
Management Report Proximus PLC under Belgian Public Law

2017

proximus

Report by the Board of Directors to the annual general meeting of shareholders on 18 april 2018 on the annual accounts of Proximus PLC under Belgian Public Law as at 31 december 2017

Dear Shareholders,

We are pleased to report on the operations of the 2017 financial year and to submit for your approval, the annual accounts per 31 December 2017.

The development and the results of Proximus in 2017

Comments on the annual accounts

Balance sheet

Intangible assets decreased with € 294 million down to € 3,065 million mainly as a consequence of the amortization of the goodwill from the 2010 merger by absorption, partly offset by important investments in IT assets and broadcasting rights.

The net book value of the “plant, machinery and equipment” increased by € 88 million up to € 2,514 million, as investments exceeded the depreciation cost of 2017. On the one hand, there are the investments made in the mobile network to maintain the mobile leadership in the Belgian market; on the other hand, there are the important investments made in the fixed network to roll-out fiber and vectoring in order to increase the broadband speed.

The amounts receivable after one year (€ 144 million) include a loan granted to BICS in the context of the acquisition of Telesign.

The inventory remained fairly stable at € 96 million.

The amounts receivable within one year increased with € 23 million up to € 657 million mainly as a consequence of the increase in recoverable VAT and tax prepayments.

The cash and cash equivalent are approximately € 9 million higher end of December of 2017 at € 39 million compared to December 2016.

The equity decreases by € 177 million mainly due to the Net Income being lower than the distributed profit.

The provisions for liabilities and charges decreased with € 44 million mainly as a consequence of payments for the voluntary early leave plan that started mid 2016.

The total carrying value (long term and short term parts) of the unsubordinated debentures increased by € 500 million compared to 2016, as a consequence of the issuance of €500 million Senior Unsecured Notes in March 2017.

Credit institutions payable after more than one year are composed of intercompany borrowings. In 2017 two borrowings were concluded: in June one of € 600 million and one for € 1.300 million in March.

Per 31 December 2017, the current liabilities exceed the current assets. However, Proximus benefits from different sources of financing, such as the use of readily available excess cash within the Group, the issuance of short term notes under its commercial paper program, the use of existing

credit facilities and/or the use of its existing Euro Medium Term Notes program.

Income statement

2017 operating income amounts to € 4,489 million. The turnover increased with € 24 million partially offset by the decrease in own construction capitalized with € 17 million and the decrease of work and contracts in progress with 7 million. The 2017 and 2016 non recurring operating income (2017:€ 8 million and 2016: €10 million) relate to income recognized with respect to the compensation mechanism for statutory retirees foreseen in the transfer of the obligation of legal pensions to the Belgian State in 2003.

The amount of operating charges decreased with € 218 million down to € 4,068 million. The non recurring operating charges decreased with € 275 million partly offset by an increase of depreciation and amortization with € 59 million and other operating charges with € 18 million .

The decrease of non recurring operating charges is mainly the consequence of the voluntary early

leave plan and collective agreement for which the cost was recognized in 2016.

As a result, the operating profit increased with € 215 million up to € 421 million.

The net financial income decreased with € 245 million down to € 53 million due to lower dividends received partly offset by lower interest expenses.

The 2017 earnings before income tax amount to € 475 million (vs. € 504 million in 2016).

Corporate income taxes increased with € 115 million up to € 141 million as 2016 benefitted from higher tax deductions.

As a consequence the profit of the year before appropriation of the result amounted to € 335 million compared to € 479 million for 2016.

Appropriation of the account

We propose the following appropriation (in €):

		2017
Profit of the financial year to be appropriated	+	334,766,320 EUR
Accumulated profits	+	304,501,233 EUR
Profit to be appropriated	=	639,267,553 EUR
Transfers from capital and reserves	+	3,708,700 EUR
Transfers to capital and reserves	-	1,289,844 EUR
Profit to be distributed (Dividends)	-	487,730,988 EUR
Other beneficiaries (personnel)	-	23,725,183 EUR
Profit to be carried forward	=	130,230,238 EUR

On December 8th 2017 an interim dividend of € 161.4 million has been paid.

Right and commitments not included in the balance sheet

Proximus has the right to issue Commercial Paper for a total of € 1,000 million, of which € 163.5 million has been issued end 2017, and the right to

issue Euro Medium Term Notes for a total of € 3,500 million, of which € 2,254.8 million has been issued as of end 2017.

Most important risks and uncertainties

Taking risks is inherent to doing business and successfully managing risks delivers return to Proximus stakeholders. Proximus believes that risk management is fundamental to corporate governance and the development of sustainable business.

The Group has adopted a risk philosophy that is aimed at maximizing business success and shareholder value by effectively balancing risk and reward. Effective risk management is a key success factor for realizing our objectives. The motivation of risk management is not only to safeguard the Group's assets and financial

strength but also to protect Proximus' reputation. A structured risk management process allows management to take risks in a controlled manner. Financial risk management objectives and policies are reported in Note 33 of the consolidated financial statements, published on the Proximus website. Risks related to important ongoing claims and judicial procedures are reported in Note 35 of these statements. The enterprise and financial reporting risks are detailed below, together with the related mitigating factors and control measures. Note that this is not intended to be an exhaustive analysis of all potential risks Proximus might be facing.

Enterprise-wide risks

Proximus' Enterprise Risk Management (ERM) is a structured and consistent framework for assessing, responding to and reporting on risks that could affect the achievement of Proximus' strategic development objectives. The Group's ERM covers the spectrum of business risks ("potential adverse events") and uncertainties that Proximus could encounter. It seeks to maximize value for shareholders by aligning risk management with the corporate strategy. It does so by assessing emerging risk (e.g. from regulation, new technologies on the market) and developing mitigating strategies in line with its risk tolerance.

Proximus ERM framework has been reviewed and updated in 2017 in order to be aligned with the market best practices. This risk assessment and evaluation takes place as an integral part of Proximus' annual strategic planning cycle. All

relevant risks and opportunities are prioritized in terms of impact and likelihood, considering quantitative and/or qualitative aspects. The bottom up identification and prioritization process is supported by a self-assessment template and validation sessions. The resulting report on major risks and uncertainties is then reviewed by the Executive Committee, the CEO and the Audit and Compliance Committee. The main findings are communicated to the Board of Directors. Among the risks identified in the ERM exercise of 2017, the following risk categories were prioritized (in the following order):

- Competitive market dynamics
- Business model evolution
- Customer experience
- Human Resource cost flexibility
- Employee skills & motivation

Competitive market dynamics

Proximus' business is primarily focused on Belgium, a small country with a few large telecom players, among which Proximus is the incumbent. Proximus is operating in growing (e.g. smartphones, mobile data, security, IOT, smart mobility, API platforms), maturing or saturated (e.g. Fixed Internet, postpaid mobile, fixed voice) or even declining (e.g. prepaid mobile, accelerated by registration obligation mid 2017) markets.

The market is in constant evolution, with competitive dynamics at play that might impact market value going-forward.

Substitution by OTT services of fixed line services (e.g. by apps and social media like Skype, Facebook, WhatsApp, etc.) and TV content could put further pressure on revenues and margins as these over the top services are further gaining ground.

As a result of its long-term strategy and continued network investments (Fiber, VDSL/Vectoring, 4G/4G+) Proximus has been consistently improving its multi-play value propositions by putting more customers on the latest technologies, keeping the lead in mobile innovation, structurally improving customer service, partnering with content and OTT players to offer a broad portfolio of content (Sports, Netflix, families & kids with e.g. Studio 100 agreement), developing an omnichannel strategy and improving digital customer interfaces, ...

Business model and servicing evolution

Proximus' business model and financial performance have been and will be impacted by (disruptive) technologies, such as eSIM smartphones and OTT (over-the-top) services. Proximus' response to new technologies and market developments and its ability to introduce new competitive products or services, meaningful to its customers, will be essential to its performance and profitability in the long run.

Proximus will also pursue its positioning as smart aggregator.

Proximus has built up an advantageous and solid competitive position providing the company with other levers than just price, reducing the risk to churn and price disruption exposure.

Proximus is also responding through a convergent and bundled approach and by offering new services and opting for an aggregator model, putting at disposal the best content to its customers (e.g. Netflix).

The price-sensitive segment, on the rise in 2017 as more consumers seek 'no frills' offers at a lower price, is successfully addressed via its subsidiary Scarlet. The latter offers attractively priced mobile and triple-play products.

In the corporate large-company market, the scattered competitive landscape drives price competition, which might further impact revenue and margins.

Here also, Proximus intends to respond to increasing competition by strengthening its voice-data-IT convergence strategy, leveraging unmatched sales reach, broad portfolio and expertise. Addressing customer business needs through solutions combining core assets with innovation like IoT, Cloud, Security and big data will help preserving the value. The acquisitions of Davinsi Labs (cyber security) and Unbrace (application development) aim at increasing our expertise in these growth domains.

For ultra-broadband fibre based connectivity, Proximus operates a local marketing approach, joining forces of our sales and the one of technical forces and of local partners for its fibre deployment project.

Proximus also continues to develop capabilities to support business customers in their digital transformation with its industry-tailored support and convergent products combining connectivity, hybrid cloud and managed security solutions (e.g. acquisition of Davinsi Labs).

Proximus continuously explores ways to diversify revenues streams outside the classical connectivity business. Examples include smart advertising and smart mobility (via B-Mobile

subsidiary among others). In those adjacent domains Proximus explores new partnership models and considers inorganic growth paths.

Customer experience

For Proximus, delivering a superior customer experience is a core strategic mission – but also an ongoing risk domain, considering:

- the fast evolution of market expectations
- the large & complex offer of product & services
- the process /legacy IT application complexity

Proximus is committed to meet its brand Promise 'Always close' by transforming into a digital service provider while delivering superior customer experience: a consistent and intuitive experience across interactions, high quality and stable network, easy-to-use products and services, a good recommendation index and low effort on all interactions in all customer journeys.

Proximus' transformation strategy holds a key focus on 'customer experience' which is materialized in a company-wide program. Via this program it manages different initiatives companywide:

- ensuring products & services are designed to match customer expectations before launching

- maximizing usage satisfaction of products and services with focus on in-home and in-office experience
- designing or redesigning interactions with the customer, ensuring a personalized and effortless interaction with the Proximus brand
- creating and maintaining a continuous dialogue with our customers to engage with them and evolve towards a real customer centric company
- reacting quickly when things are not going in the right direction from the customer perspective

A few examples of what has already been achieved in 2017:

- massive upgrading of customers to latest technology
- 'Happy House' visits to improve in-home experience
- 'Safety nets' for customers at risk via 360° transversal teams
- 'MyProximus' app upgrade and new 'Home optimizer' app
- 'Everything for your smartphone' servicing campaign

Human resource cost flexibility

Even though Proximus is back on the path of growth since 2015, strong competition, the impact of regulation and fast market evolution require that it needs to further reduce costs in order to remain competitive and preserve EBITDA. A significant part of Proximus' expenses is still driven by the cost of the workforce (whether internal or outsourced, expensed or capitalized). Expressed as a ratio of turnover, Proximus total cost of workforce still lies above the average of international peers and main competitors, even if progress is steadily made over the past years.

