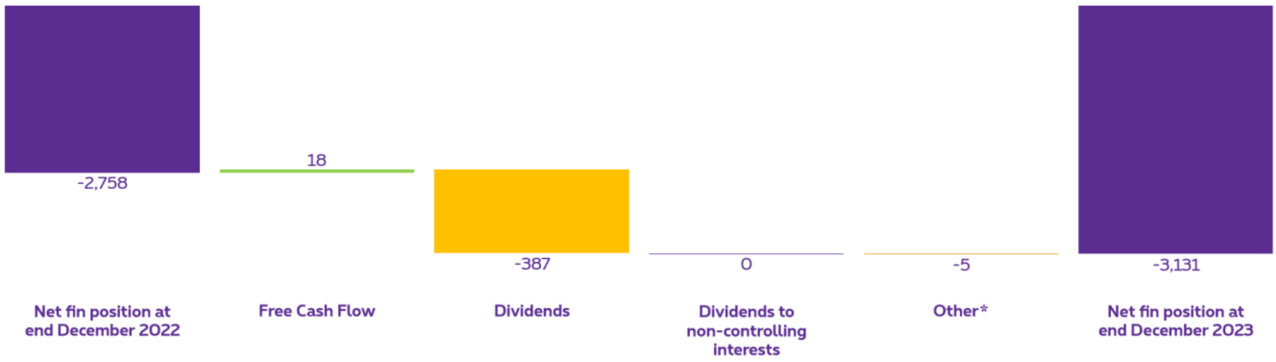
This was in part offset by a favourable change in business working capital, the irrevocable payment received from the headquarter transaction with Immobel (30M€) and reversing effect of early leave and fit for purpose transformation plans.

Net financial position

At the end of December 2023, Proximus' adjusted net financial position was EUR -3,131 million (including re-measurements to fair value), keeping a very sound net debt/EBITDA ratio of 2.6X (as per S&P definition).

Evolution of Adjusted Net Financial Position (excl. lease liabilities)

(M€)

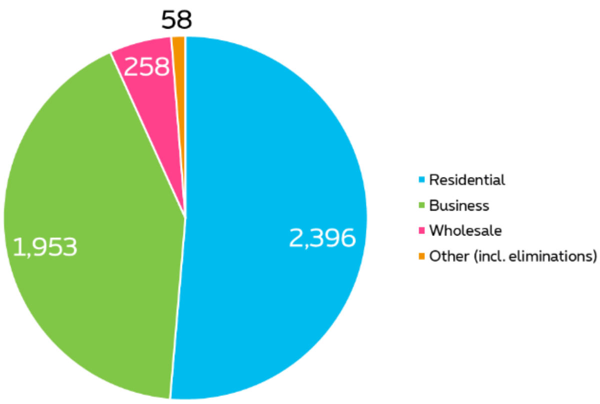


* Mainly remeasurement to fair value of cash flow hedge instrument for future LT debt

- Domestic revenue of EUR 4,665 million in 2023, up by 4.2% from 2022.
- Proximus delivered a very strong commercial momentum supported by its complementary brands.
- Residential revenue over 2023 totaled EUR 2,396 million, up by 6.0%.
- Business revenue increased to EUR 1,953 million for 2023, a 3.1% growth from 2022.
- Wholesale revenue of EUR 258 million in 2023, a -8.0% decline compared to 2022, fully related to Interconnect revenue erosion, with no material margin impact.
- Proximus posted EUR 1,636 million Domestic EBITDA, limiting its year-on-year decline to -1.7%

3. Domestic

Domestic revenue by unit (underlying, M€)



For its Domestic operations, Proximus posted revenue of EUR 4,665 million in 2023, an increase of 4.2% or EUR 187 million from the year 2022. The Residential unit accounted for about 51% of the total Domestic revenue, the Enterprise unit 42% and the Wholesale segment 6%.

With Proximus deploying Fiber in 147 cities end-2023, the product superiority of Fiber becomes an increasingly relevant sales proposal for Proximus' Domestic market. Over the year 2023, the number of activated Fiber customers increased by an additional 145,000, comprised of a mix of Residential and Business, new customers and migrated copper customers. This compares to an increase of 106,000 activated Fiber customers in 2022. By end-2023 the Fiber customer base totaled 397,000.

While cord-cutting is starting to show in Belgium, Proximus achieved to mitigate the erosion of its TV customer base to 1,674,000.

Residential revenue

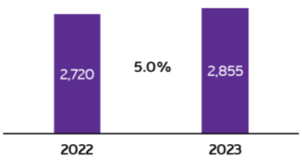
Revenue generated by Proximus Residential customers totaled EUR 2,396 million over 2023, up by 6.0% or EUR 135 million compared to 2022.

1,783,000
Fixed Internet customers
Up 47,000 in 2023

Through its three complementary brands, Proximus, Scarlet and Mobile Vikings, that address the different needs of the residential market, Proximus achieved in 2023 strong growth in its Internet and Mobile Postpaid base, while the Fixed Voice base continued its steady decline, as a consequence of the ongoing change in customer needs. In particular convergent offers, combining Fixed and Mobile services, sustained a strong performance, supported by the success of Proximus' Flex offers. Besides a growing base in its main products, the residential revenue also benefitted from inflation-based price changes on a broad selection of Proximus services to mitigate the inflationary pressure on the company's' cost base.

When zooming-in on the Residential operational results, 2023 was especially successful for Mobile Postpaid, with the number of Mobile Postpaid cards for the year up by 135,000. Proximus' mobile growth was supported by its new Mobile portfolio launched in May 2023, leading to a re-dynamized Flex offering. Moreover, the complementary mobile offers of Scarlet and Mobile Vikings brands contributed to the success in Mobile. By end-December 2023, Proximus' Residential Mobile Postpaid base reached a total of 2,855,000 cards, up by 5.0% from end-2022.

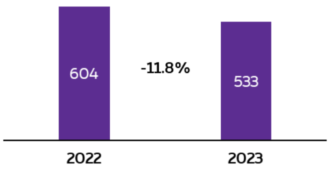
Postpaid cards ('000)



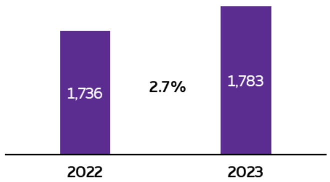
The Prepaid base continued its inherent declining trend, stimulated by the attractive mobile Postpaid offers. Proximus saw the Mobile Prepaid base shrink in 2023 by 71,000 cards, leading to a total number of Prepaid cards of 533,000 by end-December 2023.

Strongly supported by Proximus' expanding Fiber footprint, the Residential segment managed to accelerate the growth of its Internet customer base, up by 47,000 customers in a competitive market. This is an increase by 2.7% compared to one year ago, with end-2023 the Residential Internet base totaling 1,783,000 internet lines, being a mix of customers on the historical copper network and a growing number of customers on the new Fiber technology.

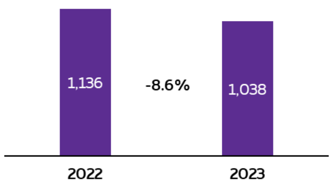
Prepaid cards ('000)



Fixed Internet customers ('000)



Fixed Voice customers ('000)



The revenue generated by customers subscribing to Proximus' different product lines is referred to as Customer services revenue or **X-Play revenue**. For 2023, 79% of the total Residential revenue, i.e., **EUR 1,880 million was generated by Customer services (X-play)**, an increase of **5.5% or EUR 97 million compared to 2022**. The overall ARPC for 2023 of EUR 55.4 represents an increase of 5.6% from one year back. This was mainly the result of two inflation-based price adjustments, effective 1 January 2023 and 1 July 2023.

In the mix, it is especially **revenue from Convergent customers which showed strong growth, up by 9.4% year-on-year reaching EUR 1,137 million**. In 2023, Proximus grew its convergent base by 65,000 customers, reaching a total of 1,112, up by 6.2% from 12 months back.
The main growth driver of the Convergent revenue is the strong increase in the convergent 3-Play and 2-Play customer base.

Proximus grew its convergent 3-Play base by 29,000 customers, reaching 452,000 customers by end-2023. This was combined with 5.9% growth in 3-Play ARPC to EUR 88.0. This resulted in a 3-Play convergent revenue growth of 14.7% to a total of EUR 461 million.
In continuation of the successful launch of offers combining Mobile with Internet mid-2022, and the decreased relevance of TV for certain customer segments, the dual-play customer base grew by 55,000 customers in 2023.

The uptake of 2 and 3-Play convergent offers largely explains the steady downward trend in the number of 4-Play customers, down by 20,000 to a total base of 511,000.

With the number of customers subscribing to Proximus' convergent offers rising, Proximus' base of Fixed-only customers decreased to 860,000 by end-2023. These customers generated in 2023, an ARPC of EUR 47.3, a EUR 2.3 increase from previous year.
The number of customers having only a Mobile subscription is stable compared to 2022. By end-2023, the Residential unit counted a Mobile postpaid-only base of 868,000 customers, Proximus, Scarlet and Mobile Viking brands combined. These Mobile-only

customers generated an ARPC of EUR 23.3, slightly up (+1.7%) compared to the previous year.

In addition to the above-described revenue from Customer services, the Residential segment revenue also includes revenue from Terminals, Mobile Prepaid, its Luxembourg telecom business and Other revenue.

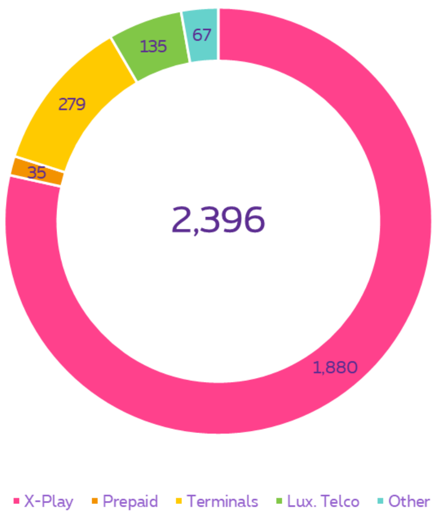
For 2023, the total revenue from Terminals totaled EUR 279 million, up 20.9% or EUR 48 million above 2022.

Driven by the decrease in the Proximus Prepaid base, revenue from Mobile Prepaid continued its eroding trend, with revenues down to EUR 35 million for 2023.

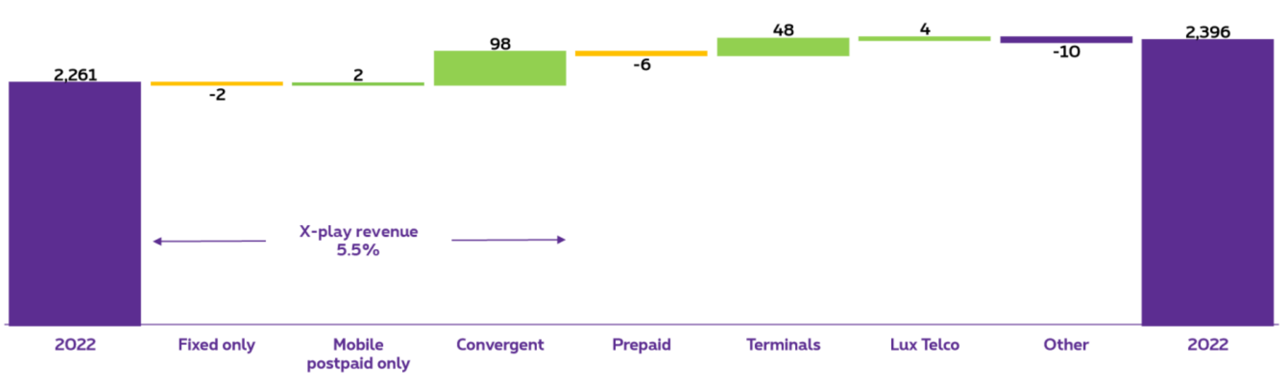
Proximus' Luxembourg telecom revenue came in strong over 2023 for the Residential side, up by 2.8% to EUR 4 million revenue, mainly resulting from a higher number of mobile and fixed subscriptions and an increase in mobile device sales.

Proximus Residential posted EUR 46 million in its Other revenue, a year-on-year stable amount.

