



## **Proximus NV van publiek recht / SA de droit public**

Statutory report of the joint auditors to the shareholders' meeting for the year ended 31 December 2019 - Consolidated financial statements

The original text of this report is in Dutch and French

## Statutory report of the joint auditors to the shareholders' meeting of Proximus NV van publiek recht / SA de droit public for the year ended 31 December 2019 - Consolidated financial statements

In the context of the statutory audit of the consolidated financial statements of Proximus NV van publiek recht / SA de droit public ("the company") and its subsidiaries (jointly "the group"), we hereby submit our statutory audit report. This report includes our report on the consolidated financial statements and the other legal and regulatory requirements. These parts should be considered as integral to the report.

We, members of the joint auditors, were appointed in our capacity as statutory auditor by the shareholders' meeting of 17 April 2019, in accordance with the proposal of the board of directors issued upon recommendation of the audit and compliance committee. Our mandate will expire on the date of the shareholders' meeting deliberating on the financial statements for the year ending 31 December 2021. Deloitte Bedrijfsrevisoren/réviseurs d'Entreprises has performed the statutory audit of the consolidated financial statements of Proximus NV van publiek recht / SA de droit public for 10 consecutive periods. This is the first year CDP Petit & Co has performed the statutory audit of the consolidated financial statements of Proximus NV van publiek recht / SA de droit public.

### Report on the consolidated financial statements

#### Unqualified opinion

We have audited the consolidated financial statements of the group, which comprise the consolidated balance sheet as at 31 December 2019, the consolidated income statement, consolidated statement of other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, as well as the summary of significant accounting policies and other explanatory notes. The consolidated statement of financial position shows total assets of 8 978 million EUR and the consolidated statement of comprehensive income shows a profit for the year then ended of 392 million EUR.

In our opinion, the consolidated financial statements give a true and fair view of the group's net equity and financial position as of 31 December 2019 and of its consolidated results and its consolidated cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium.

#### Basis for the unqualified opinion

We conducted our audit in accordance with International Standards on Auditing (ISA), as applicable in Belgium. In addition, we have applied the International Standards on Auditing approved by the IAASB applicable to the current financial year, but not yet approved at national level. Our responsibilities under those standards are further described in the "Responsibilities of the joint auditors for the audit of the consolidated financial statements" section of our report. We have complied with all ethical requirements relevant to the statutory audit of consolidated financial statements in Belgium, including those regarding independence.

We have obtained from the board of directors and the company's officials the explanations and information necessary for performing our audit.

We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	How our audit addressed the key audit matters
<p><b>Revenue recognition on telecommunications activities</b></p> <p>The accuracy of revenue is an inherent risk in the telecommunications industry. This is driven by the complexity of billing systems, the magnitude of volumes of data in combination with different products on the market and price changes in the year. The correct application of revenue recognition accounting standards to the separate elements of a customer’s contract are complex and require judgement by management.</p> <p>The details on revenue recognition are included in notes 2 ‘Significant accounting policies’, 14.2 ‘Contract Assets’, 22 ‘Other current payables and contract liabilities’ and 23 ‘Net Revenue’.</p>	<p>We addressed this key audit matter by applying the following controls and substantive test procedures to the material revenue streams:</p> <ul style="list-style-type: none"> <li>• We tested the design and operating effectiveness of the relevant key controls in place in the revenue cycle, as well as in the IT environment in which billing, rating and other relevant support systems reside, including the change control procedures in place around systems that support material revenue streams;</li> <li>• We performed tests of details on a sample of individual revenue transactions, tracing these back to order documentation and cash receipts; and</li> <li>• We performed a substantive analytical review.</li> </ul> <p>Additionally we assessed the appropriateness of the group’s accounting policies with respect to revenue recognition and assessed compliance with the applicable accounting standards.</p>
<p><b>Liabilities for termination benefits</b></p> <p>In 2019 Proximus announced its #shifftodigital strategy, which included a transformation plan in which 1300 functions were identified as being redundant. The implementation of the strategy started in November 2019 and all employees were notified before year-end.</p> <p>The determination of the liabilities for termination benefits is based on the effective number of employees opting for voluntary leave and other assumptions.</p> <p>Considering the overall significance of the termination benefits and its importance for the users’ understanding of the current year accounts, we consider the employee restructuring program to be a significant matter in our audit.</p> <p>The details on accounting for termination benefits are included in note 2 ‘Significant accounting policies’, note 11.1 ‘Termination benefits and additional compensations in respect of restructuring programs’ and note 26 Workforce expenses.</p>	<p>With respect to the related liabilities:</p> <ul style="list-style-type: none"> <li>• We assessed whether the accounting treatment of the employee restructuring program was appropriate based on the terms and conditions included in the plan and whether the disclosures in the notes to the financial statements were accurate and complete.</li> <li>• In testing the company’s estimates: <ul style="list-style-type: none"> <li>– we performed test of details on the accuracy of personnel data by reconciling such data on a sample basis to underlying evidence and by verifying mathematical accuracy of calculations;</li> <li>– we challenged the assumptions used in management’s estimate for the restructuring provision; and</li> </ul> </li> <li>• We audited, with the assistance of our internal actuarial expert, the impact of the restructuring to the existing pension related obligations and other post-employment benefits.</li> </ul>