Moreover, Belgium applies automatic inflation based salary increases, leading to higher costs, not only of Proximus' own employees but also of the outsourced workforce, with the outsourcing companies being subject to the indexation as well.

At Proximus Group level, about one in three employees is statutory. The application of HR rules as defined during successive Collective Agreements is quite strict and doesn't allow high flexibility and even more for statutory employees. This may restrict Proximus' ability to improve

efficiency and increase flexibility to levels comparable to those of its competitors.

Major efforts will be needed to increase flexibility and mobility within the organization. Business complexity is continuously increasing, creating a need for upgraded skills and up-staffing mainly in customer-facing functions on the one hand and digital oriented functions on the other hand.

In the digital era, knowledge workers are a competitive asset if they have the right skills and mind-set. Proximus could face a shortage of skilled resources in very specific domains like security, digital front-ends, data science, agile IT,... This shortage could hamper the realization of our convergent and customer-centric strategy and delay some of our ambitions in innovation. This is why the company is putting so much attention on training programs, internal mobility, and selective hiring of young graduates from relevant fields of knowledge Proximus' attractive

Employee skills and motivation

Companies in the technology sector face growing pressure to attract, retain & manage talented employees; the challenge even grows when it goes over high qualified workforce, especially top experts, who have new digital and analytical skills that are critical to respond to the challenges Proximus faces to prepare for the future. In this matter, it is also essential for Proximus to adapt her way of working to the needs and requirements of the new generation – “the millennials” - and this way manage all talents within an inclusive multigenerational environment. In these challenging conditions, the Human Resources department within Proximus plays a key role in the company to ensure business success by

employer brand is definitely helping to attract and retain the right talents.

In 2017 the next wave of the voluntary early leave plan that was agreed by the unions in 2016 has left the company. However, the need remains to get unions approval on new measures to enhance agility in the company. Discussions with unions are aimed to simplify the current social model, to enhance functional & geographical mobility within the organisation and to increase employability.

Proximus will continue to adapt and simplify the organizational structure in order to evolve towards a high-performance organization and as such transforming the way we work.

Different initiatives are ongoing to safeguard the balance between workforce and workload (both in numbers and competencies), to optimize in- and outsourcing, to stimulate (internal) mobility, and to drastically simplify and/or automate Proximus' products, services, processes and systems.

helping people to develop new skills to be ready for the future.

Considering the imperative to align skills vs. customer & business needs, Proximus Human Resources department has taken the necessary steps to identify what skills and skill groups are critical to face tomorrow's challenges. Proximus HR department is also working to spread a talent culture throughout the organization that encourages to know, develop and share each other's talents to have the right talent at the right place.

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. Depending on the nature of the risk involved and the particular business or function affected, Proximus is using 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 AMA (Advanced Measurement Approach) methodology. A dedicated "as-if" adverse scenario risk register has been developed in order to make stress tests relevant.

Business Continuity

Interruptions to our ICT and telecom infrastructure that supports our businesses (including those provided by third-party vendors such as power suppliers) could seriously impact our revenues, our liabilities and our brand reputation.

Therefore, building and ensuring resilience of our products and services is and remains a top priority. We are convinced that our business continuity plans will keep our company up and running through interruptions of any kind: power failures, IT system crashes, natural disasters, supply chain problems and more.

For each critical business function, business continuity plans have been developed in order to:

- identify and prevent risks where possible
- prepare for risks that we can't control
- respond and recover if an incident or crisis occurs

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

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

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

Per critical product & services, relevant Recovery Time Objectives (RTO) have been defined in line with the sales business units requirements.

Proximus is closely following the Business Continuity Institute (BCI) best practices guidelines. The level of preparedness (relevant KPIs and score cards) is submitted annually to the Audit & Compliance Committee.

In case of a major adverse event, Proximus has put in place and is continuously testing a crisis management process called PERT (Proximus Emergency Response Team).

Legacy network infrastructure

The systems need to talk to each other over a connected information highway that can deliver information at high speed and without distortion. There is no doubt that in the coming years there will be a continuing demand for ever-increasing quantities of data at ever-increasing speeds. There is a widely held belief that the increased use of wireless and fiber optic technology will render copper wire obsolete.

The problems with services over copper are speed, reliability and value for money. All too often, legacy systems are costly to operate and maintain. Copper has been around for 140 years and has far out-lived any guarantee period. Soon,

copper will cease to be maintained at all and outages on the lines will become more frequent.

Considering those elements, Proximus was in 2004 the first operator in Europe to start building a national Fiber network. And today, Proximus is among the world's top five operators for the proportion of Fiber in its VDSL network with over 21,000 kilometers of optical fiber connecting its street cabinets.

In 2017, Proximus has accelerated the roll-out of Fiber on its fixed network thanks to its 'Fiber for Belgium' € 3 Bio investment plan over the next 10 years.

Cyber Security

Increased global cyber security vulnerabilities, threats and more sophisticated and targeted cyber related attacks pose a risk to the security of Proximus as well as its customers', partners', suppliers' and third-party service providers' products, systems and networks. The confidentiality, availability and integrity of Proximus and its customers' data are also at risk.

We are taking the necessary actions & investments to mitigate those risks by employing a number of measures, including employee training, monitoring testing, and maintenance of protective systems and contingency plans.

Sourcing & Supply chain

Proximus depends on key suppliers and vendors to provide equipment needed to operate its business.

Supply chain risk management (SCRM) is defined as "the implementation of strategies to manage both every day and exceptional risks along the supply chain, based on continuous risk assessment with the objective of reducing vulnerability and ensuring continuity".

The following actions have been taken into account in order to keep an acceptable supply chain risk level:

- Top critical suppliers or their sub-suppliers under constant watch
- Stock management
- Consideration of alternative sourcing arrangements
- Business interruption / contingency plans
- Risk assessments and Audits
- Awareness campaigns and training programs
- Strict follow up of critical suppliers contractual liability & Service level Agreement (SLA) clauses
- Data protection & privacy

Data protection & privacy

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

General Data Protection Regulation (GDPR) 's unification of data protection standards across the European Union has raised the privacy bar on personal data by requiring organizations to locate, understand its purpose and appropriately secure it.

Our objective is to ensure compliance with the EU General Data Protection Regulation (GDPR) without costly disruptions to Proximus data flow and business operations.

Proximus is committed to protect personal data and privacy, and the company has taken the following actions:

- Appointment of a Data Protection Officer (DPO) for Proximus (& subsidiaries) who reports to EXCO and the Audit & Compliance Committee and who is responsible for privacy compliance & implementation of privacy laws, e.g. GDPR.
- Since end of 2015, a Proximus Privacy Council Committee (PPC) has been

established, which reports to the Executive Committee and consists of C-level members from all business units. The Committee decides on the framework and conditions for new and privacy sensitive use cases ("privacy by design") and provides recommendations on all other pertinent aspects related to privacy.

- A Proximus Privacy Charter, adopted in 2016, describes the Proximus' approach to privacy and serves as an internal compass to assess use cases and to respect our stakeholders' privacy, ...
- In view of the EU General Data Protection Regulation, Proximus performed a GDPR readiness assessment and developed a compliance roadmap.
- Mid 2016, Proximus has made a gap analysis between the GDPR requirements & the existing situation. In order to ensure a structured implementation, a multidisciplinary and cross-functional project team has been set up under the supervision of a project manager. Twelve work packages have been defined in order to meet the May 2018 implementation deadline. The progress of the implementation is monitored through internal project governance and quarterly reporting to the Risk Management Committee (RMC) and the Audit & Compliance Committee.

Risk Management & Compliance Committee

In 2017, the Risk Management & Compliance Committee (RMC) has held 4 sessions. The related decisions have been reported to EXCO & the Audit & Compliance Committee. RMC meetings give opportunity to review files where decisions have to be taken by finding the balance between risk taking and cost in line with the Group 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 Proximus risk and compliance guidelines.

The RMC objectives are:

1. To oversee the company's most critical enterprise & operational risks and how management is monitoring and mitigating those risks.
2. To enhance pending/open internal Audit action points where significant resources have to be re allocated.

A disciplined approach to risk is key in a fast-moving technological and competitive environment, in order to ensure that we only accept risk for which Proximus is adequately compensated (risk/return optimisation).

Internal Audit

Proximus internal audit function is – in line with the European best practices requirements – 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 to both the Audit and Compliance Committee and Proximus Management analyses, appraisals, recommendations, counsel, and information.

Therefore, internal audit objectives using the COSO and other professional standards are to ensure:

1. The effectiveness & adequacy of internal controls.
2. The operational effectiveness (doing it right) and/or efficiency (doing it well).

3. The compliance with laws, regulations and policies.
4. The reliability & the accuracy of the information provided.

Internal Audit helps Proximus to accomplish those objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. Internal Audit conducts its activities in a manner based on a continuous evaluation of perceived business risks, and has full and unrestricted access to all activities, documents/records, properties and staff. The Chief Auditor 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.

Financial reporting risks

In the area of financial reporting, in addition to the general enterprise risks also impacting the financial reporting (e.g. personnel), the major 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 could have a significant impact on the financial statements, either directly in the income statement or in the notes. An inappropriate accounting treatment could result in financial statements which do not provide a true and fair view any more. Changes in legislation (e.g. pension age, customer protection) could also significantly impact the reported financials. New accounting standards can require the gathering of new information and the adaptation of complex (billing) systems. If not timely and adequately foreseen, the timeliness and reliability of the financial reporting could be put at risk.

It is the responsibility of the Corporate Accounting department to follow the evolution 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 the Proximus financial reporting is proactively analyzed.

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

Changes in tax law and regulations

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

The tax department continuously follows 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 draft laws available etc., an impact analysis is made from a financial perspective and from an operational point of view. The outcome of the analysis is reflected in the corresponding financial statements in accordance with the applicable framework.

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 a continuous monitoring on the different steps. In addition, different controls are performed to ensure quality and compliance with internal and external requirements and guidelines.

For Proximus and its major affiliates, a very detailed closing calendar is established, which includes in detail cross-divisional preparatory meetings, deadlines for ending of 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, as well as detective controls, where the outcome of the processing is being analyzed and confirmed. Specific attention is given to reasonableness tests, where financial information is being analyzed against more 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 and on a sample basis for others. The combination of all these tests provides sufficient assurance on the reliability of the financials.

Important events that have occurred after the end of the period

There are no events that occurred after 31 December 2017 that have not been reflected in the financial statements.

Circumstances that can significantly influence the development of Proximus

Circumstances that can significantly influence the development of Proximus are listed in caption 'Most important risks and uncertainties'.

Evolution in research and development activities

In 2017, the RD&I (Research, Development & Innovation) of Proximus continued activities, started a number of new studies and introduced new technologies & services in numerous domains, in quite some cases in co-operation with other innovation actors. Proximus makes sure to capture major trends in innovation & venturing

linked to technology as well as the outcomes from standardization & industry policies bodies and continuously feeds innovation programs with relevant elements that fit the targeted chapter of Proximus long term company strategy: Build the Future.