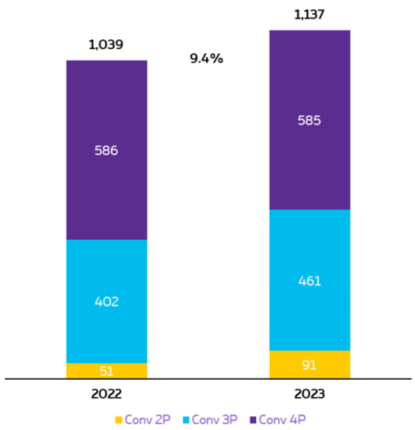
79% Residential revenue generated by X-Play Customers



Residential revenue build up (underlying, M€)



Convergent Revenue ('000)



Up 9.4%
Convergent revenue

2.8M customers, of which 1.1M convergent

Strong Customer trend to move to 2-Play and 3-Play convergent offers

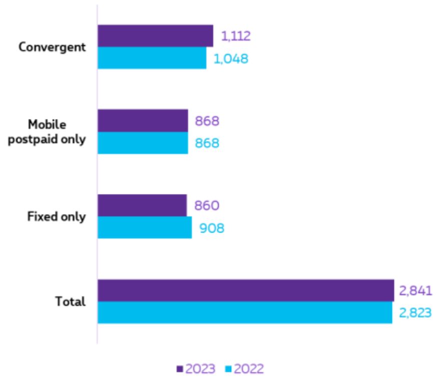
Average revenue per Customer
€55.4

Total Convergent customers
Up 6.2%

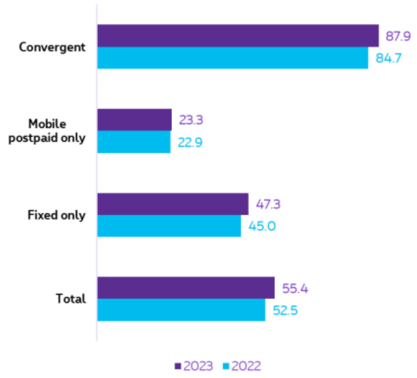
Convergence rate
68.0%

Average RGU
2.51

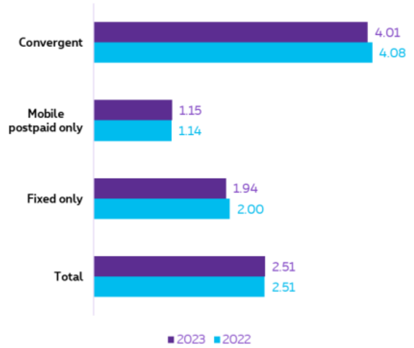
Customers per X-play ('000)



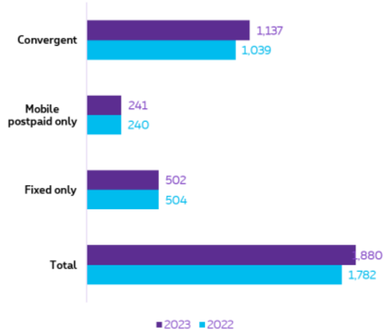
Average Revenue per Customer (€)



Average Revenue Generating Units per Customer



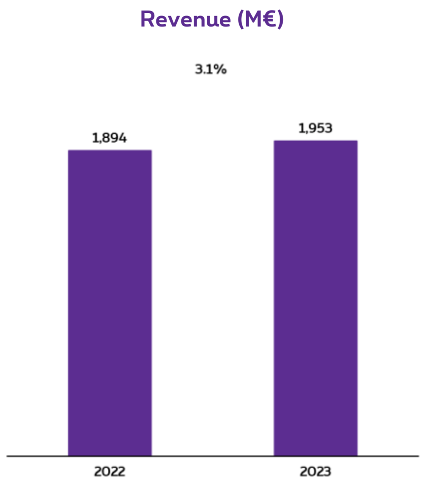
Customer Revenues (M€)

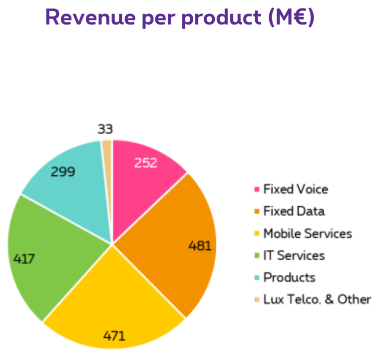


Business revenue

Proximus' Business segment increased its revenue to EUR **1,953 million for 2023, a 3.1% growth compared to 2022**. With this an improved growth rate was achieved from 1.7% for 2022, reflecting the successful transformation of the Proximus Business unit into a convergent player. This was especially reflected in the 2023 revenue from Services, up by 2.2% on the previous year. Revenue growth was achieved for IT services, Fixed Data and Mobile services, more than offsetting the ongoing erosion in Fixed Voice revenue.

Revenue from products was up year-on-year, fully driven by IT equipment revenue, which in the first half of the year still benefited from a catch-up in previously delayed customer installations due to global chipset supply chain issues in 2021/2022.





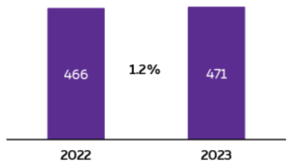
Mobile services

The Business Mobile service revenue for 2023 totaled EUR 471 million, representing a 1.2% growth compared to 2022. Proximus maintained a solid customer Mobile customer base, totaling 1,808,000 cards excl. M2M, up by 10,000 Postpaid cards over the past twelve months or 0.6%. Moreover, the Mobile ARPU stabilized over 2023 (+0.2%), compared to a decline by -3.0% for the year before.

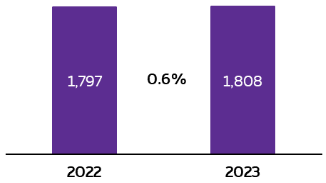
Mobile postpaid cards
(excluding M2M)
Up 10,000

The Business unit continued to grow its M2M park with an additional 264,000 M2M cards activated over the year. At end-December 2023, Proximus M2M base totaled 4,225,000 M2M cards. This is an increase of 6.7% on the previous year.

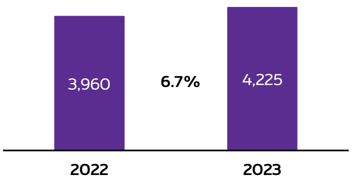
Mobile services revenue (M€)



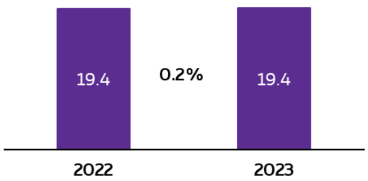
Mobile postpaid cards ('000)



Machine-to-Machine cards ('000)



Mobile postpaid ARPU (€)



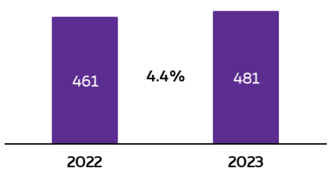
Fixed Data

The revenue from Fixed Data services accelerated its positive trajectory in 2023, posting an increase by 4.4% from the previous year, totaling EUR 481 million for 2023.

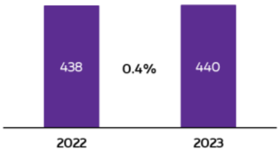
Within the Fixed Data revenue mix, the revenue growth was mainly driven by further improving revenue from Internet services. This was explained by a progressing Broadband ARPU, EUR 46.2 for 2023, up 7.5% on the previous year, mainly benefitting from the price indexations, improved price tiering and a growing share of Fiber in the total internet park. Over 2023, the Business Internet base slightly progressed to 440,000, up by 0.4% compared to one year back.

Revenue from Data connectivity was maintained fairly stable, with the eroding legacy revenue being offset by growing new data connectivity services, supported by Proximus' growing point-to-point fiber park.

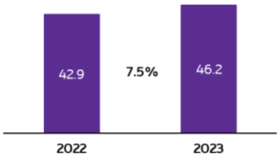
Fixed Data revenue (M€)



Fixed Internet subscriber base ('000)



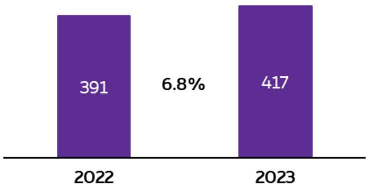
Fixed Internet ARPU (€)



IT Services

Proximus' Business unit posted for its IT Services revenue of EUR 417 million, up 6.8% compared to the previous year. High-value recurring services continued to grow, with especially good performance in Cloud, Security and Smart Mobility services. The sequential growth in IT recurring services reflects the ongoing transformation of the Business unit into a convergent player, with focus on higher-margin next generation IT services.

IT Services Revenue (M€)



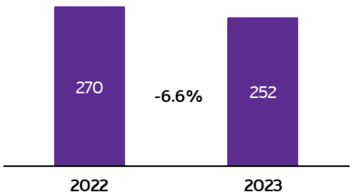
Fixed Voice

The Business segment posted EUR 252 million in Fixed Voice revenue for 2023, a year-on-year decline of 6.6%.

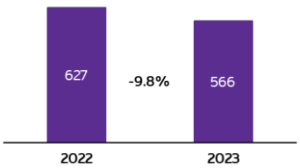
The cause of the Fixed Voice revenue erosion remains the ongoing steady decrease of the Fixed Voice park, down by -9.8% in 2023. Over the year, the Business Fixed Voice base decreased by 61,000 Fixed Voice lines, resulting in a total base of 566,000 by end-2023. This was driven by an ongoing rationalization by customers on Fixed-line connections, lower usage, and technology migrations to VoIP.

This was partially offset by a 2.2% increase in the Fixed Voice ARPU, resulting from inflation-based price indexations, bringing the Fixed Voice ARPU to EUR 27.6.

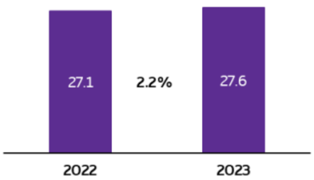
Fixed Voice revenue (M€)



Fixed Voice park ('000)

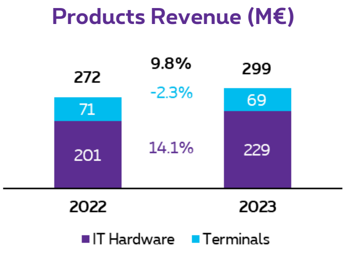


Fixed Voice ARPU (€)



Products

The revenue from Products for 2023 was up by EUR 27 million from 2022, or +9.8%. Whereas revenue from Mobile Terminals was somewhat down year-on-year (-2.3%), IT hardware revenue increased by +14.1%, with support in the first half of 2023 from the catch-up on some previously delayed product contracts following the difficult worldwide chip supply chain situation.

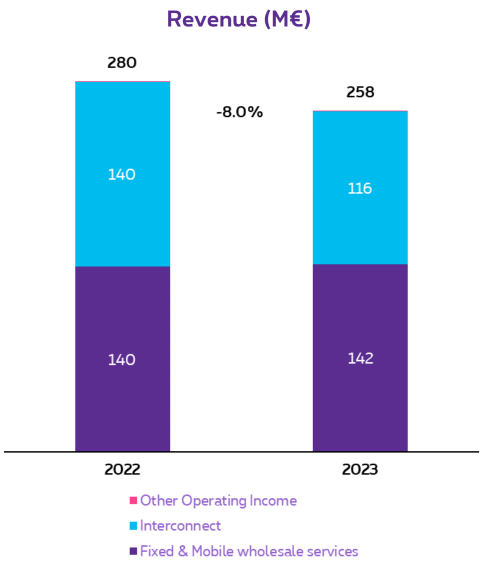


Wholesale revenue

For its Wholesale operations, Proximus posted EUR 258 million revenue in 2023, down 8.0% or EUR -23 million on 2022.

The decline in revenue is entirely due to a EUR -24 million drop in Interconnect revenue, with no material margin impact. Part of this reflects the EU regulation which lowered the Fixed & Mobile Termination rates as of January 1st 2023. The largest part, however, is the result of an ongoing decrease in traditional SMS usage, being replaced by over-the-top applications.