### **Responsibilities of the board of directors for the preparation of the consolidated financial statements**

The board of directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium and for such internal control as the board of directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the board of directors is responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters to be considered for going concern and using the going concern basis of accounting unless the board of directors either intends to liquidate the group or to cease operations, or has no other realistic alternative but to do so.

### **Responsibilities of the joint auditors for the audit of the consolidated financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a statutory auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

During the performance of our audit, we comply with the legal, regulatory and normative framework as applicable to the audit of consolidated financial statements in Belgium. The scope of the audit of annual accounts does not comprise any assurance regarding the future viability of the group nor regarding the efficiency or effectiveness demonstrated by the board of directors in the way that the group's business has been conducted or will be conducted.

As part of an audit in accordance with ISA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from an error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors;
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our statutory auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our statutory auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



- obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit and compliance committee regarding, amongst other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit and compliance committee with a statement that we have complied with relevant ethical requirements regarding independence, and we communicate with them about all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the audit and compliance committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes any public disclosure about the matter.

### Other legal and regulatory requirements

#### **Responsibilities of the board of directors**

The board of directors is responsible for the preparation and the content of the directors' report on the consolidated financial statements, the statement of non-financial information attached to the directors' report on the consolidated financial statements and other matters disclosed in the directors' report on the consolidated financial statements.

#### **Responsibilities of the joint auditors**

As part of our mandate and in accordance with the Belgian standard complementary to the International Standards on Auditing (ISA) as applicable in Belgium, our responsibility is to verify, in all material respects, the director's report on the consolidated financial statements, the statement of non-financial information attached to the directors' report on the consolidated financial statements and other matters disclosed in the directors' report on the consolidated financial statements, as well as to report on these matters.

#### **Aspects regarding the directors' report on the consolidated financial statements and other information disclosed in the directors' report on the consolidated financial statements**

In our opinion, after performing the specific procedures on the directors' report on the consolidated financial statements, this report is consistent with the consolidated financial statements for that same year and has been established in accordance with the requirements of article 3:32 of the Code of companies and associations.

In the context of our statutory audit of the consolidated financial statements we are responsible to consider, in particular based on information that we became aware of during the audit, if the directors' report on the consolidated financial statements and other information disclosed in the directors' report on the consolidated financial statements are free of material misstatements, either by information that is incorrectly stated or otherwise misleading. In the context of the procedures performed, we are not aware of such a material misstatement.

The non-financial information as required by article 3:32, § 2 of the Code of companies and associations, has been disclosed in the the directors' report on the consolidated financial statements that is part of the annual report. This non-financial information has been established by the company in accordance with the GRI Standards reporting principles. In accordance with article 3:75, § 1, 6° of the Code of companies and associations we do not express any opinion on the question whether this non-financial information has been established in accordance with GRI Standards reporting principles mentioned in this non-financial information.

### Statements regarding independence

- No services, incompatible with the statutory audit of the consolidated financial statements as referred to by the law, have been performed and our audit firms and, if applicable, our networks of audit firms remained independent from the company during the performance of our mandate.
- The fees for the additional non-audit services compatible with the statutory audit, as defined in article 3:65 of the Code of companies and associations, have been properly disclosed and disaggregated in the notes to the consolidated financial statements.

### Other statements

- This report is consistent with our additional report to the audit committee referred to in article 11 of Regulation (EU) No 537/2014.

Zaventem, 21 February 2020

### The joint auditors



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Represented by Geert Verstraeten



**CDP Petit & Co BV/SRL**  
Represented by Damien Petit

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