Build the future

The network of the future

Optical fiber

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

With optical Fiber, every member of a household can browse the Internet, watch streamed content, and play games online simultaneously, with no latency or loss in quality. They'll also benefit from the sharpest of images on all their screens.

Thanks to its high reliability and increased data protection, Fiber is the perfect solution for business customers as well, further enabling remote collaboration and the move to cloud applications.

For years Proximus had extended its Fiber network: as backbone for the VDSL network, covering already 94% of Belgium, offering dedicated Fiber solutions to enterprises, and by launching greenfield (new construction) projects.

The Fiber roll-out is extremely transversal, and almost all divisions of Proximus are impacted to some extent. We have launched internally a specific program to maximize all Fiber opportunities, Fiber+. In order to support the Fiber To the Home mass roll-out a new sourcing model

has been established relying on several construction companies contractually organized in 2 consortia, GO4Fiber and 5thNet. About 450 employees are currently involved in this program in addition to the people in these consortia (300 – 500). This will grow exponentially with the fiber roll-out bringing a major scale up challenge.

Proximus has decided to take the next leap in bringing the capabilities of Fiber right up to the existing customer's home or business (brownfield) by launching a major investment plan "Fiber for Belgium" with the ambition to cover more than 85% of businesses and over 50% of households. In 2017 we started the roll out in different cities Antwerp, Brussels, Charleroi, Ghent, Hasselt, Liège and Namur and we recently signed an agreement with the city of Roeselare to start the deployment of our Fiber network over there as well.

Besides point-to-point Fiber connections, in 2017, we started offering GPON technology based on shared Fiber to our business customers to increase our reach and make Fiber more affordable.

The next generation technologies on copper

Proximus also continues to invest in new technologies on the copper network to bring high speeds to all its customers.

Thanks to this, Proximus now has the largest vectoring coverage worldwide. Over the last 3

years, we have set up no fewer than 26,500 ROP cabinets in the streets, offering VDSL to 90% of the population. In fact, we've exceeded 2 million active VDSL2 users in October 2017.

Roll-out of 4.5G

Proximus has been the first to launch 4.5G mobile technology in Belgium. This technology, that offers 2 to 3x faster download speeds, has already been rolled out in different areas in Aalst, Antwerp, Bruges, Ghent, Leuven, Nieuwpoort and

Sint-Niklaas. High business activity zones (e.g. large parts of the port of Antwerp and a number of industrial zones) and areas with a large student population have been designated as the first to receive this technology.

VoLTE

With more than 600,000 users already, Proximus was also the first operator in Belgium to launch VoLTE. This technology, first available on compatible Samsung devices, is now also available on iPhone. VoLTE ensures we continue to offer the "Best Mobile Experience" in the country by delivering a faster call set up time and significantly higher voice quality. It also gives users

the possibility to surf at 4G speeds while making a call.

With those innovations, Proximus is once again taking the lead to provide its customers with the best possible user experience. It's technology at the service of the customer.

5G

In November 2016, Proximus was the first Belgian operator to start testing 5G. Together with a series of other innovations, this unstoppable development will lead to a drastic increase in download speeds and reduction of latency. With 5G Proximus will be able to address the changing needs of the customers in a wide variety of use cases, on top of the existing 4G capabilities.

With 5G on the horizon, Proximus has been readying itself for this hyper-fast mobile network by doing tests (already in 2016) and working on the European Trials Roadmap definition of 5G in the first half of 2017. We also became member of the 5GAA. This association's mission is to develop, test and promote communications solutions to address society's connected mobility and road safety needs.

Meaningful innovation

Our ambition is to become a digital service provider bringing new technologies in an easy way to our customers and improving their lives and work environment. Our focus is not only tech-oriented, but on how we can transform

technologies like the Internet of Things (IoT), the Cloud, Big Data, Security into solutions with positive impact on people and society such as smart advertising, smart home, smart mobility or smart city.

The Internet of Things (IoT): exponential growth in the future

The Internet of Things (IoT) represents the next step towards the digitisation of our society and economy, whereby objects and people are interconnected through communication networks and report about their status and/or the surrounding environment.

Proximus is taking the opportunity to provide objects such as buildings, machines, cars as well as other assets with the appropriate sensors in order to connect them with each other and the Internet.

Proximus confirms market leadership for connected objects in Belgium by connecting (close to) 1.3 million things to its IoT networks through LoRaWAN and Cellular networks.

By collecting valuable information about their condition and/or environment, the sensors exchange information over the IoT networks, allowing the objects to be monitored, operated and controlled remotely. Proximus plans to grow its LoRaWAN network still further and is developing partnerships with users and established IT application integrators to embed IoT in new customers' applications. Furthermore we will launch narrowband-IoT, in order to provide the widest range of networks and solutions that best meet the needs of our customers.

Proximus continuously invests in new products which address applications in a wide variety of verticals. Key ingredients to success are always similar: customer centricity by the involvement of industry experts as of the conception phase, re-usage of our existing modular assets (platforms,

sensors ...) and an openness to open our assets to partners, utilizing our ecosystem (of nearly 200 partners).

The LoRaWAN® network

The LoRaWAN® network offered by Proximus positions itself on a mobile level on the long range / low power network. This network is a key-element in the Internet of Things (IoT) architecture and enables an automatic and accurate transmission of small packages of data.

By the end of 2017, Proximus had rolled-out its nationwide commercial Internet of Things network (using LoRaWAN technology) in Belgium and Luxemburg and added geo-localization functionality.

LoRaWAN® in action

Thanks to the LoRaWAN® network of Proximus and the expertise of SilentSoft, Antargaz has chosen to equip its gas meters with connected IoT sensors. Once the LoRaWAN® sensor has been connected to an Antargaz gas meter in their propane gas network, consumption readings are transmitted regularly and can be consulted at any given point in time on SilentSoft's online platform.

TVH is a global market leader in replacement parts for handling materials, industrial vehicles and agricultural machines. Thanks to machine connectivity, they gather pertinent data pertaining to their use. After the data collected is analysed, they can advise their customers on how to efficiently put their machines to better use. But the primary objective is to optimise maintenance

and servicing. Real-time data-analysis makes it possible to plan pre-emptive maintenance programmes based on statistical models.

Value of the data - Artificial Intelligence

2017 was also the year in which worldwide attention grew for artificial intelligence (AI). Proximus believes strongly that AI in its various applications can bring great value, being it to enhance products and services, optimise its operations or enable new ways of interacting with customers. In these different areas several proofs of concept are launched, with the first implementations of predictive models build via machine learning and chatbots for interacting with our customers. To achieve this Proximus partners its own competences in the field of data science with technologies from the large OTT players and specific knowledge from Belgian start-ups (for

example for implementation of Dutch language NLP models).

One concrete example is the implementation of a collaboration with the Belgian start-up Real Impact Analytics. Together Proximus and RIA develop next generation applications using analytics & predictive models in order to prioritize the future network (mobile & fixed) investments. Those applications use high number of commercial & technical data sources integrated into business logics. Encouraging "better customer experience & convergent" investments.

The Proximus Enabling Company (EnCo)

The Proximus Enabling Company (EnCo) is a fine example of Proximus becoming a provider of digital services and encouraging software developers to co-create new solutions using Proximus assets. The EnCo platform gives developers and companies' easy access to the technologies of Proximus and its partners so they can create solutions and applications in a fully digital way. The Proximus EnCo platform was built over the past year in an agile and digital manner, in constant interaction with target customers via hackathons and workshops.

NxtPort, a digital data platform for the Antwerp Port Community

In January 2017, the Antwerp Port Community launched its data utility platform NxtPort. This has ensured that the Port of Antwerp is ready for a world in which every object and every process can be made intelligent and in which data can be turned - in real time - into relevant insights for better decisions.

Proximus was part of the consortium that won the bid, in partnership with Microsoft and Nallian, a

Belgian data exchange expert with deep logistics expertise. Together we have delivered a state-of-the-art platform that enables data to be shared securely and new solutions to be built quickly.

The NxtPort platform makes it possible to integrate a vibrant ecosystem of companies, developers and IT players. Proximus has been able to offer digital assets including its IoT sensors, SMS services and mobility data and deliver new solutions. In this way Proximus is not only building a platform with its partners but also enabling other companies to enrich the Port's digital transformation journey.

One of the first commercial API services on EnCo involves SMS. Senso2me, a company committed to provide safe and simple care technology solutions that support individual and assisted living, allows message alerts to be sent to carers and family members in case of unusual situations.

EnCo also makes it easier to combine SMS with other services like IoT and Data analytics.

Security, a key domain for Proximus

From its existing strong position on the Benelux cyber security market, the acquisition of Davinsi Labs in May 2017 gives Proximus a 360° cyber security portfolio, covering the prevention and detection of cyber-attacks as well as prediction and response to breaches.

The Belgian authorities now have a new 24/7 public warning system if ever there is a crisis. It's called BE-Alert. As one of the partners in the Crisis Center, we have created a tool to easily inform the population through different channels. BE-Alert can broadcast news and information in the event of a crisis via SMS, fixed voice, email and social media.

itsme

itsme is the product of a unique collaboration in Belgium between the four major banks and its three leading telecom operators. They provide the user with a unique and secure mobile identity. The Federal Government certified the application, making itsme a totally secure key that's useful, 100% safe, simple, and yet respectful of digital privacy. Login access to a MyProximus account via the itsme app is also possible.

Smart Mobility

Be-Mobile

Be-Mobile has an unique market position in the Smart Mobility ecosystem, offering solutions to road users, companies, cities, municipalities and government services, using the Internet of Things and Big Data.

Be-Mobile offers its expertise to increase the accessibility of cities, manage and optimize traffic flows through services such as mobility monitoring, dynamic traffic control, electronic toll charging, and mobile mobility payment services like parking.

Cyber security is of vital importance to everyone particularly as cyber threats are rapidly increasing and today's threat actors are ever more sophisticated. In such a context, trustworthy collaboration between major players is key. For several years already, the Proximus Cyber Security Incident Response Team (CSIRT) has been exchanging cyber threat information with its European peers, to protect Proximus' infrastructure and its customers. This has now been extended through the Cyber Partnership Agreement with the NATO Communications and Information (NCI) Agency.

Telindus in Luxembourg

Telindus Luxembourg completed its existing range of services in Cyber Security with a Cyber Security & Intelligence Operation Center (CSIOC) for the detection and management of cyber incidents.

As a recognition for its determination to innovate and its multi-domain expertise, Telindus has received in 2017 the following awards: "FinTech Solution Provider of the Year", "Awareness Security Initiative of the Year", "Security Provider of the Year", and "Telecom Provider of the Year".

Be-Mobile provides road traffic information in real time. Be-Mobile developed an innovative system which supplements traditional sources of traffic information, such as loop-based traffic counters in the road surface, with anonymous data collected via global positioning systems and mobile applications.

The data that Be-Mobile collects is very valuable for mobility studies and provides good insights for businesses.

Be-Mobile is further expanding its business in an international context.

Connect my car

ConnectMy.Car is an all-in-one connected car solution designed to help car drivers and fleet managers gather and exchange information. It enables an Internet connection within the car, and offers the flexibility of an open platform and the comfort of roadside assistance.