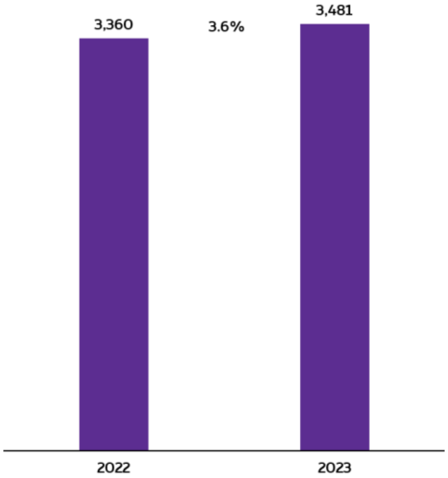
Revenue generated by Fixed and Mobile wholesale services was up by 0.9%, totaling EUR 142 million. This mainly reflects higher revenue from roaming services and an increase revenue from services towards Mwingz and Proximus' Fiber Joint Ventures.



Domestic Direct Margin

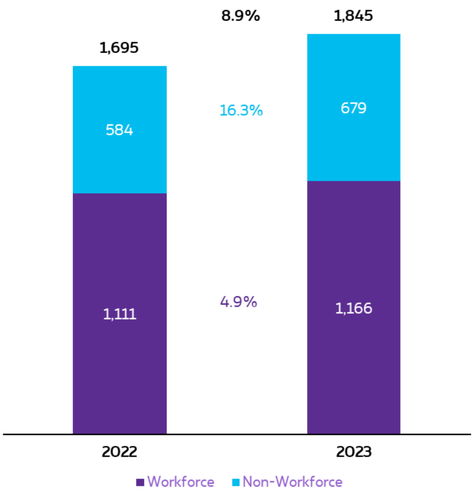
Proximus' Domestic operations posted a direct margin of EUR 3,481million, up by +3.6% or EUR 121 million on the previous year. Among other things, this reflected the solid customer growth for Proximus' main services, including Internet and Mobile, and was strongly supported by inflation-based price increases.

Domestic direct margin (underlying, M€)



Domestic OPEX

Domestic operating expenses (underlying, M€)



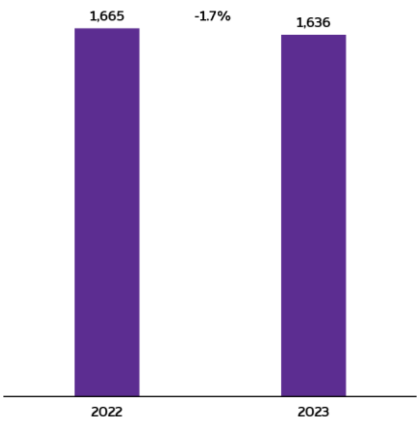
The **Domestic operating costs were up by 8.9% to EUR 1,845 million**. The increase from 2022 resulted from a significant inflationary impact on the Domestic cost base, as well as higher costs to support the customer growth, especially for Fiber, and an increase in transformational costs. This was in part offset by the company's ongoing cost-efficient program, which delivered a total of EUR 95 million in savings in 2023.

The **Domestic workforce expenses totaled EUR 1,166 million for 2023, an increase of 4.9%** on the year before. This was driven to a high degree by the automatic adjustment of wages to inflation. In addition to a carry-over impact of 5 wage indexations in the course of 2022, 2023 was affected by 2 additional inflation-based salary indexations[2] of 2% each. End-2023, Proximus' Domestic headcount came to 10,358 FTEs, a decrease of -69 FTEs compared to 10,427 FTEs end-2022 because of natural outflow and retirement offsetting new hiring.

The Domestic **non-workforce expenses were up by 16.3%** for 2023, representing a year-on-year increase by EUR 95 million. About 1/3rd of this increase was related to the rise in energy cost, in addition to other general inflationary effects on costs such as maintenance, rental, … Moreover, in line with the company's strong customer gain, Proximus' customer related cost was up year-on-year, including amongst others higher contact center volumes, commercial means and billable manpower related to delivered customer IT-services.

Domestic EBITDA

Domestic EBITDA (underlying, M€)



The **Domestic segment** of Proximus posted EUR 1,636 million EBITDA, a year-on-year decrease of -1.7%.

This resulted from the higher cost base, more than offsetting the increase in Direct Margin. The Domestic EBITDA margin as percentage of revenue was slightly down by 2.1 p.p. on the previous year, reaching 35.1% for 2023.

2 Public wages in Belgium were automatically adjusted to the higher cost of living on 1 February 2022, 1 April 2022, 1 June 2022, 1 September, 1 December 2022, 1 January 2023 and 1 December 2023, with a 2% increase in each instance.

4. BICS

Revenue

For BICS, 2023 was in general marked by a normalizing trend from an exceptional 2022 which was partly boosted by post-Covid travel uptake, and partly by a favorable destination mix.

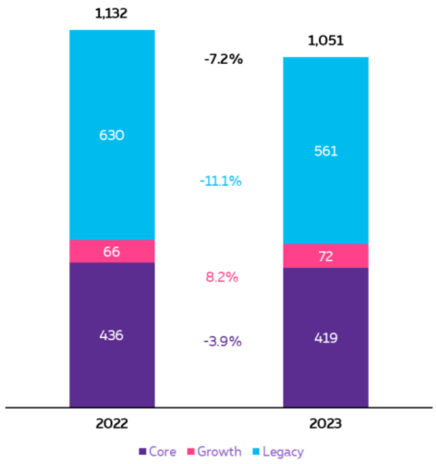
The BICS revenue for 2023 amounted to EUR 1,051 million, a year-on-year revenue decrease by -7.2%, including substantial USD currency headwinds (-5.8% at constant currency).

BICS' total year-on-year revenue decrease by EUR -81 million was primarily driven by Legacy services, down over 2023 by EUR -70 million or -11.1%. This was linked to currency headwind, the impact of the roll-out of VoLTE in roaming by Mobile operators which accelerates the erosion of international voice volumes and an unfavorable destination mix whereby a specific country generated high revenue in 2022 but with negligible margin contribution.

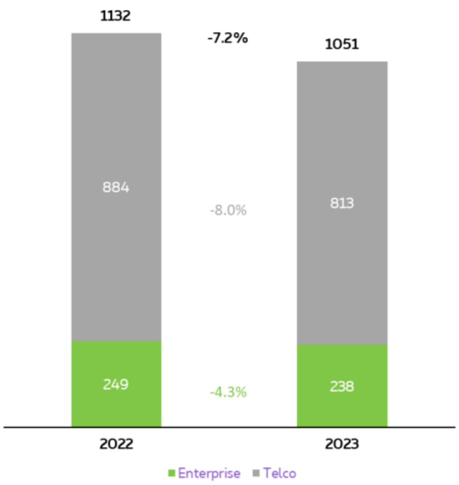
Revenue from BICS Core services (messaging, mobility, and infrastructure), decreased from the previous year by -3.9% or EUR -17 million, mostly due to lower messaging volumes following a less favorable destination mix and, to a lesser extent, by a structural change in the messaging market with a move to OTT solutions.

For BICS' Growth services such as cloud communication and IoT a total revenue of EUR 72 million was posted, an increase by 8.2% on 2022.

Revenue by product group (M€)



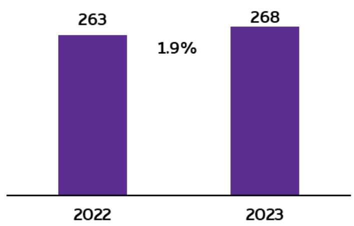
Revenue by customer segment (M€)



Direct margin

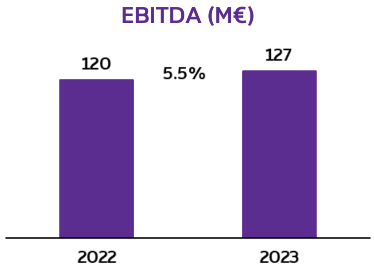
With the decrease in revenue mainly related to low-margin legacy services, BICS achieved to post for 2023 a +1.9% direct margin growth, totaling for 2023, EUR 268 million. With BICS having a structural natural hedging on Direct Margin level, the USD headwind remains mitigated; with Direct Margin on constant currency growing by 2.8% for 2023.

Direct margin (M€)



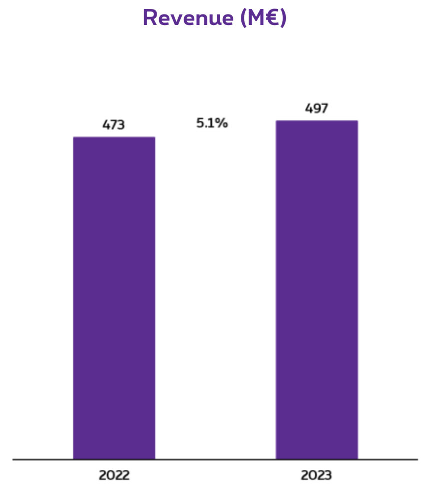
EBITDA

Despite inflation and the effect of the 1 January 2023 wage indexation, BICS achieved to bring operating expenses down year-on-year by -1.2% following good cost containment initiatives and a favorable year-on-year impact of performance-related labour expenses. Following the increase in Direct Margin, combined with lower operating expenses, the 2023 EBITDA was up by +5.5% to EUR 127 million. The EBITDA margin as a percentage of revenue improved to 12.0%, from 10.6% in 2022.



5. Telesign

Revenue

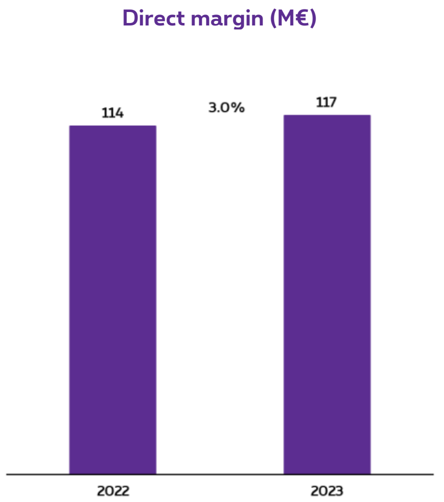


Compared to a strong 2022, Telesign posted a year-on-year revenue increase by 5.1%, totaling for 2023 EUR 497 million. On a constant currency basis[3], the Telesign revenue was up by +8.5%. This reflects strong performance of both the Communications business and Digital Identity.

Communications revenue grew by high single digit year on year, driven by largest customers including Meta, Microsoft, and gaming vertical, while end-2023 Telesign was facing some general sector macro headwinds and an accelerated move of customers to omnichannel message delivery.

Digital Identity revenue also grew by high single digit year on year, negatively impacted by negative performance of several top identity accounts. In USD, digital identity Direct Margin grew double digit.

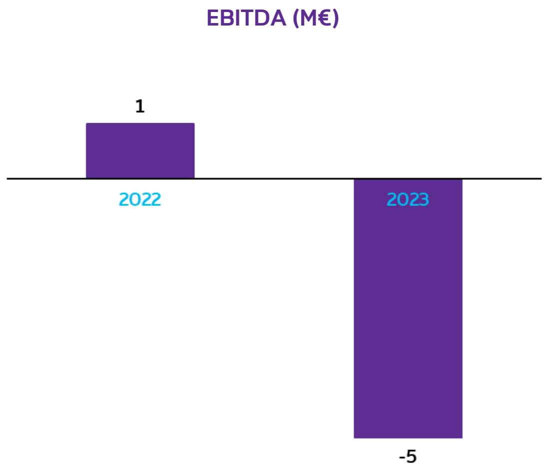
Direct Margin



Telesign's 2023 direct margin was up by 3.0% year-on-year to EUR 117 million. On a constant currency basis, this was +9.4%, reflecting strong performance in both Communications and Digital identity segments.

[3] Provides a view of the business performance, filtering out the currency effects by using a constant currency.

EBITDA



Investments in go-to-market and the R&D organization to support Telesign's growth ambitions impacted the operating expenses which increased by EUR 10 million year-on-year, to a total of EUR 122 million for 2023. **This impact started to fade as of mid-2023.** These investments in Telesign's growth strategy were reflected in its EBITDA, totaling EUR -5 million for 2023, compared with an EBITDA of 1 million a year ago.