ConnectMy.car is an integrated system based on a device that is simple to plug in and which collects useful real-time data such as location, technical

and other information about the vehicle as well as driving behaviour. In agreement with the driver and in function of the services required, this data is shared via an open yet secure platform with application service providers, proposed by Proximus and Touring. The solution is a new telematics approach offering maximum transparency yet respecting the privacy of the driver.

Finding and embracing strong partnerships & ecosystems

In the growing digital economy, a company's success is increasingly founded on partnerships, while innovation is becoming more and more open and collaborative.

The following strategic initiatives are testament to the commitment Proximus is making in this

domain: the recent acquisitions of companies such as TeleSign, Davinsi Labs and Unbrace ; the co-creation initiatives with other companies and local start-ups to set up new ecosystems such as Co.Station; and our tradition of collaborating with universities.

Strategic acquisitions

Davinsi Labs, a cyber security company

The acquisition of Davinsi Labs in May 2017 is in line with our Fit for Growth strategy and our ambition to invest in key strategic domains in order to become a Digital Service Provider. Thanks to this acquisition Proximus will have the most complete cyber security offering on the Belgian market. With the upcoming regulation to better

protect all EU citizens from privacy and data breaches in an increasingly data-driven world (the General Data Protection Regulation); the detection and prediction of security threats - which are Davinsi Labs' main areas of expertise - will become even more important.

Partnership & ecosystem

We acknowledge that we, as a telecommunication operator, can't be successful alone. It's important to build strong partnerships to be able to move up the value chain and create end-to-end solutions

with true impact on people's life and work. Therefore, in this journey of Open Innovation, we steadily evolve towards partnership and ecosystems.

New shareholder of Co.Station

Co.Station is a Belgian community that unites some 2,000 entrepreneurs, start-ups, scale-ups, corporates, investors and influencers and materialized in 2 co-working spaces in Brussels and Ghent with the ambition to further expand.

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

working with a number of external parties to jointly develop the products of tomorrow. Proximus is therefore a catalyst in stimulating entrepreneurship and helping new digital companies in Belgium innovate and grow. In September 2017, Proximus became a shareholder in the community – a logical next step.

B-Hive

B-Hive is a start-up community of which Proximus is a founding partner. This European fintech platform, promoting collaborative innovation, brings major banks, insurers and market

infrastructure together, thereby supporting startups and entrepreneurs who develop solutions for financial markets.

Call-for-Innovation

Call for Innovation (call-for-innovation.com) is a platform where Proximus and partner companies (Swisscom, Telia) are reaching out to find the leading startups and innovators around specific topics / challenges to co-create products and

services for our customers. Two calls have been organized:

- Next Generation Virtual Telco Functions & Services Startups (SDN/NFV 2.0)
- Business Cases leveraging Big Data in Telcos

Collaboration with Universities

A partner to universities for many years already, we have intensified collaboration still further by initiating joined RD&I projects. For example, Proximus participates to the BoSS project (Blockchain for online Service Security). This cooperative research project enables online service providers to leverage improved blockchain technology to enhance the security and privacy of their application services by providing appropriate

middleware platforms as well as technical and legal building blocks. The project is executed under the framework of the ICON.IMEC research program and involves the following partners: KU Leuven (DistriNet, COSIC and CiTIP), Up-nxt, Thanksys, EURid, Noesis Solutions and Agfa Healthcare. The project starts in October 2017 and has a duration of 24 months.

Cooperation agreement with the University of Ghent

Proximus and UGent announced their intention to jointly create research projects in the telecom and ICT fields and will also cooperate on doctoral research and theses in subjects such as “big data analytics”, “process engineering”, “artificial intelligence” and “behavioural analytics”.

Together, they also expressed the intention to help build the “embassy of ingenuity” to promote “Belgian ingenuity”. Furthermore, they would cooperate more closely to align training courses with the fast evolving employment market in today’s and tomorrow’s new digital economy, and bring the corporate and university worlds closer together.

Independence and expertise in the accounting and audit domain of at least one member of the Audit and Compliance Committee

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 have extensive expertise in accounting and audit. The Chairman of the Audit & Compliance Committee, Mr. Guido J.M.

Demuyneck, holds a degree in Applied Economics. Mrs. Catherine Vandendorre holds a degree in Business Economics as well as degrees in Tax and Financial Risk Management. Mr. Paul Van de Perre holds a Master's degree in Economics and several postgraduate degrees. The Chairman and the majority of the members exercised several board or executive mandates in large Belgian or international companies.

Corporate Governance Statement

Proximus governance model

As a limited liability company under public law, Proximus is governed by the Law of 21 March 1991 on the reform of certain autonomous economic public companies ("the 1991 Law"). For matters not explicitly regulated by the 1991 Law, Proximus is governed by Belgian Company Code and the 2009 Belgian Corporate Governance Code.

The key features of Proximus' governance model are:

- a Board of Directors, which defines Proximus' general policy & strategy and supervises operational management;
- an Audit & Compliance Committee, a Nomination & Remuneration Committee, and a Strategic & Business Development Committee created by the Board within its structure;

- a Chief Executive Officer (CEO) who takes primary responsibility for operational management including, but not limited to, day-to-day management;
- an Executive Committee which assists the CEO in the exercise of her duties.

On 16 December 2015, a new law was adopted to modernize the 1991 Law in order to create a level playing field with competing companies, by aligning corporate governance to the normal rules for listed companies in Belgium and by defining the framework for the government to decrease its participation below 50%. At the General Shareholders' meeting of 20 April 2016, a number of changes were made to the bylaws in order to incorporate the amendments made to the 1991 Law and to improve the corporate governance of the company.

Designation applicable 2009 Code on Corporate Governance

Proximus designates the 2009 Belgian Code on Corporate Governance as the applicable Code (www.corporategovernancecommittee.be).

Deviations from the 2009 Belgian Corporate Governance Code

Proximus complies with the 2009 Belgian Corporate Governance Code, with the exception of two deviations, which were imposed under the former 1991 Law. These deviations will cease to exist as from the expiry of the mandate of the last Director appointed by the Belgian State.

The 2009 Belgian Corporate Governance Code states that the term of a board mandate should not exceed maximum four years. However, the mandates of the Directors who were appointed by the Belgian State in the past expire after six years

as prescribed by the former article 18, paragraph 3, of the 1991 Law. As from 2016, all Directors are appointed for a term of four years.

The 2009 Belgian Corporate Governance Code states that the Board of Directors appoints its Chairman. The current Chairman was appointed by the Belgian State by Royal Decree deliberated in the Council of Ministers in accordance with the former article 18, paragraph 5, of the 1991 Law. The next Chairman will be appointed by the Board of Directors.

Most important characteristics of the internal control and risk-management systems

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 with other additional Belgian disclosure requirements as an essential element of management and governance. 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 the accounting manuals and other 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 formation 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 formations session on Proximus new business products & services.

Risk analysis

Major risks and uncertainties are reported in the caption 'Most important risks and uncertainties.'

Risk mitigating factors and control measures

Mitigating factors and control measures are reported in the caption 'Most important risks and uncertainties'.

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 today 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 includes

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 Executive Committee (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.

Composition and functioning of the governing bodies and their committees

Board of Directors

Prior to the amendment of the 1991 Law by the law of 16 December 2015, the Board of Directors was mandatorily composed of:

- Directors directly appointed by the Belgian State via royal decree, in proportion to its shareholding;
- Directors appointed by a separate vote among the other shareholders for the remaining Board seats;
- The Board of Directors was composed of a maximum of sixteen members, including the person appointed as CEO.

Since the modified 1991 Law and the changes to the bylaws in April 2016, the following principles will apply:

- All Directors are now appointed by the Shareholders' Meeting with 50% + one vote, upon proposal by the Board from those candidates withheld by the Nomination & Remuneration Committee;
- Any shareholder holding at least 25% has the right to propose a number of Directors proportionate to its shareholding;
- All Directors other than the CEO and those appointed through the aforementioned nomination right are independent. In any case there must be three independent Directors according to the criteria of article 526ter of the Belgian

Company Code and of the Belgian Corporate Governance Code;

- The Board is composed of maximum fourteen members;
- Directors are appointed for a maximum term of four years. Mandates are renewable but there is a maximum term of in total twelve years for independent Directors.

The modified 1991 Law does not impact the current mandates.

Today, the Board is composed of fourteen members. Seven Directors are appointed by the Belgian State in accordance with the previous version of the 1991 Law. Their mandates expire at the end of their term, except in case of early termination by the Shareholders' Meeting. The other seven Directors are independent as per article 526ter of the Belgian Company Code and of the Belgian Corporate Governance Code.

Proximus is proud of a substantial female representation on its Board of Directors. This composition and the complementary expertise and skills of all Directors create a dynamic which benefits the good management of the company.

Composition of the Board of Directors:

On 19 April 2017 Mr. Pierre Demuelenaere was reappointed as independent director for a new term of four years.

Members of the Board of Directors appointed by the Belgian State under the previous version of the 1991 Law:

Name	Age	Position	Term
Stefaan De Clerck	66	Chairman	2013 – 2019
Dominique Leroy	53	Chief Executive Officer	2014 – 2020
Karel De Gucht	64	Director	2015 – 2021
Martine Durez	67	Director	1994 – 2019
Laurent Levaux	62	Director	2013 - 2019
Isabelle Santens	58	Director	2013 - 2019
Paul Van de Perre	65	Director	1994 - 2019

Members of the Board of Directors appointed by the General Shareholders' Meeting:

Name	Age	Position	Term
Pierre Demuelenaere	59	Independent director	2011 - 2021
Guido J.M. Demuyck	67	Independent director	2007 - 2019
Martin De Prycker	63	Independent director	2015 - 2019
Tanuja Randery	51	Independent director	2016 - 2020
Agnès Touraine	63	Independent director	2014 - 2018
Catherine Vandendorre	47	Independent director	2014 - 2018
Luc Van den hove	58	Independent director	2016 - 2020

Functioning of the Board of Directors

The Board of Directors meets whenever the interests of the company so require or at the request of at least two directors. In principle, the Board of Directors holds five regularly scheduled meetings annually. The Board of Directors also yearly discusses and evaluates the strategic long-term plan in an extra meeting. In general, the Board's decisions are made by simple majority of the directors present or represented, although for certain issues a qualified majority is required. The Board of Directors has adopted a Board Charter which, together with the Charters of the Board Committees, reflects the principles by which the Board of Directors and its Committees operate. The Board Charter stipulates, among other things, that important decisions should have broad support, understood as a qualitative concept indicating effective decision-making within the Board of Directors following a constructive

dialogue between directors. Files on important decisions are prepared by standing or ad hoc Board Committees with significant representation of non-executive, independent directors within the meaning of Article 526ter of the Belgian Company Code.

In February 2014, the Board decided to give a broader interpretation to the notion "conflict of interest". Besides the legal clauses applicable to Proximus, the extra-legal obligations included in the Charter of the Board of directors stipulate that directors commit to avoid any appearance of conflict of interest by, amongst other, but not limitative:

- Not exercising any position, mission or activity in a private or public-sector body that, as important part of its business,

- offers for profit telecommunications services or goods in Belgium or in any country in which Proximus realizes at least 5 % of its turnover;
- Not exercising any position, mission or activity on behalf of a direct or indirect

- competitor of Proximus or of one of its affiliates;
- Not to assist, remunerated or not, any party in its contract negotiations with or procedures against Proximus or one of its affiliates.

Committees of the Board of Directors

Proximus has an Audit & Compliance Committee, a Nomination & Remuneration Committee and a Strategic & Business Development Committee.

The Board of Directors decided at its meeting of September 22, 2017 to rename and refocus as of 2018 the 'Strategic & Business Development Committee' into 'Transformation & Innovation Committee'.

Messrs. Guido J.M. Demuynck (Chairman), Stefaan De Clerck, Pierre Demuelenaere, Paul Van de

Perre and Mrs. Catherine Vandendorre are the members of the Audit & Compliance Committee.

Messrs. Stefaan De Clerck (Chairman), Pierre Demuelenaere, Guido J.M. Demuynck, Martin De Prycker and Mrs. Martine Durez are the members of the Nomination & Remuneration Committee.

Messrs. Stefaan De Clerck (Chairman), Karel De Gucht, Martin De Prycker, Luc Van den hove, Mrs. Tanuja Randery and Mrs. Agnès Touraine, are the members of the Strategic & Business Development Committee.

Related Party Transactions

On 24 February 2011, the Board adopted a "related party transactions policy" which was updated in September 2016, which governs all transactions or other contractual relationships between the company and its board members.

Proximus has contractual relationships and provides also telephony, Internet, digital and/or ICT services to many of the companies in which Board members have an executive or non-executive mandate. These transactions take place in the ordinary course of business and at arm's length.

Evaluation of the Board

At the end of 2016, the Board of Directors started an external Board evaluation together with Guberna. The Board members were invited to answer an extensive questionnaire, followed by an interview between Guberna and each individual Board member. The Board members were asked their opinion on corporate governance at Proximus, the functioning of the Board and of the committees. Guberna concluded in 2017 that the assessment was overall positive and identified as main strengths a well-balanced composition of the Board, the high quality of information flow to the Board, a Board culture stimulating the

decision-making in the interest of the company and an excellent leadership by the Board's chair.

As a result of the evaluation, the Board reflected on the role of the 'Strategic & Business Development Committee' and decided to change this as of 2018 into a 'Transformation & Innovation Committee', which is a permanent committee of the Board, discussing those selected files of diverse nature that need preparatory reflection and need to mature before being brought to the Board for decision. This Committee will be convened at the request of the Chairman

or the Board whenever required by the interest of the company.

As a further action point from the Board evaluation, the Board decided to strengthen the reporting from the committees and to review and

update the delegation from the Board to the CEO which was last published in 2006. The Board also decided to table certain topics at its meetings in the course of 2017, such as competitive analysis, innovation, branding/marketing, investments and assessment of past acquisitions.

Executive Committee

The members of the Proximus Executive Committee, other than Mrs. Dominique Leroy, the CEO, are Mrs. Sandrine Dufour, Messrs. Dirk Lybaert, Geert Standaert, Renaud Tilmans, Jan Van Acoleyen, Bart Van Den Meersche and Guillaume Boutin.

Mr. Phillip Vandervoort, Chief Consumer Market Officer, left the company on 1 March 2017.

Proximus has appointed members of the Executive Committee and of its staff to exercise mandates in companies, groups and organisms in which it has participations and is involved. Such mandates are not remunerated. A list of the persons concerned is given in section 'Mandates exercised in companies in which Proximus participates' of this report.

Diversity statement

In accordance with article 3 of the Law of 3 September 2017 on the disclosure of non-financial and diversity information by certain large companies and groups, Proximus' diversity policy, its purpose and results are described below.

The statement on other non-financial information is included in a separate report which is annexed to this Management Report.

Strategic orientation about diversity & inclusion

Proximus believes that a diverse workforce, through employees' unique capabilities, experiences and characteristics, will help to reach a more diverse marketplace and will create sustainable business. It is also important to reflect the diversity of our customers and markets in our workforce.

Therefore, Proximus has a **Charter on diversity and equal rights**, which applies to all employees of the Proximus Group.

With this policy Proximus wants to enable conditions, where these differences are recognized and respected, and where all employees are given equal opportunities. For Proximus, diversity and equality mean:

- Treating all applicants and employees equally, based only on relevant competencies and objective criteria.

- Creating an open and welcoming work environment that encourages contributions from people of all backgrounds and experiences.
- Promoting a mind-set of respect and openness throughout all levels of the organisation and treating all employees fairly and equally.
- Demonstrating behaviour free from any form of racism, intolerance, discrimination, harassment or other attitude that could negatively affect the dignity of men and women at the workplace.
- Incorporating diversity in all aspects of the way we do business without any form of intolerance.

Within Proximus specific teams are in charge of monitoring the compliance with the Charter and of taking the correct measures in case of non-compliance.

Diversity & inclusion in our management and employees communities

Proximus is particularly conscious about the importance of diversity at all levels of the organisation and concentrates on attracting and retaining highly talented leaders and employees, people considered as strong role models who are high performers and ambassadors of our company values.

While taking care of putting in place well-balanced mixed teams, Proximus reinforces its capacity for innovation and fosters its learning

culture, the satisfaction of its employees and their creativity towards the future challenges of a digital world.

With regards to gender diversity, this approach is also reflected in the female representation at the different levels of our company:

- 43% of the Board of Directors
- 25% of the Executive Committee
- 24% of the members of the Leadership Team
- 32% of all employees' population

In certain technical units with activities such as welding, female representation is relatively low, whereas other business units have a more gender-equal representation.

Proximus also has a very diverse workforce in terms of culture with 58 nationalities.

Proximus supports internal and external diversity network activities and initiatives such as the

AfroPean network (APN) and WinC (women network). We have a Diamond Sponsorship in the organisation “Women on Board”. Our CEO participates in events regarding women at the top. Proximus also ensures ad hoc presence to external events such as “Yes she can” in order to encourage young girls to choose for engineering studies and a technical career.

Creation of a culture that allows to reconcile activities during the different life phases

Proximus wants to create conditions to allow its personnel to reconcile the different aspects of their professional and private life during their different life phases by offering opportunities for internal job change and development opportunities, homeworking, part-time schedules, home child care, ... These measures allow our

workforce to be optimally present, supported and motivated.

Proximus is founding partner of “Experience@Work”. Thanks to this company, experienced talents from organisations can be deployed in other organisations which are looking for specific experience and/or talent.

Diversity as part of Proximus code of conduct

Proximus’ mission consists in connecting everyone and everything so people live better and work smarter. This also means that we have to earn and keep the trust of our customers, our employees, our suppliers, our shareholders, our partners and the company as a whole.

Successful business must go hand in hand with honest and ethical behaviour. Each employee has a crucial role to play in this matter. This is the reason why the Code of Conduct is in place, representing our corporate culture and values. This Code of Conduct reflects the fundamental principles and rules which are the foundations of our engagement to be a socially responsible company. The Code of Conduct applies to everyone: Board Directors, managers and all employees. Although the Code of Conduct cannot directly be imposed to our business partners, we seek to always work with partners respecting the same ethical standards.

Proximus expects its employees to respect the Code of Conduct and use it as a reference in their day-to-day way of working.

Human rights

People are entitled to be treated with respect, care and dignity. Proximus business practices can only be sustainable if we respect basic human rights and value diversity, cultural and other differences. Our Code of Conduct, values and behaviour are inspired by fundamental principles such as those of the Universal Declaration of Human Rights, the European Convention on Human Rights and the United Nations Convention on the Rights of the Child.

Working conditions

Proximus is committed to creating working conditions which promote fair employment practices and where ethical conduct is recognized

and valued. We maintain a professional workplace with an inclusive working environment, and we are committed to respecting Belgian legislation and the International Labour Organisation's (ILO) fundamental conventions.

Proximus recognizes and respects the right to freedom of association and the right to collective bargaining within national laws and regulations. We will not contract child labour or any form of forced or compulsory labour as defined by ILO

fundamental conventions. Moreover, we are opposed to discriminatory practices and do our utmost to promote equality and diversity in all employment practices.

Our working environment standards shall be extended to every member of our diverse community and are exemplified by all managers, team leaders and employees.

Remuneration report

The remuneration policies of the Directors and of the Executive Committee are inspired by current legislation, by the corporate governance code and by the market practices and trends. Our company is taking particular care to provide relevant and transparent information on the principles and the

level of remuneration of the members of the Board of Directors and of the Executive Committee, as well as an overview of the key elements of the remuneration policy of the Proximus Group.

Remuneration of the members of the Board of Directors

Directors' remuneration policy

The principle of continuity with the past has been maintained. The policy adopted by the General Assembly of 2004 has remained applicable in 2017 and no substantial change of the policy is expected for the coming two years.

The CEO, Mrs. Dominique Leroy, who is the only executive Director, is not remunerated for the exercise of her mandate as member of the Board of Directors and of the Committees, nor for any other mandate within the Group subsidiaries Boards of Director.

The remuneration policy of the non-executive Directors foresees an annual fixed compensation of EUR 50,000 for the Chairman of the Board of Directors and of EUR 25,000 for the other members of the Board of Directors. All members of the Board of Directors have the right to an attendance fee of EUR 5,000 per attended meeting of the Board of Directors. This fee is doubled for the Chairman. Attendance fees of EUR 2,500 are foreseen for each member of an advisory committee of the Board of Directors. For the Chairman of the respective advisory committee, these attendance fees are doubled.

These amounts, defined in 2004, have remained unchanged since then and are not subject to indexation.

The members also receive EUR 2,000 per year for communication costs. For the Chairman of the Board of Directors, the communication costs are also doubled.

These remunerations are granted on an annual basis pro rata temporis of the duration of the mandate during the year in question and are paid semi-annually.

For the execution of their Board mandates, the non-executive Directors do not receive any variable performance-based remuneration such as bonuses or stock options, nor do they receive benefits linked to complementary pension plans or any other group insurance.

The Chairman of the Board of Directors is also Chairman of the Joint Committee and of the Pension Fund. Mrs Catherine Vandendorpe is member of the Board of the Pension Fund. They do not receive any fees for these board mandates.

Overview of Directors' Remuneration

The total amount of the remunerations granted in 2017 to all the members of the Board of Directors, Chairman included, is amounting to gross 1.080.244 EUR.

The individual Directors' gross amounts paid out to the Directors in 2017, based on their activities and attendance to Board and Committee meetings, is presented in the following table.

These amounts have been granted based on eight Board meetings, one being an extraordinary and remunerated Board meeting, and eleven Committee meetings.