6. Definitions

A2P: Application to Person messages

Adjusted Net Financial Position: is the Net Financial Position from which lease liabilities are excluded.

ARPC: Average underlying revenue per (residential) customer.

Adjusted Free Cash Flow: Free Cash Flow adjusted to exclude M&A transactions and M&A related transaction costs.

Annualized full churn rate of X-play: a cancellation of a customer is only taken into account when the customer cancels all its plays.

ARPU: Average Revenue per Unit.

BICS: 100% subsidiary of Proximus. Global voice carrier and leading provider of mobile data services worldwide. Providing global mobile connectivity, seamless roaming experiences, fraud prevention and authentication, global messaging and the Internet of Things.

- **BICS legacy:** represents mainly voice services.
- **BICS core:** represents messaging, mobility (roaming, signaling & Mobile IP) and infrastructure services.
- **BICS growth:** represents cloud communication enablement, SIM for things (travel SIM & IOT services) and fraud services.

Business: unit addressing the professional market including Corporates, Medium and Small Enterprises (including businesses with less than 10 employees).

CapEx: this corresponds to the acquisitions of intangible assets and property, plant and equipment, excluding Right of Use assets (leasing).

Convergence rate: convergent residential customers taking both Fixed and Mobile services of Proximus. The convergence rate refers to the percentage of convergent customers on the total of multi-play customers.

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

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

Direct OpEx: refers to billable OpEx, for example OpEx directly linked to revenues of a Business project.

Domestic: segment defined as the Proximus Group excluding BICS, Telesign and Eliminations.

EBITDA: Earnings Before Interest, Taxes, Depreciation and Amortization; corresponds to Revenue minus Cost of sales, workforce and non-workforce expenses.

Adjustments (Revenue/EBITDA):

- **The lease depreciations and interests in the Operating Expenses,** with the exception of leases that would qualify as finance leases on the basis of the criteria applied to a lessor under IFRS 16.
- **Transformation**: costs of employee transformation programs, the effect of settlements of post-employment benefit plans with impacts for the beneficiaries, or pre-identified material(*) one-shot projects (such as rebranding costs)
- **Acquisitions, mergers and disposals**: gains and losses on disposal of buildings or consolidated companies, M&A-related transaction costs, deferred M&A purchase price and impairment losses on goodwill.
- **Litigation/regulation:** Material (*) financial impacts of litigation files, fines and penalties and of law changes (one-off impacts relative to previous years)

(*) The materiality threshold is met when exceeding individually EUR 5 million. No threshold is used for adjustments in a subsequent quarter if the threshold was met in a previous quarter.

EBIT: Earnings Before Interest & Taxes, corresponds to EBITDA minus depreciation and amortization.

Fixed Data Services (Business): Total revenues from Fixed Data, consisting of Broadband, Data Connectivity (including Explore solutions and SD-WAN) and TV.

Fixed Voice park: PSTN, ISDN and IP lines. For Business specifically, this also contains the number of Business Trunking lines (solution for the integration of Voice and Data traffic on one single Data network).

Fixed Voice Services (Business): Total revenues from Fixed Voice access lines and traffic, as well as fixed telephony systems installed at customer premise or serviced from the cloud.

Free Cash Flow: this is cash flow before financing activities and after lease payments (since 2019).

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

Internet park: ADSL, VDSL and Fiber lines. For Residential, this also includes Scarlet and Mobile Vikings.

IT Services revenue (Business): Information Technology (IT) Services, including Managed, Integration and Consultative services, which enable users to access, store, transmit, and manipulate information, with the help of unified communications, computers, as well as necessary enterprise software, middleware, storage, and audio-visual systems. Proximus' IT solutions include, but are not limited to, Security, Cloud, Smart Network, Advanced Workplace and Smart Mobility solutions. It also includes recurring equipment sales to support these services.

IT Products revenue (Business): Revenues from one-shot IT products (boxes, hardware) or one-shot licenses, with the change of ownership towards the customer.

Mobile ARPU (Business): monthly ARPU is equal to total Mobile services revenues (excl. M2M & network services), divided by the average number of active cards for that period, divided by the number of months of that same period.

Mobile cards: refers to active Voice and Data cards, excluding free Data cards. Postpaid customers paying a monthly subscription are by default active. Prepaid customers are considered active when having made or received at least one call and/or sent or received at least one SMS message in the last three months. An M2M card is considered active if at least one Data connection has been made in the last month.

Mobile-only (Residential): Refers to Mobile Postpaid whereby no other recurring subscriptions are bought. Mobile Prepaid is not included in the Customer services revenue but reported separately.

Mobile Services revenue (Business): Total revenues from Mobile Services including traditional mobile services, using the mobile network connectivity, as well as IoT (including M2M) and Next Generation Communication (including network services as well as new innovative solutions).

Multi-play customer: two or more Plays, not necessarily in a Pack.

Net Financial Position: refers to the net amount of investments, cash and cash equivalents minus any interest-bearing financial liabilities and related derivatives, including re-measurement to fair value and lease liabilities. The net financial position does not include the "other current & non-current payables interest-bearing".

Network Services (Business): focuses on optimizing the interaction between Enterprise customers and its stakeholders, for which revenues are independent from the number of Postpaid cards.

Non-workforce expenses: all operating expenses excluding workforce expenses and excluding depreciation and amortization.

Net Revenue Retention rate (NRR): success indicator of the existing customer base, calculating the percentage of recurring revenue retained from existing customers compared to 12 months back.

Other Operating Income: this relates to income from, for example, reimbursements from damages, employees, insurances, gain on disposal, etc.

Luxembourg Telco: including fixed & mobile services, terminals & other.

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

Reported revenues: this corresponds to the TOTAL INCOME.

Residential: unit addressing the residential market, including the Customer Operations Unit.

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

Sales Booking: defined as the estimated monthly direct margin value of a won opportunity recorded within the CRM system. The nature of these bookings can vary between monthly recurring opportunities or short-term commercial opportunities.

Terminals: this corresponds to devices for Fixed Voice, Data, Mobile and related accessories. This excludes PABX, IT products and TV CPE.

Underlying: refers to revenue and EBITDA (Total Income and Operating Income before Depreciation and Amortization) corrected for the EBITDA Adjustments in order to properly assess the ongoing business performance.

Wholesale: unit addressing the telecom wholesale market including other telecom operators (incl. MVNOs) and ISPs.

Wholesale fixed & mobile services includes all solutions that Proximus offers to other operators. These services include fixed internet and data connectivity services, fixed telephony and mobile (incl. MVNO and Roaming) services (excl. Interconnect)

Wholesale Interconnect is the process of connecting an operator network with another operator network. This then allows the customers of one operator to communicate with the customers of another operator. Interconnect includes fix voice, mobile voice and mobile SMS/MMS services.

Workforce expenses: expenses related to own employees (personnel expenses and pensions) as well as to external employees.

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

Risk Management Report

Each activity within the Proximus Group's activities is exposed to a variety of risks that have the potential to impact the financial performance of the Group. Proximus has implemented a risk management methodology that follows ISO 31000 – Risk Management Guidelines. Proximus' Risk Management System aims to identify and assess risks and opportunities in various domains and, wherever possible, to manage or mitigate them to an acceptable level of residual risk to safeguard the Group's assets and protect its financial strength and reputation.

Financial risk management objectives and policies are reported in Note 32 of the consolidated financial statements, published on the Proximus website. Risks related to important ongoing claims and judicial procedures are reported in Note 34 of these statements.

The enterprise, operational, sustainability and reporting risks are detailed below. Please note that this is not an exhaustive analysis of all potential risks that Proximus may face.

Sustainability matters are also assessed on the impact they could have on people, society, and the environment (more information in: 'Double materiality assessment').

Enterprise-wide risks

Proximus Group's Enterprise Risk Management (ERM) is a structured framework designed to identify, assess, respond to, and report on strategic and business risks. These risks refer to potential adverse events or circumstances that could significantly impact the achievement of Proximus' strategic objectives.

ERM is seamlessly integrated into Proximus' annual strategic planning cycle. A bottom-up identification and prioritization process is conducted every two years. This process involves thorough desk research, in-depth interviews, and surveys among management and subject matter experts. All relevant risks and opportunities are prioritized based on their potential impact and likelihood, considering both quantitative and qualitative factors.

Each member of the Leadership Squad takes ownership of a sub-set of the prioritized risks and identifies the key internal stakeholders accountable for the follow-up measures.

The risk prioritization and risk treatments are reviewed at least once per year or when context changes. The ERM report, which provides an overview of major risks and their respective treatment plans, is thoroughly reviewed, and validated by the Leadership Squad, consisting of the CEO, and the Audit and Compliance Committee. The key findings and outcomes are then communicated to the Board of Directors.

Among the risks identified by the latest ERM exercise, the following risk categories were prioritized):

- Monetization of fiber investments
- Proximus Group international growth
- Human capital: Talent attraction, retention and development
- Operating model evolution and cost control
- Belgian telecom market competitive dynamics – residential market
- Belgian ICT market competitive dynamics – enterprise market
- Regulatory and legal risks

Monetization of fiber investments

Fiber optic is widely recognized as the superior and most future-proof fixed connectivity technology. On top of offering the highest speeds in download and upload and low latency, fiber is also highly reliable and secure.

During the past years, Proximus has significantly increased investments to accelerate the deployment of a performant fiber network fully open and non-discriminatory with the ability to co-use fiber assets with competition and maximize the network utilization. Proximus' Gigabit Fiber network standalone deployment focuses on areas with highest population density. Proximus has created the joint ventures Fiberklaar (in Flanders) and Unifiber (in Wallonia), with the experienced industrial and financial partners EQT Infrastructure and Eurofiber, respectively, to expand the fiber rollout to medium-dense areas. In the German-speaking Community, a region with typically very low population density, Proximus, Ethias and the government of the German-speaking Community have set-up GoFiber, a public-private partnership and joint venture that will bring fiber in the German-speaking municipalities by end 2026. Challenges in obtaining the needed permits from municipalities or quality and compliance issues in operations could impede the speed of the deployment. Proximus management has strengthened governance and puts a strong focus on quality standards and compliance across both standalone and joint ventures footprints. Among others, Proximus issued a societal responsibility charter for fiber roll-out in March 2023.

Proximus ambitions to provide gigabit network coverage to 100% of premises in Belgium, maximizing fiber coverage even in remote areas, to:

- Support current and future customer needs (remote work, connected homes, next generation videos, gaming…) and enable ARPU uplift;
- Retain and grow market share across residential and enterprise customers;
- Attract new wholesale market opportunities;
- Simplify the operating model and reduce operating costs, by stopping to sell copper and ultimately phasing out copper at the latest 5 years after the deployment of fiber in a given area.

Should part of these benefits not materialize the turnover and profitability of Proximus could be significantly affected.

Beyond city centers, construction costs increase, making the deployment of fiber networks economically more difficult. Although Proximus remains the only player having started the roll-out of FTTH (Fiber-To-The-Home) at large scale in Belgium, roll-out of competing FTTH networks could negatively impact the profitability of Proximus' investment by putting pressure on both wholesale and retail prices. Telenet and Fluvius set up Wyre, a joint infrastructure company with plans of covering up to 78% of all homes in Flanders and parts of Brussels with fiber (FTTH) by 2038. The roll-out of Wyre started in the summer of 2023. Orange has also announced an ambition of up to 66% coverage in Wallonia and Brussels, adding to the overbuild risk. BIPT's announcement in October 2023, stating it is ready to evaluate fiber cooperation between the different operators in Belgium, opens the door for an effective and rational collaboration and co-investment framework potentially to the benefit of all stakeholders reducing financial risks associated with the investment of further rolling-out FTTH.

Scaling the number of fiber activations & roll-out can be challenging in a tight labour market (see also 'Human capital: Talent attraction, retention and development' below). The rollout of other infrastructure works may have a negative impact on the available capacity for Proximus. Not retaining the right talent for our deployment capacity could lead to delays in roll-out and activations, which could have an impact of the timing of the benefits and the cost of roll-out. Proximus and its partners are taking several measures to mitigate this risk: transfer resources from copper to fiber, increase capacity via outsourcing partners and by upskilling our existing employees, structurally reducing the workload via self-install and flattening out seasonality via pro-active migrations.