Table 1: Activities report and attendance to Board and Committee meetings

Name	Board (total 8*)	ACC (total 5)	NRC (total 4)	SBDC (total 2)	Total yearly gross remuneration**
Stefaan De Clerck	8/8	5/5	4/4	2/2	186.244 €
Dominique Leroy	8/8			2/2	0 €
Karel De Gucht	8/8			2/2	72.000 €
Pierre Demuelenaere	8/8	5/5	4/4		89.500 €
Guido Demuyne	8/8	5/5	4/4		102.000 €
Martin De Prycker	8/8		4/4	2/2	82.000 €
Martine Durez	8/8		4/4		77.000 €
Laurent Levaux	6/8				57.000 €
Tanuja Randery	7/8			2/2	67.000 €
Isabelle Santens	7/8				62.000 €
Agnès Touraine	7/8			2/2	67.000 €
Catherine Vandendorpe	7/8	5/5			74.500 €
Luc Van den hove	7/8			1/2	64.500 €
Paul Van de Perre	8/8	5/5			79.500 €

ACC: Audit & Compliance Committee; NRC: Nomination & Remuneration Committee; SBDC: Strategic & Business Development Committee

* One extraordinary remunerated Board meeting on 30/01/2017

** Total remuneration:

gross amounts on a yearly basis

for all Directors, this amount is telecom advantage included

for the Chairman of the Board, this amount also includes the benefit in kind related to the private use of a company car

Global reward policy and principles

Our Group has an innovative remuneration policy which is regularly assessed and updated through close cooperation with external human resources fora and universities. The remuneration policies of our employees are defined in a process of dialogue with the Board of Directors and with the social partners.

Because of our history as a public-service company, there are some differences in our dynamics and structure, compared to the private sector. This has a considerable influence on how our remuneration policy has evolved. Our Human Resources department has developed creative

and adaptable programs to deal with its obligations related to the statutory employment status of some of its workforce, and introduced new elements that harmonized policies between civil servants and contractual employees.

To accomplish our company goals within a highly and fast changing competitive global telecom market, we need qualified, talented and engaged employees working in close cooperation in a high performance culture. To foster this culture, it is critical to have a market attractive Global Rewards Program for both the Executive Committee

members and all other members of the Top Management, as well as for the entire workforce.

The main objectives of our Global Rewards Program are:

- To drive performance that generates long-term profitable growth;
- To stimulate empowerment that reinforces the business strategy and desired culture;
- To offer a fair and equitable remuneration to our staff (both to civil servants and to the contractual employees), and competitive on the market;
- To recognize and reward high performance and the promotion of the company values and culture;
- To link pay to both individual performance and the overall success of our company;

- To enable our company to attract and retain market's talents at all levels;
- To combine the needs and responsibilities of employees and their families with those of the company and society as a whole.

Our company also maintains -and modernises- powerful public sector instruments, such as work-life benefits (e.g. sick child care, hospitalisation,...) and social assistance. It is the responsibility of our Work-Life department to combine the needs and responsibilities of employees and their families with those of the company and society as a whole. Over the years, we have won several awards for the continuous efforts of our company to create a balanced working environment for its staff.

The Global Rewards Program keeps up and supports this goal and mission.

Executive Remuneration

Procedure for drafting of the remuneration policy and defining of the remuneration level of the members of the Executive Committee

Both the executive remuneration policy and the individual remuneration packages for the CEO and the other members of the Executive Committee are set by the Board of Directors upon recommendations from the Nomination & Remuneration Committee. The individual remuneration packages are defined according to the individual responsibilities and skills.

It consists of a balanced executive remuneration policy rewarding executives competitively and at rates which are attractive in the market, aligning the interests of management and shareholders and complying with the governance rules applicable in Belgium. Our company wants to attract and retain high performing top executives for its Executive Committee and wants to recognize clear role models, who deliver a high level of performance and promote the company values.

Like the rest of the top management of our company, the members of the Executive Committee benefit from dedicated reward programs which focus on the principles of our strategy to consistently reward high performance of individuals and of the company. A significant part of their total remuneration is variable, based on stringent quantitative and qualitative performance criteria, and is driven by our company's objectives in terms of performance and growth. This way, our company wants to encourage its executives to deliver a long-term, sustainable profitable growth, in line with our Group's strategy and the expectations of our shareholders.

The market positioning of these remuneration packages is reviewed on a regular basis by benchmarking the remuneration of the members of our Executive Committee against both the BEL 20 companies (financial sector excluded) and a

set of peer companies in the European Telecommunications and ICT sector. This analysis aims to ensure that the global remuneration of each member of the Executive Committee remains adequate, fair and in line with market practices and consistent with the evolution of both his/her responsibilities and the market situation of the Proximus Group in terms of size, scope of activities and financial results.

Current remuneration policy does not provide for a specific contractual claw back stipulation in favour of our company for the variable remuneration of the members of the Executive Committee, CEO included, allocated on the basis of incorrect financial information.

To distinguish ourselves from other employers, our company seeks to excel in the total package offered, by providing not only a cash remuneration but also numerous other benefits.

A fundamental principle of our company's remuneration policy is the degree of freedom for the top management, the CEO and the other members of the Executive Committee included, with regard to the choice of pay out mean of their variable remuneration.

All the amounts mentioned in this report are gross amounts before employer's social contribution.

Executive Committee's remuneration structure

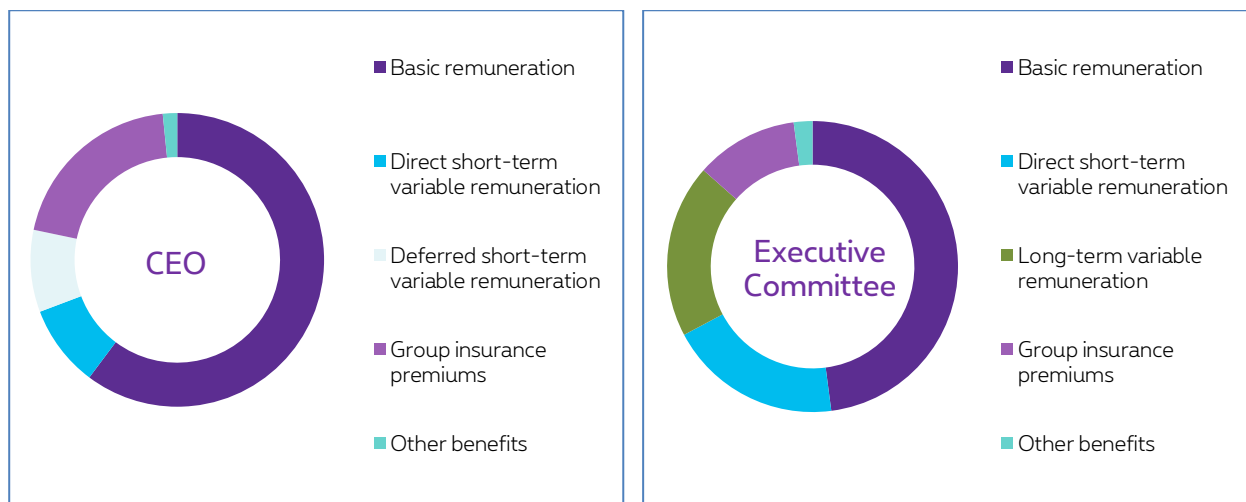
The remuneration of the members of the Executive Committee is built upon the following components:

- Basic remuneration
- Short-term variable remuneration
- Long-term variable remuneration

- Group insurance premiums and other benefits

The relationship between the distinct remuneration components of the CEO and of the other members of the Executive Committee is illustrated in the graphs below. These graphs show the relative importance of the various components of on-target remuneration.

Relative importance of various components of the on-target remuneration before employer's social contribution (end 2017)



As per her contract, the CEO is only entitled to a short-term variable remuneration which payment is spread over 3 years. The variable remuneration of the other members of the Executive Committee consists of a short-term part and a long-term part, with equal target amounts which are set up as percentages of the basic remuneration. This remuneration policy therefore fully complies with the article 520ter of the Belgian Company Code and with the Belgian law of 6 April 2010.

Further to a review of our company organization, which took place in 2014, and to the resulting significant changes in terms of roles and responsibilities within the Executive Committee, the Nomination and Remuneration Committee ordered an external benchmark in 2015, aiming to assess the market positioning of the members of the Executive Committee, Chief Executive Officer included, in terms of pay against both the BEL 20 companies (financial sector excluded) and a set of peer companies in the European Telecommunications and ICT sector.

Based on the results of this external benchmark, the Nomination and Remuneration Committee

made recommendations to the Board of Directors aiming to secure our Group's attractiveness and competitiveness and to ensure retention. In September 2015, the Board of Directors consequently decided to take action to evolve towards an alignment of the variable remuneration of the members of the Executive Committee on market median practices.

Therefore, since the performance year 2016 and as per decision of the Board of Directors, the minimum target short- and long-term variable remuneration for the members of the Executive Committee others than the Chief Executive Officer has been increased and aligned, and the members not yet at this minimum have thus seen their short- and long-term variable remuneration target increase. This increase is reflected in the variable remuneration which has been allocated in 2017 to the members of the Executive Committee others than the Chief Executive Officer for the performance year 2016.

Except this variable remuneration alignment of the other members of the Executive Committee, no substantial change of the remuneration policy is expected for the coming two years.

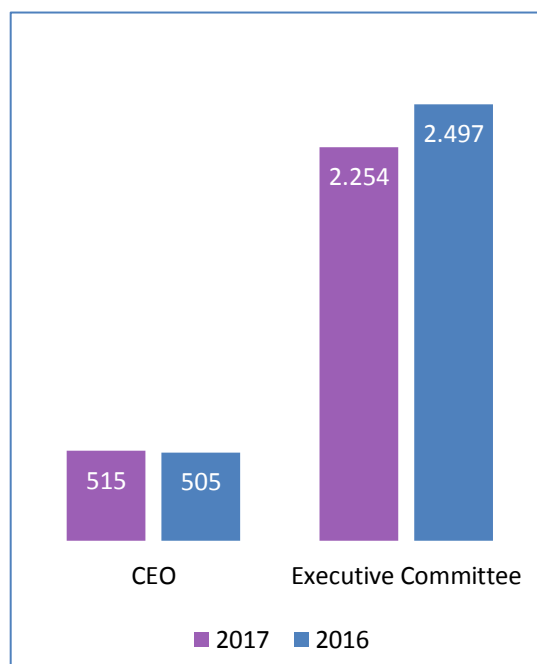
Basic remuneration

The basic remuneration consists of a basic salary earned by Chief Executive Officer and by the other members of the Executive Committee for the reported year in such respective roles. This remuneration is defined by the nature and the specificities of the function, is allocated regardless of the results and is contractually subject to the index applicable to Proximus.

The basic remuneration of the Executive Committee members is regularly reviewed by the Nomination & Remuneration Committee, based on an extensive review of performance and assessment of potential provided by the Chief Executive Officer, as well as on external benchmarking data on market practices. Thereby, the evolution of the basic remuneration depends on the competency level of the Executive Committee member, of his or her continued performance level, of the evolution of his or her responsibilities, as well as of the evolution of the market. Possible adjustments are always submitted to the Board of Directors for approval.

Year-to-year variations in the amounts are resulting from the 2% index of July 2017 on the one hand and on the other hand from the changes operated in the composition of the Executive Committee, i.e. the nomination of a new Chief Human Resources Officer in 2016 and of a new Chief Consumer Market Officer end August 2017.

Basic remuneration in kEUR before employer social contribution



Short-term variable remuneration

Short-term variable remuneration components

Our short-term variable remuneration system has been designed to support the strategy and the values of our Group and to enhance a performance-based management culture.