Most Belgian consumers already have access to higher speed internet through VDSL or cable. Satisfaction levels are high on average and there is some confusion on which technology cable operators offer. Proximus mitigates the risk of a lack of demand by promoting fiber and its benefits. Advertising campaigns have created a strong brand association of fiber with Proximus. To reinforce the technological superiority, the multi-gig fiber technology has been made available in July 2023 in all areas where there is fiber coverage.

Inflation impacts the cost of the roll-out (see also 'Operating model evolution and cost control' below). Rising costs need to be balanced with strong commercial results, price increases and additional efficiencies. Competitive dynamics, ahead of or after the arrival of Digi on the Belgian market, might lead to pressure on market prices, and/or make price tiering and upselling more difficult. Proximus focuses on product superiority, customer experience and a multi-brand strategy to mitigate that risk (see also 'Belgian telecom market competitive dynamics – residential market' below).

There is also a customer retention risk related to the potential customer experience issues during the migration of Proximus and the Other Licensed Operator's (OLO) customers to fiber e.g., too long installation delays in some periods of high demand vs available personnel. Proximus management is monitoring the fiber migration customer effort and fiber customer experience closely and taking corrective actions, among others through dedicated Fiber Migration and In-Home Experience agile teams.

Copper cost avoidance is an important value driver for Proximus. Delays in deployment or gaps in deployment zones could impact Copper outphasing as the full benefits only come when we can fully cut the last copper line. For the few customers that cannot be migrated to fiber, Proximus needs an alternative with Fixed Wireless Access or another technology. Copper outphasing is also an important element in Proximus' sustainability roadmap. Delays in copper outphasing would thus affect both profitability and sustainability goals. The risk is mitigated through careful planning of customer migrations and the allocation of dedicated resources, including both personnel and IT investments.

FTTH is a regulated activity in Belgium. Pricing and access conditions for FTTH are monitored and/or set by the regulator. Adverse or negative regulatory decisions on the FTTH pricing and/or access conditions could negatively impact the profitability of Proximus' investment by putting pressure on both wholesale and retail prices and/or make the commercial positioning of FTTH more difficult.

Proximus Group international growth

The development of the international activities of the Proximus Group through BICS and Telesign, fully owned since 2021, gives access to highly growing, adjacent digital communications markets. Those international activities are forecasted to be a major source of growth in the coming years.

Profitable growth in competitive and fragmented digital communications market depends on the ability to maintain and grow the business with existing customers and attract new customers in a cost-effective way. It also depends on the ability to adapt to changing technology standards and customer preferences. Competition is likely to further increase from established competitors and new market entrants, making scale an important factor for success.

The Proximus Group (through Proximus Opal) has signed a definitive agreement to acquire a ~58% interest in Route Mobile, a global company specialized in CPaaS services, listed on NSE and BSE in India. The deal is expected to generate substantial value thanks to the high complementarity of Route Mobile and Telesign, both in terms of product offerings and geographic coverage. The combined strengths of Route Mobile and Telesign would allow the Proximus Group to become one of the worldwide leaders in the fields of Communications Platform as a Service (CPaaS) and digital identity. Should the deal closing fail, this would significantly impact the Proximus Group's growth prospects in CPaaS and digital identity. Significant synergies are expected 3 years post-closing. Failure to realise the expected synergies would limit the Group EBITDA growth.

Telesign relies on data acquired from third parties to build its models, and design and improve its products. If there is a substantial increase in the cost of data acquisition, Telesign may not be able to pass that cost increase on to its customers. That would result in reduced profit margin for Telesign. Additionally, Telesign has no direct control over the data quality it acquires from its suppliers which are needed to provide its digital identity services. If the data quality it acquires deteriorates over time, Telesign' s coverage may decrease and become irrelevant for the customer.

If Telesign or its third-party service providers experience a data security breach or network incident that allows, or is perceived to allow, unauthorized access to Telesign' s solutions or Telesign' s customers' personal data, it could lead to negative publicity and Telesign' s reputation, business, financial condition, and results of operations could be adversely affected. Additionally, it could lead to enforcement actions, litigation, regulatory or governmental audits, investigations, inquiries and possible significant liability, and increased requests by individuals regarding their personal data.

Next to Telesign, and Route Mobile post-closing, Proximus Group's international growth also relies on the success of BICS. BICS operates in a fast-changing and competitive environment, putting its business model under constant challenge. BICS' carrier activities could suffer from a slowing of the messaging & roaming market growth or an acceleration of the voice market decline. BICS adapts to this environment by striving for inorganic market consolidation and by upgrading its offer to latest technology (e.g., 5G standalone roaming), by addressing new customer segments (enterprises) and by investing in new growth domains (such as IoT, Security or Data Intelligence). Those investments are made possible by cost reduction initiatives in the legacy and core business (automation, customer tiering, etc.).

Proximus Group's international business is subject to many laws and regulations (e.g., competition and privacy laws in Europe and beyond). The Proximus Group strives for strict compliance and strong controls. Litigations or regulatory or governmental inquiries could negatively impact BICS' reputation. Rules changes may also affect revenues and profitability.

The international business could also be affected by geopolitical instability through slowing growth, sanctions, market access restrictions or business continuity issues in conflict areas (own personnel or critical suppliers).

Finally, the performance can be impacted by current and future economic conditions outside of Proximus Group's control. A recession may increase the number of bad debts; this is mitigated through strict credit risk management. Risks from foreign currencies are hedged to the extent that they are liable to influence the Group's cash flows (see 'Foreign currency risk').

Human capital: Talent attraction, retention, and development

Failure to recruit, sustainably employ, engage, and retain a talented workforce could impact Proximus competitiveness and ability to reach its strategic goals.

The Belgian labour market remains under pressure, with a low unemployment rate especially in the north of the country, leading to a longer time to recruit for a broad range of profiles e.g., field technicians, shop employees or ICT consultants.

To mitigate the risk on talent attraction, Proximus runs various communication actions both on employer branding and recruitment topics (campaigning, 'always on' approaches on

Social Medias, presence on external jobsites, events, …). Recruitment channels have been diversified: referral by employees (with a reward in case of successful recruitment), internships, student jobs, etc. Proximus also leverages strong ties with external partners such as local agencies and recruiting offices to source needed skills and develop new sourcing pools. The evolution towards Total Talent Management, integrating both internal & external resources, will play a critical role in our sourcing strategy, thanks to the Flecs-MSP Program and its future evolution with the launch of direct sourcing of freelancers.

Our Proximus Ada subsidiary helps Proximus grow its talent pool in Data Science/AI and cybersecurity and our ICT subsidiaries leverage on their strong positioning to attract IT talents. Proximus SA, BICS and Telesign also diversify their talent sourcing geographically, among others through Proximus Doo and Telesign Doo, subsidiaries in Serbia. A successful closing of the Route Mobile transaction would also open new sourcing options in India.

In a context of workforce cost increase (see 'Operating model evolution and cost control' below), failure to adapt the current workforce's skills to ever-evolving needs would hinder Proximus' ability to execute its strategic plan. A Strategic Workforce Planning program and a skills mapping exercise allow Proximus to anticipate recruitment, upskilling and reskilling needs on short and long-term. To secure future-proof skills and to guarantee sustainable employment to existing employees, Proximus invests extensively in training programs and internal mobility, providing many opportunities for upskilling and development. A dedicated project has been started in 2023 to optimize the use of Generative AI for productivity gains, in a secure and ethical way.

Thanks to the focus on internal mobility, 683 employees changed jobs internally in 2023. With the evolution of Proximus as a Group and its internationalization, synergies initiatives between the recruitment teams have been initiated (common job fairs, common projects such as internship) and will be further developed (intragroup referral program, internationalization of the graduate program). The importance of intragroup mobility is gaining in importance with a dedicated framework being setup that will be ready by 2024.

To boost employee engagement, our Think Possible company culture stimulates agile ways of working for more empowerment, customer-centricity, simplification, and innovation. The transformation is supported by dedicated training, thorough internal communication and the daily support of agile coaches, scrum masters and change managers. In October 2023, a new evaluation system and a new remuneration system (i.e., a simpler salary increase system to ease market alignment and an optimized bonus system) in line with the desired cultural transformation have been presented to employees of Proximus SA. Those systemic changes, effective as from 2024, increase the focus on performance, based on mutual trust and clear feedback.

Eligible Proximus SA employees are allowed up to 3 days of homeworking per week. Proximus offers employees a coherent set of user-friendly and secure digital tools that can be used on any device, allowing more flexibility and hybrid ways of working. Specific attention was put on effective hybrid working in the context of the move out of the Proximus Headquarters in the last quarter of 2023. (more information in: 'Campus program'). Diversity, equity and inclusion policies and initiatives further contribute to the employees' well-being and sense of belonging (more information in: 'Social statements').

Operating model evolution and cost controlment

With a challenging socio-economic and geopolitical context and inflation levels that remain high compared to the previous decades, costs need to be managed thoroughly.

Joint ventures, partnerships and an increasingly global footprint are an opportunity to gain scale and reduce operating costs vs standalone operations. This also makes for a more complex Group structure for Proximus that brings higher compliance risks and more third-party risks. The Proximus Group's governance structure and control mechanisms are being adapted gradually to better deal with this increased complexity.

To compensate the general effects of inflation, the Proximus Group implements a strict cost control discipline and cost reduction programs. While being on track for the period 2019-2025 cost reduction ambition, failing to achieve remaining cost efficiencies would lead to a decrease in profitability. Proximus is continuously looking for ways to increase and accelerate the savings realization without adversely affecting customer experience, e.g., through Generative AI solutions. To limit the inflationary pressure, long-term relationships with suppliers, contract protections, advanced ordering, multi-sourcing, and hedging mechanisms are used.

For Proximus SA and its Belgian subsidiaries, the unique Belgian system of automatic salary indexation to protect employees' purchasing power, and Proximus' obligation to index as soon as the pivotal index is reached, led to 2 salary indexations in 2023. Next to strict cost management, Proximus SA is countering this impact via price indexations. Should Proximus' brand power not be strong enough, the inability to compensate part of the cost increase through targeted price increases would weigh on the margins. Price indexations' potential churn impact is mitigated by a more-for-more strategy and commercial results remained strong after the previous price indexations.

By sharing parts of the mobile network infrastructure with Orange, Proximus benefits from efficiencies in network operations and ensures sustainable investments in new network technologies. Proximus aims for 100% 5G coverage in the 2025-2026 timeframe. Next to unexpected extra costs of maintaining the legacy network and upgrading it to meet capacity demands, significant delays in the RAN swaps could weaken Proximus' mobile leadership position. Proximus closely monitors and follows up on the progress with its partners and suppliers.

Although the telecom sector's resilience has been demonstrated in the past years, a deteriorating economic climate could lead to declining spending of customers in both the Consumer and Enterprise market and higher bad debt. Social tariffs and no-frills offers help keep essential telecom services affordable to all. Struggling customers are offered adapted payment plans. Churn and bad debt evolutions are followed up very closely by management, with no worrying evolutions noted to date.

Inflation can also have a positive commercial impact as Proximus NXT or BICS customers look for digitalization or outsourcing options to reduce their own operating costs.

Belgian telecom market competitive dynamics – residential market

The Belgian market is an evolving market with changing competitive dynamics that might impact market value going forward. Proximus has demonstrated its ability to adapt to changing market conditions in the past. Failure to continue to adapt and mitigate the impact of a changing market structure and pricing dynamics could significantly impact Proximus domestic EBITDA.

As mentioned above (see 'Operating model evolution and cost control'), it is critical for Proximus to maintain its brand strength and the resulting ability to monetize investments and to index prices to compensate for cost increases.

Proximus' Belgian connectivity revenues are at risk from increased competition particularly in Wallonia & Brussels where Proximus has a large market share. Orange Belgium has acquired a majority stake in VOO. Telenet and Orange have respective commercial wholesale agreements providing access to each other's HFC and FTTH networks for a 15-year period, leading to increased convergent competition across the country.