Our company indeed considers close collaboration of all employees to be imperative,

all efforts need to be focused and aligned towards Group success.

Group results are therefore highly impacting (for 60%) the short-term variable remuneration of the members of the Executive Committee, on top of individual performance (for 40%), and this in line with our company values.

Group performance - Key Performance Indicators (KPIs)

Short-term annual variable remuneration is thus partly calculated – for 60% – in relation to performance against Key Performance Indicators (KPI's) set by the Board of Directors upon recommendation of the Nomination & Remuneration Committee.

These performance indicators include financial indicators as well as non-financial indicators at Group level.

The performance indicators at Group level are as follows:

- the operational cash flow;
- the number of new customers in voice, fix, internet and TV businesses, as well as churn reduction;

- the Simplification and the Customer Experience, measuring our progresses versus our ambition in these domains;
- the “employee engagement index”, measuring on a yearly basis our employees’ engagement, agility and strategic alignment.

The achievement of these KPI's are regularly followed-up and communicated. Operational cash flows are based on audited reported financial figures that are adjusted to obtain ‘underlying’ financial figures after exclusion of ‘incidentals’. Non-financial indicators are measured by internal and external agencies specialized in market and customer intelligence, of which the processes are audited on a regular basis.

The result at Group level is based on a predefined formula taking these key performance indicators into consideration according to a predefined weight per indicator.

Individual performance

On top of the Group results, the individual performance is annually evaluated in the course of the first quarter following the end of the year by the Board of Directors. This evaluation is based on the recommendations made by the Nomination & Remuneration Committee versus pre-defined measurable objectives and versus the promotion of our company values and culture.

The individual performance is taken into account for 40% in the short-term variable remuneration. Besides the individual differentiation in terms of talent, performance and impact on the Group performance, the Board of Directors ensures the consistency between the total allocated amount for the individual performance and the Group results.

Short-term variable remuneration allocation

The Chief Executive Officer receives a target short-term variable remuneration amounting to gross 150.000 EUR. This amount is subject to the index applicable to Proximus. For the other members of the Executive Committee, the target short-term variable remuneration is expressed in a percentage of the basic remuneration.

As explained above, the short term variable remuneration is allocated by the Board of Directors upon proposal of the Nomination &

Remuneration Committee. The amount effectively allocated to the Chief Executive Officer and to the other members of the Executive Committee varies according to the Group results and to the evaluation of the individual performances by the Board of Directors.

In case of objectives realisation at 100%, the Chief Executive Officer or the other member of the Executive Committee gets 100% of his short-term variable remuneration target amount.

In case of sustained excellent performance at Group and individual level, the short-term variable remuneration can go above the 100% of the target amount, with a cap at 200%, according to a linear allocation curve. Conversely, this percentage can drop down to 0% in case of severe underachievement.

As per her contract and in accordance with article 520ter of the Belgian Company Code, the payment of the short-term variable remuneration of the CEO is currently spread over 3 years. Indeed, 50% of her variable remuneration is related to performance indicators of the accounting year (= direct short-term variable remuneration) while the other 50% will be deferred: 25% is related to performance indicators pertaining over a period of 2 years and 25% is related to performance indicators pertaining over a period of 3 years (= deferred short-term variable remuneration).

In 2017, a deferred short-term variable remuneration, for the performance indicators related to the 2014 and 2015 years has been allocated to the CEO on top of a direct short-term variable remuneration, for the performance indicators related to 2016.

In 2016, a deferred short-term variable remuneration, for the performance indicators related to 2014, has been allocated to the CEO,

on top of a direct short-term variable remuneration for the performance indicators related to 2015.

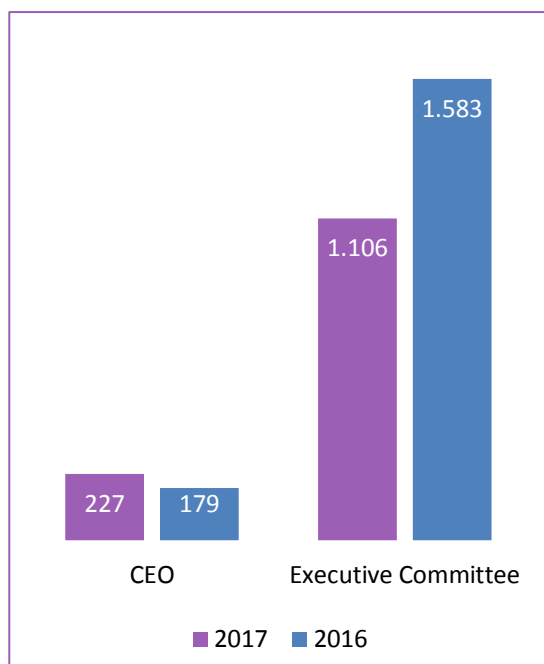
As the CEO started her mandate in January 2014, it is thus the first time she received a complete short-term variable remuneration (50% direct short-term related to 2016, 25% related to performance indicators pertaining over 2015 and 25% related to performance indicators pertaining over 2014).

In the last couple of years, the Board of Directors did a positive evaluation of the realizations of the Chief Executive Officer, given the overachievement of her objectives and the long term value she has created since her nomination in this role.

In 2017, a direct and deferred short-term variable remuneration were allocated to her for respectively gross 108.020 EUR (performance indicators related to 2016) and gross 119.175 EUR (59.700 EUR linked to performance indicators related to 2015 and 59.475 EUR linked to performance indicators related to 2014).

The total short-term variable remuneration effectively allocated in 2017 to the other members of the Executive Committee (2016 performance year) amounts to gross 1.105.537 EUR.

Short-term variable remuneration in kEUR before employer social contribution.



- Chief Executive Officer :
 - Given the CEO started her mandate in January 2014, it is the first time she received 50% deferred short-term variable remuneration (25% related to performance indicators pertaining over 2015 and 25% related to performance indicators pertaining over 2014).
 - Impact of the KPI results which decrease for performance year 2016 compared to performance year 2015.
- Other members of the Executive Committee:
 - Impact of the KPI results which decrease for performance year 2016 compared to performance year 2015.
 - Impact of changes within the composition of the Executive Committee.
 - Impact of the alignment of the short-term variable remuneration for the members of the Executive Committee since the performance year 2016 as per decision of the Board of Directors.

Long-term variable remuneration

The Chief Executive Officer is not eligible to long-term variable remuneration.

The other members of the Executive Committee receive a long-term variable remuneration expressed as a percentage of the annual basic remuneration. This percentage is the same as the percentage of their short-term variable remuneration. The long-term variable remuneration is allocated to the other members of the Executive Committee by the Board of Directors upon recommendations of the

Nomination & Remuneration Committee.

Various factors are considered for the decisions taken by the Board of Directors in terms of effective allocation, such as the retention of talents, the individual performance evaluations or/and the Group results. This allocation is made through long term incentives plan, currently consisting of a long-term Performance Value Plan which has been adopted by our company since 2013.

Long-term Performance Value Plan

The long-term incentive plan offered by our company to its executives currently consists of a "Performance Value Plan". This plan has been designed as to keep our executive remuneration policy balanced and attractive, as well as compliant with the shareholders' expectations. It aims to ensure that the actions and initiatives taken by the executives are guided by long-term interests. Therefore, this remuneration clearly constitutes a long-term incentive.

Our Performance Value Plan is based on a balance between the individual and the Group performances. This plan is transparent, fully driven by mid- and long-term performance, aligned on market best practices and inspired by long-term incentive plans used by other European

Telecommunications companies.

The performance criterion of this plan is the Total Shareholder Return. Our Total Shareholder Return is measured against the respective Total Shareholder Return of a basket of 12 other European telecom operators.

Under this Performance Value Plan, the granted awards are blocked for a period of 3 years, after which the Performance Values vest. After this period, the beneficiaries may exercise their Performance Values and the amounts effectively allocated will depend on the performance of our Total Shareholder Return compared to the group of peer companies at the exercise time.

Peer companies currently included in the basket

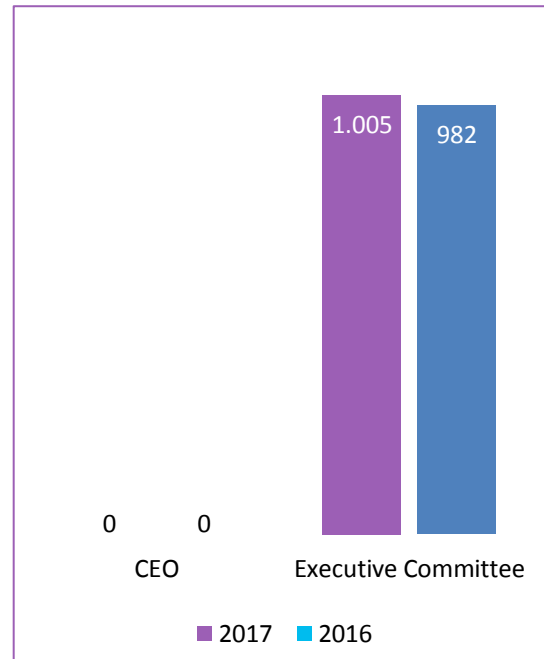
- BT
- Deutsche Telekom
- OTE
- KPN KON
- Orange
- Swisscom
- TDC
- Telecom Italia
- Telefonica
- Telekom Austria Group
- Telenor
- Telia Company

The current CEO, who started her mandate in January 2014, is not eligible to long-term variable remuneration. As a consequence, no long-term variable remuneration has been granted to her in 2015, 2016 and 2017.

The total long-term variable remuneration effectively granted to the members of the Executive Committee others than the CEO was amounting to gross 982.000 EUR in 2016 and to gross 1.005.000 EUR in 2017.

Long-term variable remuneration in kEUR before employer social contribution

The changes in the composition of the Executive Committee over the last two years and the alignment of the long-term variable remuneration for the members of the Executive Committee since the performance year 2016 as per decision of the Board of Directors have impacted the total long-term variable remuneration granted.



Former long-term variable remuneration plan: Stock Options Plan

Stock options have been granted to the senior executives from 2004 until 2012, members of the Executive Committee included.

The remaining stock options of current members of the Executive Committee, CEO included, and

their evolution in the course of 2017 is presented in below chart.

In 2016 and 2017, the CEO and the other members of the Executive Committee did not receive any Proximus shares nor Proximus stock options.

Table 2: Overview of the stock options still held by the members of the Executive Committee

		Dominique LEROY	Dirk LYBAERT	Geert STANDAERT	Bart VAN DEN MEERSCHE
STOCK OPTIONS					
on January 1 st , 2017		12.665	1.834	3.000	15.000
Exercised in 2017	Number	12.665	1.834	3.000	0
	Year of grant	2012	2012	2012	-
Lapsed in 2017	Number				
	Year of grant				
Forfeited in 2017	Number				
	Year of grant				
on December 31, 2017		0	0	0	15,000

Sandrine Dufour, Renaud Tilmans, Jan Van Acoleyen and Guillaume Boutin do not hold stock options.