Following the 2022 spectrum auction with conditions favouring a new entrant, Citymesh and Digi joined forces to acquire spectrum and set up a joint venture for the network company to address business and private individuals respectively. Digi Communications Belgium announced its commercial start in 2024. Digi could put pressure on the Belgian telecom consumer prices to gain market share. Digi could also raise expectations on digital customer experience in the sector. In August 2023, Proximus reached an agreement with Digi Communications Belgium and Citymesh Connect on mobile wholesale services and mobile infrastructure. This agreement mitigates the potential revenue impact on the Proximus Group through wholesale revenues.

Proximus' superior fiber technology versus cable helps to mitigate the churn risk in fiber zones and strengthen the brand, reduce exposure to price disruption and maintain pricing power. Proximus has also been consistently improving its multi-play value propositions, and structurally improving customer experience and customer service, translating in NPS gains and reduced churn.

Keen on providing the best mobile experience to its customers, Proximus has kept full control of its core network and spectrum assets. Proximus managed to secure more spectrum, in all bands, than other mobile players during the spectrum auctions of 2022. This strength mitigates the churn and pricing risk for Proximus as it allows Proximus to differentiate and guarantee a superior mobile experience for the next 20 years.

Next to competitive dynamics, evolving customer needs, like the acceleration of the "cord cutting" trend, i.e., customers cancelling their digital TV subscriptions, would impact revenues and customer stickiness as well as cost per digital TV customer due to the high fixed costs. "Over the top" competition (streaming services) drives the cost up for exclusive content. The high quality of Proximus' digital TV offer, the content sharing strategy for sports rights and the partnerships with streaming services mitigate those risks. Network/product superiority and relevant digital services through the Proximus app all contribute to mitigate the risk on customer stickiness and brand relevance.

The multi-brand strategy of Proximus also contributes to the risk mitigation. Scarlet and Mobile Vikings have very strong NPS scores and a convergent offer complementary to the Proximus brand offer. Scarlet addresses the price-sensitive segment and Mobile Vikings offers attractively priced mobile and Internet to young-at-heart digital-savvy customers.

Finally, Proximus domestic financial performance could be impacted by disruptive technologies and new business models. Should Proximus not be able to adapt fast and well enough, it would impact market shares and profitability. Proximus develops new revenue streams in domestic ICT and in faster growing geographies in the digital communications market to diversify and limit the risk on Proximus' top and bottom line.

Belgian ICT market competitive dynamics – enterprise market

On the domestic B2B mobile market, Proximus enjoys a solid market share. Intensifying price-based competition could lead to lower revenues and margins in the Corporate and Small & Medium Business segments.

Citymesh, as part of European IT company Cegeka, is looking to monetize its mobile spectrum investments, acquired in a joint venture with Digi. The loss of key customers could impact brand perception and Proximus' pricing power. In fixed connectivity, the range of Explore (convergent service platform) and SD-WAN solutions is managed to answer evolving customer needs whilst limiting revenue impact through targeted and proactive migrations to next-gen solutions. Fixed voice erosion could further accelerate and impact revenues and margins beyond current forecasts. Proximus mitigates the telecom churn and value erosion risks through its network leadership, good customer relationship management and a strong portfolio of convergent ICT solutions.

In the cluttered and competitive ICT market, the launch of Proximus NXT in June 2023 creates a strong brand to build a leadership position in the Benelux. Proximus NXT aims to be the preferred technology partner to help enterprise customers address their cybersecurity needs and seize opportunities brought by cloudification, advanced data analytics, Generative AI, etc. Proximus NXT combines the telecom foundations of Proximus with unique ICT expertise and an ecosystem of partners.

Failure to effectively address evolving customer needs, new technologies, and market developments within the enterprise sector in a timely manner, or a failure to introduce competitive products or services, could result in lower revenues and reduced profitability for Proximus NXT. These risks, if realized, would ultimately have a negative impact on the overall financial performance of Proximus, affecting both its top and bottom line.

With the evolving European regulation on Corporate Sustainability and the increasing focus of enterprise customers on ESG, failure by Proximus to meet the required standards could prevent Proximus NXT from getting some contracts or even from participating in a selection process. The Proximus Sustainability governance ensures continuous improvement in ESG, sets high standards for internal teams, and ensures that ESG achievements and commitments of Proximus are properly reflected and communicated to the market.

Regulatory and legal risks

Proximus' policies and procedures are designed to comply with all applicable laws, accounting and reporting requirements, regulations, and tax requirements, including those imposed by foreign countries, the EU, as well as applicable labour laws. The complexity of the legal and regulatory environment in which Proximus operates and the related cost of compliance are both increasing due to additional requirements. Furthermore, foreign, and supranational laws occasionally conflict with domestic laws. Failure to comply with the various laws and regulations as well as changes in laws and regulations or the way they are interpreted or applied, may result in damage to Proximus' reputation, civil and criminal liability, fines and penalties, increased tax burden or cost of regulatory compliance and restatements of Proximus' financial statements. Proximus is subject to significant regulation and supervision, which could require it to make additional expenditures or limit its flexibility, affect its financial results in general and otherwise adversely affect its business.

Proximus may be sued by third parties for infringement of proprietary rights. The telecommunications industry and related service businesses are characterized by the existence of a large number of patents and trademarks. Litigation based on allegations of patent infringement or other violations of intellectual property rights is common. As the number of entrants into the market grows and the overlap of product functions increases, the possibility of an intellectual property infringement claim against Proximus increases. In addition, the Group may be sued for copyright or trademark infringement for purchasing and distributing content through various fixed line or wireless communications and other media, such as through its portals. Any such claims or lawsuits, with or without merit, could be time-consuming, result in costly litigation and diversion of technical and management personnel, cause product shipment delays or delays in the granting of patent applications or require the Group to develop non-infringing technology or to enter into royalty or licensing agreements. Such royalty or licensing agreements, if required, may not be available on commercially reasonable terms or at all.

If a successful claim of product infringement were made against the Group or it could not develop non-infringing technology or license the infringed or similar technology in a timely manner and on a cost-effective basis and commercially reasonable terms, operating revenue and net profit could decline.

The outcome of pending disputes involving Proximus with or before Belgian Government bodies could adversely affect Proximus' operating revenue and net profitof data acquisition, Telesign may not be able to pass that cost increase on to its customers. That would result in reduced profit margin for Telesign. Additionally, Telesign has no direct control over the data quality it acquires from its suppliers which are needed to provide its digital identity services. If the data quality it acquires deteriorates over time, Telesign's coverage may decrease and become irrelevant for the customer.

Environmental risk and climate change

In 2022, Proximus started integrating climate risk structurally into the Enterprise Risk Management (ERM) processes and opted to conduct a separate climate risk process in the years when the ERM exercise is not taking place. In preparation to the Corporate Sustainability Reporting Directive" we performed a double materiality assessment and are reinforcing our processes linked to climate risk.

Proximus has a clear strategy to reduce CO_2 emissions and has put in place a scientifically validated action plan developed based on the new 'Net Zero' standard of Science Based Targets to achieve net zero greenhouse gas emissions by 2040.

Though implementing actions to mitigate climate change is essential, Proximus also needs to take steps to adapt to ongoing and future environmental climate changes. Understanding and (financially) assessing our climate change risks and potential vulnerabilities is key to avoiding disruption to our network and our customers. At the same time, it provides a momentum to reflect on how we can offer more value to society and our customers. Both aspects inform our overall business strategy.

Physical risks as well as risks arising from transitioning to a low carbon economy have been assessed. They were analyzed across three climate scenarios that project three different temperature paths increase: divergent net zero (+1.5°c), delayed transition (+1.8°c) and current policies (+3°C). They were additionally analyzed over three time-horizons: short-term (0-3 years), medium-term (3-10 years) and long-term (10-25 years) in accordance with the recommendations of the TCFD (Task Force on Climate-related Financial Disclosures). The magnitude of impact scales used for the risk assessment was from "low" for impacts with a value less than € 100,000 to "very high" for impacts that exceed € 12.5 M.

In the context of climate change risks, the standard Proximus risk management methodology (1. research and workshops for risks and opportunities identification; 2. analysis of financial, operational, and reputational impact; 3. prioritization and action plans) is applied with the involvement of relevant stakeholders from the Technical, Tax, Legal, Regulatory, HR, Procurement, Strategy, Business operations, and Facilities domains.

An overview of the climate change risks that could have a material financial impact

Risk Causes	Climate change related risk	Policy ambition	Short-term until 2025	Medium-term 2025-2035	Long-term 2035-2050
Policy changes	**1. Introduction of climate change related policies by governments** These policies could result in a price increase, for example by putting a price on CO2 emitted. Extra flat taxes are also a possibility.	1,5°C	Low	High	High
		1,8°C	Low	High	High
		3 °C	Low	Low	Low
Market	**2. Competition for scarce green energy supply** Energy prices have seen a massive price increase due to geopolitical reasons. The move away from fossil fuels also has an influence on pricing of energy as green energy is in high demand.	1,5°C	Medium	High	High
		1,8°C	Medium	High	High
		3 °C	Low	Low	Low
Market	**3. Increased outsourcing & supply chain risk as they are also exposed to climate change impact** Climate change is one of the driving factors influencing the economy. Climate change could trigger pandemics, political uncertainty, raw materials shortage, … with influence on our partners.	1,5°C	Medium	Medium	High
		1,8°C	Low	Medium	High
		3 °C	Low	Medium	Medium
Reputation	**4. External stakeholder perception may not be in line with Proximus efforts** Perceived inactivity/inconsistency of a company with regards to climate change can lead to customer churn, missed sales opportunities, lower demand for products & services, regulatory fines, …. Example: debate around roll-out 5G and climate impact.	1,5°C	Medium	High	High
		1,8°C	Low	Medium	High
		3 °C	Low	Low	Medium
Extreme weather events	**5. Infrastructure damage** Extreme weather events will become more frequent and widespread, even in unexpected areas. These events will cause major disruption and damage to IT systems and assets.	1,5°C	Low	Low	Low
		1,8°C	Low	Medium	Medium
		3 °C	Low	Medium	High

An overview of the short-term climate change opportunities that could have a material financial impact:

Eco smart products & services	**Development of low emission goods & services** There is a growing market interest in products-as-a-service and products with a lower footprint in terms of carbon emissions and material usage.
Eco smart products & services	**Development of new products & services through innovation that can enable customers to reduce their CO_2 emissions** Solutions to decarbonize other sectors create existing and new business opportunities. Use of fiber & 5G as enablers for IoT, Big data & Cloud solutions with a potential to reduce carbon emissions such as smart agriculture, smart building, energy reduction, …

Markets	**Green financing** New opportunities can also be captured through underwriting or financing green bonds and infrastructure (e.g., low-emission energy production, energy efficiency, grid connectivity, or transport networks)
Reputation	**Talent attraction** Talent is moving to sustainable companies: the majority of younger generations want to work for a company with strong sustainability/ESG action.

Approach of Proximus regarding the identified risks:

1. Introduction of climate change related policies by governments

We track regulatory development to be able to comply with existing laws, such as the relevant aspects of the EU green deal. We assess the impact of these emerging regulations, across operations, supply chains and jurisdictions. In 2022, we made progress towards assessing EU taxonomy alignment and started implementing the recommendations of the Task Force on Climate-Related Financial Disclosures. This information can be found respectively at page 68 and 74.

The most important action for mitigating this impact is ensuring our net-zero action plan is fully implemented. Proximus is proud that its near-term and long-term greenhouse gas emissions reduction targets have been validated by the Science Based Targets initiative (SBTi). Proximus commits to reduce its absolute scope 1 and 2 greenhouse gas emissions by 95% by 2030 and to maintain a minimum of 95% reduction through 2040 (from a 2020 base year). To this end, Proximus will eliminate fossil fuels from its fleet and buildings and continue sourcing 100% renewable electricity. At the same time, Proximus is working on energy-efficiencies throughout its technical buildings, mobile & fixed network, and data centers. Proximus also commits to further reduce absolute scope 3 greenhouse gas emissions by 60% by 2030 and by 90% by 2040 (from a 2020 base year). These are very ambitious targets knowing that scope 3 greenhouse gas emissions, which include all indirect activities throughout the value chain, represented 94% of the company's CO_2 emissions last year. To reach this ambitious objective, Proximus is reaching out to its suppliers to encourage them to set SBTi validated targets, source renewable energy and implement a decarbonization pathway. Proximus' circular ambition and implementation of circular principles, like eco-design, repair, refurbishment and lifecycle extension will further open the pathway to achieving its net-zero ambition.

2. Competition for scarce green energy supply

The electricity prices worldwide have skyrocketed in recent months due to geopolitical factors. Climate change is also undoubtedly one of the factors influencing the price. The forced move away from fossil fuels additionally implies a lower guarantee of continuously delivered electricity. Proximus has committed to use only green electricity is already using 100% green electricity today. To mitigate the supply risk, by 2026, we will work with more local electricity sources through investments in a Power Purchase Agreement, long-term partnerships with Belgian wind and solar plants that match our consumption patterns. We will continue to invest in energy efficiency measures. For example, in the next five years, data traffic is expected to increase by 400%, a growth of about 35% per year, resulting in increased energy consumption. To keep the electrical energy consumption flat despite the growing demand, we will implement network energy-saving initiatives.

3. Increased outsourcing & supply chain risk as they are also exposed to climate change impact

Proximus depends on the partnership with its suppliers to provide the equipment needed to ensure business continuity and a sustainable supply chain. Thus, working with suppliers that could fail to meet Proximus needs, or depending too much on few specific suppliers, may lead to delayed or failed deliveries, loss of revenue, regulatory fines or damage to our reputation. Therefore, we analyse trends in supply and demand for products and services and adapt our offers accordingly. We scan the market for products and services that could help Proximus reach its climate targets. In this regard, we evaluate future acquisitions. We also engage with suppliers and customers. With the biggest remainder of our carbon footprint residing across our value chain, to achieve our net zero ambition by 2040, we will continue to work closely with our suppliers. We will encourage them to reduce their carbon footprints and secure more sustainable supply chains themselves. We already screen the sustainability performance of our suppliers through the Joint Alliance for CSR (JAC) and EcoVadis. We have a strict follow-up of critical supplier contractual liability through a holistic Supplier Code of Conduct (SCoC) and rigid Service Level Agreement (SLA) clauses. We are sourcing sustainably: the sustainability component counts for 20% of the tenders we issue. And lastly, through our Supplier Engagement Program, we set detailed expectations and KPIs for our suppliers and implement clear, binding commitments.

4. External stakeholder perception may not be in line with Proximus efforts

We regularly monitor the evolution of our reputation through market research. We put our circularity and CO2 reduction efforts forward in our corporate communication, in our commercial advertising, in our shops, on our packaging, etc. Sustainability is also a cornerstone of our employer brand. Through internal communication, we turn our employees into ambassadors. And finally, we also communicate our progress on Environmental KPI's on a periodic basis (at least annually) to investors and analysts.

The above-mentioned validation of our targets by the Science Based Targets initiative (SBTi), our internal sustainability governance and Board oversight (more information in: 'Sustainability governance') add to our credibility. Regular stakeholder dialogue allows us to focus our actions and communication efforts on the most material topics for our stakeholders.

Through MyFootprint available on our MyProximus app, we invite our residential customers to track and reduce their own carbon footprint. We engage with peers, public authorities, Belgian enterprise federations (e.g., Agoria) and international sector associations (e.g. ETNO) to encourage collective action and to put forward the positive role of our sector in helping companies and public authorities reduce their environmental footprint. Striking examples are our Smart energy, Smart buildings, or Smart mobility solutions.

To preserve our reputation, all our carbon abatement claims must be supported by credible and verified calculation procedures.

5. Infrastructure damage

Climate change is one of the driving factors influencing extreme weather events. In the coming years, extreme weather events will become more frequent and widespread, devastating areas that typically do not experience them and amplifying the destruction in areas that do.

These events could cause major disruption and damage to IT systems and assets. Data centres could be significantly impacted, and critical infrastructure could be put at risk. To anticipate and implement measures to protect Proximus infrastructure against these extreme weather events, we use expert input from scientists, such as the OFDA/CRED International Disaster Database (http:// www.emdat.be) and Université Catholique de Louvain, as well as performing our own annual climate change scenarios risk assessment analysis.

Operational risks

Operational risk relates to risks arising from systems, processes, people and external events that affect the operation of Proximus' businesses. It includes product life cycle and execution; product safety and performance; information management, data protection and cyber security; business continuity; supply chain; and other risks, including human resources and reputation risks. Depending on the nature of the risk involved and the business or function affected, Proximus uses a wide variety of risk mitigation strategies, including adverse scenario stress tests, back-up/business- continuity plans, business process reviews, and insurance.

Proximus' operational risk measurement and management relies on the Advanced Measurement Approach (AMA) methodology. A dedicated "as-if" adverse scenario risk register has been developed to make the stress tests relevant.

Proximus is covered by extended general and professional liability, property damage and business interruption insurance, as well as by a dedicated cyber security insurance program.

Nevertheless, these insurance programs may not provide indemnification should the traditional insurance exclusions (non-accidental event) apply.

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

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

Resilience and business continuity

Business Continuity Management is developing its ability to detect, prevent, minimize, and deal with the impact of disruptive events so that business critical services and functions can be operated at an acceptable level. The approach is in line with the good practice standards and Belgian regulations on telecom and critical infrastructure. This is achieved via the development of business continuity plans at corporate level for threats like power interruptions, ransomware attack or natural disasters linked to climate change. Building and ensuring the resilience of our network, platforms and IT systems remains a top priority to minimize the customer impact in case of incidents. These priorities are managed by the corresponding business units. The business continuity board is the steering committee which defines the priorities, the scope and validates the outcome. The level of preparedness is submitted annually to the Audit and Compliance Committee.

Security

The escalating global cyber threats, along with the rise of increasingly sophisticated and targeted cyber-attacks pose a risk to the security of Proximus as well as its customers, partners, suppliers, and third-party service providers in terms of products, services, business flows, systems and networks. The confidentiality, availability, and integrity of the data of Proximus and its customers are also at risk.

We are taking the necessary actions and making investments to mitigate those risks by employing several measures, including employee awareness and training, security-by-design, security testing, protective measures, detective measures and maintenance of contingency plans.

Proximus cyber security program sets important emphasis on Identity & Access Management, for privileged users, business users, partners, and vendors, on securing Proximus critical infrastructure such as API, private and public clouds and DDoS protection, on protecting against advanced disruptive malware (such as ransomware) and extending the monitoring and detection capabilities. Artificial Intelligence and Machine Learning capabilities are increasingly used in Proximus' cyber security.

Besides that, Proximus invests in threat intelligence and security incident response. Moreover, Proximus operates several Malware Information Sharing Platforms (MISP) that enable the collection and sharing of structured information on cybersecurity threats. Proximus actively participates in various cross-industry and international expert groups to stay updated on the latest threats. Collaboration is established in the expert groups of the European Telecom Operators platform (ETIS), GSMA, the Belgian Cyber Security Coalition and FIRST.

Furthermore, Proximus also acts to protect its customers against fraud. With the support of the government, Proximus invests in anti-phishing and anti-fraud platforms (SMS, email, interconnect security)..

Data protection and privacy

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

Proximus began its GDPR compliance journey with a GDPR readiness assessment conducted by an external company back in 2016. Since this exercise, Proximus has continued improving its GDPR compliance.

Proximus has been using the functionalities and capabilities of the Collibra data governance tool to meet certain compliance requirements under GDPR, e.g., implementing a register of processing activities.

To ensure that privacy considerations are embedded within its business activities, Proximus has appointed Privacy Ambassadors within the different business units to provide support to the legal department and DPO office in screening privacy sensitive initiatives. In view of the privacy by design principle, Proximus is constantly improving its Privacy Review Process to ensure privacy risks are identified early on and swiftly acted upon.

As part of rendering the management of data subject requests more efficient, Proximus has implemented the use of semi-automated solutions. Our customers can continue to indicate their privacy preferences within the privacy settings of the MyProximus app and website.

Proximus carefully handles and documents the complaints it receives regarding the protection of its customers' data, which come from the following sources:

- Concerned customers themselves
- Consumer organizations such as Test Aankoop/Test Achats
- Bodies such as the Belgian Data Protection Authority or the Belgian Telecom Mediation Service

Sourcing & Supply chain

Proximus depends on the partnership with its suppliers to provide the equipment needed to ensure business continuity and a sustainable supply chain. Global instability, logistics disruptions, energy crisis, climate induced natural disasters, etc. increases the risk on our supply chain resilience.

Any breach of relevant legislation or non-compliance with international standards for human rights by our suppliers could lead to legal action and negatively impact Proximus' reputation.

Risk mitigation is done via multi-sourcing, tier 2 management, improved inventory management (advanced ordering, better forecasts, etc.), demand reduction and product and process reengineering. Thanks to enhanced Supplier Relationship Management (SRM) we continuously assess risks together with the partnering supplier, hence reducing vulnerability and ensuring continuity. The relationship with key suppliers is assessed and documented by means of meeting minutes and surveys, which lay down the common strategies.

We continuously monitor risks through a SCRM by Sphera, alerting the appropriate stakeholder in any case of disruption in the supplier chain.

EcoVadis conducts sustainability performance evaluations, risk assessments, and audits for national direct suppliers, while major global suppliers undergo these processes through the Joint Alliance for CSR (JAC) initiative.

We strictly follow-up on critical suppliers' contractual liability through our Supplier Code of Conduct and Service Level Agreement clauses.

Thanks to our active monitoring and risk mitigation actions, Proximus' supply chain has proved resilient in previous crises and financial impact was limited.

Legacy Network Infrastructure

In 2004, Proximus was the first operator in Europe to launch an ambitious fiber-to-the-curb program, paving the way for the subsequent national Fiber-to-the-Home network roll-out. And today, we are among the world's top five operators for the proportion of fiber in its VDSL network, with tens of thousands of kilometers of optical fiber connecting its street cabinets and a massive increase in the number of kilometers in the access part of the network.

With the rise in customer needs, we see for the coming year a continuous increase of data consumption on our networks, and this is at far higher speeds than in the past. This is why Proximus is pursuing an aggressive multi-gigabit strategy, with the ambition to leverage more and more fiber and 5G to deliver relevant services to our customers. In this context, the relevance of copper will gradually decrease.

The fast pace of fiber deployment and adoption allows us to consider decommissioning our copper in the future and, as such, be in a position to realize substantial savings in terms of power consumption and maintenance and avoid having to replace this ageing technology.

Risk Management & Compliance Committee

In 2023, the Risk Management and Compliance Committee (RMC) held four sessions. The related decisions were reported to the Leadership Squad and the Audit & Compliance Committee. RMC meetings provide an opportunity to review files in which decisions must be taken by finding a balance between risk taking and cost, in line with the Group's risk appetite.

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

The RMC's objectives are:

- To oversee the company's most critical enterprise and operational risks and how management is monitoring and mitigating those risks.
- To enhance pending/open internal audit action points which remain open for more than six months.

A disciplined approach to risk is key in a fast-moving technological and competitive environment to ensure that Proximus only accepts risk which it is adequately compensated for (risk/return optimization).

Since 2022, sustainability topics including climate change risks have been included on the agenda of the Risk Management Committee.

Internal Audit

In line with international best practices requirements, Proximus' internal audit function forms an integral part of the Internal Risk Management and Control System and provides assurance to the Audit and Compliance Committee concerning the "in- control status" of the Proximus Group segments/units/entities and processes. Internal Audit provides independent analyses, appraisals, recommendations, counsel, and information to both the Audit and Compliance Committee and Proximus Management. Therefore, the objectives of the Internal Audit, using COSO, The Institute of Internal Auditors standards and other professional frameworks, are to ensure:

- Effectiveness and adequacy of internal controls
- Operational effectiveness (doing it right) and/or efficiency (doing it well)
- Compliance with laws, regulations, and policies
- The reliability and the accuracy of the information provided

Internal Audit helps Proximus Group to accomplish these objectives through its systematic, disciplined approach to evaluating and improving the effectiveness of risk management and control and governance processes.

Internal Audit's activities are based on a continuous evaluation of perceived business risks, and it has full and unrestricted access to all activities, documents/records, properties and staff. The Internal Audit Lead has a reporting line to the Chairman of the Audit Committee.

Quarterly Audit activity reports are submitted and discussed with the Audit and Compliance Committee.