Group insurance premiums and other benefits

Group insurance premiums

The CEO and the other members of the Executive Committee are participating in a complementary pension scheme. This complementary pension scheme consists of a “Defined Benefit Plan” offering rights which are in line with market practices.

They also benefit from other group insurances in line with market practices, such as life and invalidity insurances.

Other benefits

Our Group wants to stimulate its executives by offering a portfolio of benefits and advantages that are competitive in the market place and consistent with the Group’s culture. The CEO and the other members of the Executive Committee receive benefits on top of their remuneration,

including medical insurance, the use of a company car, welfare benefits and other benefits in kind. Comparative assessments are regularly made on these benefits which are adapted according to the common market practices.

General overview

Below chart reflects the remuneration and other benefits allocated directly or indirectly to the members of the Executive Committee in 2017 and 2016 by the company or any other undertaking belonging to the Group (benefit based on gross or net remuneration, depending on the type of benefit).

It should be noted that the global remuneration has been affected by the index of July 2017, by the allocation of 50% deferred short-term remuneration to the CEO for the first time in 2017, by the alignment of the short-term and long-term variable remuneration for the members of the Executive Committee since the performance year 2016 as per decision of the Board of Directors, by the impact of the KPI results which decrease for

performance year 2016 compared to performance year 2015 and by the changes in the composition of the Executive Committee over the

last two years, i.e. the nomination of a new Chief Human Resources Officer in 2016 and of a new Chief Consumer Market Officer in 2017.

Table 3: Remuneration overview of the members of the Executive Committee

REMUNERATION	CEO		Other members of the Executive Committee	
	2016	2017	2016	2017
Basic remuneration	505.005 €	515.108€	2.497.345 €	2.253.540€
Direct short-term variable remuneration	119.400 €	108.020€	1.583.327 €	1.105.537 €
Deferred short-term variable remuneration	59.475 €	119.175€	0 €	0 €
Long-Term variable remuneration	0 €	0€	982.000 €	1.005.000 €
Retirement and post-employment benefits	169.666 €	181.243€	919.496 €	516.193 € *
Other benefits	12.463 €	13.357€	107.605 €	108.433 €
SUBTOTAL (excl. employer's social contribution)	866.009 €	936.903€	6.089.773 €	4.988.703 €
Termination benefits	0 €	0€	0 €	0 €
TOTAL (excl. employer's social contribution)	866.009 €	936.903€	6.089.773 €	4.988.703 €

* Year-over-year decrease related to the retirement of an ExCo member

All these amounts are gross amounts before employer's social contribution.

Main provisions of the contractual relationships

Contractual agreement related to the mandate of the CEO

In January 2014, Mrs. Dominique Leroy has started her six-year mandate as CEO. She has a contract as a self-employed executive and is thus not subject to employers' social security charges.

The CEO is bound by a non-competition clause, prohibiting her for 12 months after leaving the Group from working for a competitor of our company in Belgium and in those countries where the Group generates at least 5% of its consolidated revenues. If activated by our

company, she would receive an amount equal to one year's base salary as compensation. The CEO is also bound by exclusivity and confidentiality obligations and is liable for respecting the company codes and policies, like the Code of Conduct and the Dealing Code.

If the CEO mandate is revoked before the end of the six-year term, our company will pay her a contractual termination indemnity equal to one year's base salary.

Main contractual terms of the other Executive Committee members

All other members of the Executive Committee, who are all bound by a non-competition clause prohibiting them for 12 months after leaving the Group from working for any other mobile or fixed licensed operator active on the Belgian market. If activated by our company, they would receive an

amount equal to six months' base salary as compensation.

Just like the CEO, the other members of the Executive Committee are also bound by exclusivity and confidentiality obligations and is

liable for respecting the company codes and policies, like the Code of Conduct and the Dealing Code.

They have a contractual termination clause which foresees an indemnity of one year's remuneration.

Position of conflicting interest

A general policy on conflict of interest applies within the company. It prohibits the possession of financial interests that may affect personal judgment or professional tasks to the detriment of the Proximus Group.

In accordance with article 523 of the Belgian Company Code, Mrs. D. Leroy, CEO, declared during the Board of Directors of 23 February 2017 to have a conflict of interest in connection with her performance evaluation for 2016, item on the agenda of that Board meeting.

In accordance with article 523 of the Belgian Company Code, the minutes of this meeting are included below.

"In accordance with article 523 of the Belgian Companies Code, the CEO, Mrs. D. Leroy, declares having a conflict of interest in connection with her performance evaluation for 2016. She requests the Board to take note of her statement and to include the necessary statements in the management report of Proximus relating to the year 2017. She also informs the auditor of Proximus of this conflict of interest and leaves the meeting.

The Chairman informs that the Committee assessed the performance of the CEO in 2016 and concluded that the CEO delivered an overall great performance in 2016.

The Board confirms this assessment and thanks the CEO for a great job delivered in 2016.

Short Term Variable Remuneration for the CEO

Upon the Committee's recommendation, the Board :

- decides that the percentage of 200% reflects at best the individual performance of the CEO for the Performance Year 2016. Overall bonus of 2016 performance is 216,040 € (93,638€ Group KPI + 122,402€ Individual Performance);
- confirms its assessment for the performance 2015-2016 and 2014-2016.

This closes the item on the conflict of interest."

Obligation of the law of 21 March 1991 on the reform of certain economic public companies

Mandates exercised in companies in which Proximus participates

The mandates exercised by members of the management of Proximus within companies, groups and organisations in which Proximus

participates or to which it contributes to the functioning, are not remunerated.

Participations	Members on 31/12/2017
PROXIMUS GROUP SERVICES S.A.	S. Dufour G. Kerremans L. Kervyn de Meerendré H. Wampers
PROXIMUS OPAL S.A.	O. Moumal D. Lybaert
BELGACOM INTERNATIONAL CARRIER SERVICES (BICS) S.A.	D. Leroy S. Dufour D. Lybaert M. Gatta J. Van Acoleyen D. Kurgan
CONNECTIMMO S.A.	J. Joos S. De Clerck S. Dufour P. Delcoigne
TANGO S.A.	S. Dufour G. Hoffmann R. Tilmans J. Van Acoleyen B. Van Den Meersche G. Boutin
TELINDUS S.A. (Luxembourg)	S. Dufour G. Hoffmann M. Lindemans A. Meyers B. Van Den Meersche B. Watteeuw J-F. Willame
TELINDUS-ISIT BV	G. Degezelle P. Van Der Perren B. Watteeuw
SKYNET iMOTION ACTIVITIES S.A.	P. Verdingh
BELGIAN MOBILE ID S.A.	B. Van Den Meersche
PXS RE S.A.	L. Kervyn de Meerendré O. Moumal A. Meyers

BE-MOBILE S.A.	D. Leroy S. Dufour B. Van Den Meersche
PROXIMUS SpearIT S.A.	S. Bovy G. Hoffmann B. Van Den Meersche P. Van Der Perren D. Van Eynde B. Watteeuw
PROXIMUS ICT-EXPERT COMMUNITY (PIEC) S.C.R.L.	K. De Man (permanent representative of Proximus SpearIT S.A.) S. Bovy (permanent representative of Proximus Opal S.A.) B. Watteeuw (permanent representative of Proximus S.A.) D. Van Eynde (permanent representative of Telindus S.A. Luxembourg)
CLEARMEDIA S.A.	B. Watteeuw S. Bovy D. Van Eynde O. Malherbe S. Huijbrechts
SCARLET BELGIUM S.A.	G. Boutin J. Castele O. Crucq C. Deltenre V. Licoppe S. Röckmann K. Vandeweyer
AWINGU S.A.	B. Watteeuw
DAVINSI LABS S.A.	C. Crous B. Watteeuw P. Van Der Perren

Miscellaneous

Branches

The branch in the Grand Duchy of Luxembourg was established in 2002 and is responsible for the management of the Luxembourg subsidiaries and the implementation of the group strategy in

Luxembourg.

The Strategic Committee established at the level of the branch supervises the implementation of the Fit-for Growth strategy in Luxembourg.

Use of financial instruments

Proximus is exposed to market risks, including interest rate risks and foreign exchange rate risks, associated with underlying assets, liabilities and anticipated transactions. Based on analysis of these exposures, Proximus selectively enters into derivatives to manage the related risk exposures.

Proximus manages its exposure to changes in interest rates and its overall cost of financing by occasionally using interest rate swaps (IRS) as well as interest rate and currency swaps (IRCS). These financial instruments are used to transform the interest rate exposure from a fixed to a floating interest rate or vice versa.

Proximus' currency exposure relates to financial debts in foreign currency and to operational activities in foreign currencies that are not "naturally" hedged. In order to hedge such exposures, Proximus uses derivatives, mainly forward foreign exchange contracts and occasionally currency options.

As a result Proximus is exposed to counterparty risks relative to potential failure by counterparty on derivatives. In general, Proximus does not require collateral or other security from counterparties as these are highly rated financial institutions.

Members of the Joint Auditors

The mandate of Deloitte Statutory Auditors SC sfd SCRL, Gateway Building, Luchthaven Nationaal 1J, 1930 Zaventem, represented by Mr. Michel Denayer and of CDP Petit & Co SPRL represented by Mr. Damien Petit, for the statutory

audit mandate of Proximus S.A. will expire at the Annual General Meeting of 2022.

Mr. Jan Debucquoy has been appointed on 1 April 2015. The mandate of Mr. Pierre Rion has been renewed on 10 February 2016.

Auditor responsible for certifications of the consolidated accounts of Proximus Group

The mandate of Deloitte Statutory Auditors SC sfd SCRL represented by Mr. Michel Denayer and Mr. Nico Houthaevé for the consolidated audit

mandate of Proximus S.A. of public law will expire at the annual general meeting of 2019.

In conclusion

On behalf of the Board of Directors, we propose to the shareholders to approve the annual accounts as they are presented herein and respectfully request that the shareholders grant discharge to the Directors and Auditors of the annual accounts for the execution of their mandate during the past financial year.

On recommendation of the Nomination & Remuneration Committee, we nominate in accordance with article 18 of the bylaws, Mrs. Agnès Touraine and Mrs. Catherine Vandendorre as candidate independent members of the Board of Directors which corresponds with a renewal of their mandate until the annual Shareholders' Meeting of 2022.

Yours truly,

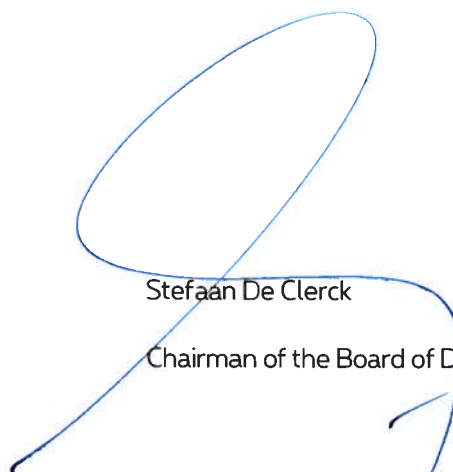
On behalf of the Board of Directors,

Brussels, 1 March 2018.



Dominique Leroy

Chief Executive Officer



Stefaan De Clerck

Chairman of the Board of Directors