Since 2020, Proximus Internal Audit department, in accordance with IIA Standard 1312 - External Quality Assessment, has been certified by IFACI/IIA.

Financial reporting risks

In the area of financial reporting, besides the general enterprise risks impacting the financial reporting the main risks identified include new transactions and evolving accounting standards, changes in tax law and regulations, and the financial statement closing process.

New transactions and evolving accounting standards

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

It is the responsibility of the Corporate Accounting department to follow developments in the area of evolving standards (both local General Accepted Accounting Principles (GAAP) and International Financial Reporting Standards (IFRS)).

Changes are identified and the impact on Proximus' financial reporting is proactively analyzed.

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

Changes in tax law and regulations

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

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

The complexity of the legal and regulatory environment in which we operate, and the related cost of compliance are both increasing due to additional requirements. Furthermore, foreign and supranational laws occasionally conflict with domestic laws. Failure to comply with the various laws and regulations, changes in laws and regulations or the way they are interpreted or applied, may result in damage to our reputation, liability, fines and penalties, increased tax burden or cost of regulatory compliance and impact our financial statements.

Financial statement closing process

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

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

For Proximus and its major subsidiaries, a highly detailed closing calendar is drawn up, which includes a detailed overview of cross-divisional preparatory meetings, deadlines for ending specific processes, exact dates and hours when IT sub-systems are locked, validation meetings and reporting deliverables.

For every process and sub-process, different controls are performed, including preventive controls, where information is tested before being processed, and detective controls, where the outcome of the processing is analyzed and confirmed.

Special attention is paid to reasonableness tests, where financial information is analyzed against underlying operational drivers, and coherence tests, where financial information from different areas is brought together to confirm results or trends, etc. Tests on individual accounting entries are performed for material or non-recurrent transactions. The combination of all these tests provides sufficient assurance on the reliability of the financials.

Internal control system

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

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

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

Proximus considers the timely delivery to all its internal and external stakeholders of complete, reliable and relevant financial information in conformity with International Financial Reporting Standards (IFRS) and Belgian Generally Accepted Accounting Principles (BGAAP). Therefore, Proximus has organized its internal control and risk management systems over its financial reporting in order to ensure this objective is met.

Control environment

Organization of internal control

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

The A&CC meets at least once every quarter.

Ethics

The Board of Directors has approved a Corporate Governance Charter and a Code of Conduct "A Socially Responsible Company".

All employees must perform their daily activities and their business objectives according to the strictest ethical standards and principles, using the Group values (Collaboration, Agility and Accountability) as guiding principle.

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

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

Policies and procedures

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

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

Roles & responsibilities

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

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

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

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

Skills & expertise

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

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

Risk analysis

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

Risk mitigating factors and control measures

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

Information and communication

Financial reporting IT systems

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

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

Effective Internal communication

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

Reporting and validation of the financial results

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

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

Supervision and assessment of internal control

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

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

Expertise of the Audit & Compliance Committee members

Proximus has an Audit & Compliance Committee which consists of five non-executive directors, the majority of whom must be independent. In line with its charter, it is chaired by an independent director.

A majority of the members of the Audit & Compliance Committee has extensive expertise in accounting and audit. The Chairwoman of the Audit & Compliance Committee, Mrs. Catherine Vandenborre, holds a degree in Business Economics as well as degrees in Tax and Financial Risk Management. The Chairwoman and the majority of the members exercised several board or executive mandates in large Belgian or international companies.

Evolution in research and development activities

Proximus is dedicated to exploring and developing future-defining technologies. Our commitment extends to actively engaging in an open innovation approach, fostering close collaboration with customers, suppliers, and partners. Through partnerships, we consistently broaden and stimulate our research and development efforts conducted in various Proximus labs, skilfully led by our innovation teams.

Proximus Ada

In 2023, Proximus Ada continued its development, positioning itself as a center of excellence in artificial Intelligence (AI) and cybersecurity. It is designed to be a pillar of innovation and a center of expertise for all the companies in Proximus Group.

In AI, Proximus Ada leveraged the rise of Generative AI and conducted research on various Large Language Model (LLM) applications for Proximus and external customers.

More information in: 'Engineer technology assets to enable digital ecosystems'.

AI and Generative AI

Building on the AI experience of Proximus Ada and the cloud expertise of Codit, Proximus has launched an AI offer for enterprise customers through open innovation. We help customers develop AI projects in three key domains: Generative AI, anomaly detection & forecasting, and computer vision. Our support ranges from discovery training to the rollout of complex AI solutions. Read, for instance, the example below on the computer vision-assisted inventory management solution. Proximus has also embraced Generative AI apps to support the productivity of its employees, boost customer experience, and drive innovation. Multiple projects leveraging Generative AI technology include enhancing search engines of internal applications, and assisting in various tasks, such as writing, correction, summarization, and text translation. Additionally, the company is enhancing its Proximus Digital Assistant chatbot to provide better customer experience.

5G, a driver of innovation

On 5G, we are developing technological innovations that will lead to new opportunities for our customers. An example of this is 5G slicing that we developed with our partners Nokia & Ericsson. In 2023, our 5G innovation lab successfully tested the first use case of 5G slicing, demonstrating its potential for real-world applications such as emergency services.

Furthermore, we believe in empowering our customers and partners by providing them with live testing environments to stimulate the development of innovative 5G use cases. In addition to its existing 5G innovation Hubs - A6K in Wallonia, Howest University of Applied Sciences and Fabriek Logistiek - Proximus also set up a new 5G Hub in partnership with VIVES University of Applied Sciences in July 2023.

In 2023, we explored 12 new 5G use cases. More information in: 'Grow profitably locally and globally through strong brands'.

A very telling use case we implemented in 2023 is the launch of Wallonia's first warehouse management project using a drone coupled with 5G and artificial intelligence. Proximus teamed up with several partners to develop a computer vision-assisted inventory management solution that will make it possible for the first time to fly a drone autonomously into a covered storage warehouse, so that relevant, real-time information can be transmitted to the company's stock manager.

In the field of drones, we are continuing to develop our partnership with Helicus for the future implementation of Beyond Visual Line of Sight (BVLOS) medical drone flights. We will further focus on the implementation of real use cases in the area of image and video processing, analytics and edge computing.

Quantum technology

Quantum technology will play an essential role in cybersecurity. Today, Proximus is part of an ecosystem that includes industrial partners and academic experts, and that is working on the contribution of quantum research to strengthening data protection and network security. This ecosystem also aims to unite stakeholders across various domains of quantum technology and to inform the market about the possibilities of this promising field.

Proximus is advancing the development of Quantum Safe Networks through Quantum Communications. Our approach combines Quantum Key Distribution (QKD) and Post-Quantum cryptography (PQC) to further strengthen network security. In 2023, we achieved a major milestone by validating the first quantum-safe network on a production fiber network in Belgium, showcasing our leadership in quantum technology.

To develop our employees' skills for the future, we have launched a learning program called 'Quantum Discovery Track'. As of 2023, proficiency in quantum technology was achieved by at least 70 Proximus employees.

Smart solutions

Together with its partners, Proximus delivers end-to-end solutions enabling its customers to innovate by connecting applications and devices, aggregating different data streams, providing insights into their data, and automating processes.

Smart health

Proximus actively participates in various innovative projects in healthcare. This includes monitoring for heart failure patients at the ASZ hospital, preventive care at IDEWE Group, and the exploration of extended reality with projects in Virtual Reality for training purposes and Augmented Reality to support remote assist use cases. A notable use case is the launch of the 5G connected ambulance at UZ Brussel, where caregivers wear smart glasses to support telemedicine. Surgeons also utilize smart glasses to stream surgeries via a Proximus 5G connection to the outside world.

Smart building and smart energy

In response to the challenge of climate change, Proximus provides IoT and data analytics solutions to assist customers in making smarter use of energy and reducing their carbon footprints. Our focus on the energy transition, particularly the role of buildings in creating a more sustainable world, is at the heart of our initiatives. This is why we collaborate with experienced partners such as Digital HQ and Aug.e, to offer a broad range of smart building solutions to our customers.

Furthermore, our solutions contribute to creating smart workplaces for customers, enhancing the comfort and well-being of their employees.

Sovereign Cloud

To address customer concerns about protecting their data, Proximus has strengthened its strategic focus on sovereign cloud solutions. These solutions allow customers to fully benefit from the advantages of the cloud, while substantially increasing the protection of the data and preventing 3rd party access, including access by the cloud provider.

In 2022, Proximus was one of the first operators in the world selected by Microsoft to create a sovereign cloud. In March 2023, Proximus and Google Cloud joined forces to establish a highly secure sovereign cloud. A first in Europe. This Google platform, aimed to be physically isolated (i.e. not connected to the public cloud or the internet), will be hosted in the data centers of our partner LuxConnect and operated by Proximus, through the Clarence joint venture

Internal initiatives supporting innovation

The Design Thinking Center of Excellence is a dedicated team of Design Thinking specialists. They translate the Design Thinking methodology for employees and design standardized tools to scale its implementation within the organization. Annually, they train 900 employees and offer coaching for an average of 16 strategic projects.

The Innovation Accelerator is about identifying and supporting innovative initiatives that have the potential to become new revenue sources, particularly in fields adjacent to our core business. This accelerator places a premium on initiatives with long-term growth potential, prioritizing foresight over immediate impact.

The Proximus Innovation Committee is a central hub for innovation within the company, fostering internal alignment and promoting collaboration and knowledge sharing. The Committee also handles collaboration opportunities and funding requests from external organizations. This dual role makes it a key contributor to Proximus' innovation strategy, integrating both internal and external innovation efforts.

The Customer Experience Challenge is an annual company-wide hackathon that encourages cross-departmental collaboration to generate innovative ideas and enhance customer experience. The 2023 theme was "Delighting our customers, boosting NPS," with a focus on the Residential and SME segments.

The Proximus Innovation Challenge is a series of hackathons where participants with diverse backgrounds collaborate to generate new ideas, share a learning journey and develop prototypes with business value in just a few days. In 2023, HackaWatt, the hackathon dedicated to energy efficiency was organized in partnership with MolenGeek.

International operations

BICS

BICS continuously invests in advancing its global communication solutions portfolio addressing both telco, enterprise and cloud segments.

Today, BICS is focusing its R&D on delivering 5G services, (e)SIM and IoT technology, digital communication services and strong fraud, security and analytics offering. BICS continues to monitor market evolution and customer needs to enhance its services, features and overall product portfolios.

A range of innovations are being developed at BICS at, including its 5G Standalone Roaming Hub, which announced its first full service 5G Standalone connection in October 2023.

More information in: 'Grow profitably locally and globally through strong brands'.

Telesign

Telesign's research and development efforts are focused primarily on building industry-leading digital identity solutions, addressing all primary use cases, enhancing deployment flexibility, and providing seamless integration across cloud and on-premises applications. Telesign regularly releases updates to its services which incorporate new features and enhance existing ones.

In 2023, Telesign has extended its research and development initiatives with the introduction of the Breached Data product. This innovative addition to Telesign's Identity product family involves scanning the Dark Web to catch intrusions and protect identities. The Breached Data product enables customers to determine if and when a phone number – and any associated data – has been compromised in a breach. The goal is to help our customers proactively prevent account takeovers, fake users, and synthetic identity fraud before financial, operational, or reputational loss occurs.

Other information

Rights, commitments and contingencies as of 31 December 2023

Disclosures related to rights, commitments and contingencies are reported in note 34 of the consolidated financial statements.

Diversity & Inclusion Statement

Diversity & Inclusion Statement is reported in chapter CH3. Governance & Compliance of the Annual report.

Use of financial instruments

Disclosures related to the use of financial instruments are reported in note 32 of the consolidated financial statements.

Circumstances which may considerably impact the development of the Group

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

Treasury shares

Disclosures related to treasury shares are reported in note 18 of the consolidated financial statements.

Capital management

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

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

Post-balance sheet events

Disclosures related to post-balance sheet events are reported in note 39 of the consolidated financial statements.

On behalf of the Board of Directors,

Brussels, 22 February 2024

Guillaume Boutin

Chief Executive Officer

Stefaan De Clerck

Chairman of the Board of Directors