

Consolidated Management Report

2019

proximus

Management discussion and analysis of financial results

1. Introductory remarks

Underlying revenue and EBITDA

Since 2014, Proximus' management discussion has been focused on underlying figures, i.e. after deduction of the incidentals. The underlying company figures are reported to the chief operating decision makers in view of resources allocation and performance assessment.

Proximus provides in a transparent way a view of the operational drivers of the business by isolating incidentals, i.e. revenues and costs that are unusual or not directly related to Proximus' business operations, and which had a significant

impact on the year-on-year variance of the Proximus Group revenue or EBITDA. In addition, following the application of the accounting standard IFRS 16, the definition of "underlying" was adjusted to include as of 2019 the lease depreciation & interest. The adjusted revenue and EBITDA are referred to as "underlying" and allow for a meaningful year-on-year comparison.

Definitions can be found in section 6 of this document.

(EUR million)	Revenues		Ebitda	
	2018	2019	2018	2019
Reported	5,829	5,697	1,794	1,676
Lease depreciations	nr		nr	-82
Lease interests	nr		nr	-2
Incidentals	-21	-11	70	278
Underlying	5,807	5,686	1,865	1,870
Total incidentals	-21	-11	70	278
Capital gains on building sales	-21	-7	-21	-7
Early Leave Plan and Collective Agreement			41	19
Fit For Purpose Transformation Plan				253
Shift to Digital plan*				9
M&A-related transaction costs			8	9
Change in M&A contingent consideration		-4		-4
Pylon Tax provision update (re. past years)			20	-1
Enterprise software Impairment & settlement			22	

*The incidental costs related to the Shift to Digital plan represent mainly exceptional costs linked to the optimization of Proximus' sales channel footprint following its increased focus on e-Sales.

Reporting changes as from 2019

The financial results of the Proximus Group are reported under the accounting standards IFRS 15 and, as of 2019, under IFRS 16 (replacing IAS 17).

When applying IFRS 16 as from 2019, Proximus opted for the simplified transition method. No restatement of the prior year was done. However, to allow for a meaningful year-on-year comparison, and the consistency of performance measures, Proximus adjusted its performance measures commented in this financial report as follows:

- The definition of "Underlying" was adjusted to include, as of 2019, the lease depreciation & interest;
- Capex excludes, as of 2019, the Acquisition of right of use of assets;

- FCF is defined as Cash flow before financing activities, but after lease payments;
- and besides the Net Finance Position, Proximus reports an Adjusted Net Finance Position excluding all lease liabilities.

Furthermore, the following Segment reporting changes have been applied:

- The Consumer revenue structure was simplified, reflecting the high convergence rate of the revenue base.
- The Fixed customer base of Tango Luxembourg is included in the Group total.
- Some minor changes to the Enterprise revenue structure were implemented.

Disaggregation of revenue

The revenue by segment is disclosed in the table below.

31 December 2019							
(EUR million)	GROUP	BICS	Domestic (Group excl. BICS)	Consumer	Enterprise	Wholesale	Others
Net revenue (underlying)	5,638	1,297	4,341	2,820	1,413	181	-73
Net revenue (incidentals)	0	0	0	0	0	0	0
Net revenue (reported)	5,638	1,297	4,341	2,820	1,413	181	-73
Other operating income (underlying)	48	4	44	25	6	0	13
Other operating income (incidentals)	11	0	11	0	7	0	4
Other operating income (reported)	59	4	55	25	13	0	17
Total income (underlying)	5,686	1,301	4,386	2,845	1,419	182	-60
Total income (incidentals)	11	0	11	0	7	0	4
Total income (reported)	5,697	1,301	4,396	2,845	1,426	182	-56

Rounding

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

Key Figures - 10-year overview

	IFRS 15 IFRS 15&16									
Income Statement (EUR million)	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Reported income	7,040	6,417	6,462	6,318	6,112	6,012	5,873	5,802	5,829	5,697
Revenue incidentals	N/A	N/A	N/A	N/A	248	17	3	24	21	11
Underlying revenue	N/A	N/A	N/A	N/A	5,864	5,994	5,871	5,778	5,807	5,686
Reported EBITDA (1)	2,428	1,897	1,786	1,699	1,755	1,646	1,733	1,772	1,794	1,676
Lease depreciation and interest	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	84
EBITDA incidentals	N/A	N/A	N/A	N/A	102	-88	-63	-51	-70	-278
Underlying EBITDA (1)	N/A	N/A	N/A	N/A	1,653	1,733	1,796	1,823	1,865	1,870
Depreciation and amortization	-809	-756	-748	-782	-821	-869	-917	-963	-1,016	-1,120
Operating income (EBIT)	1,619	1,141	1,038	917	933	777	816	809	778	556
Net finance income / (costs)	-102	-106	-131	-96	-96	-120	-101	-70	-56	-47
Share of loss on associates	0	0	0	0	-2	-2	-1	-2	-1	-1
Income before taxes	1,517	1,035	907	822	835	655	715	738	721	508
Tax expense	-233	-262	-177	-170	-154	-156	-167	-185	-191	-116
Non-controlling interests	17	17	19	22	27	17	25	30	22	392
Net income (Group share)	1,266	756	712	630	654	482	523	522	508	373
Cash flows (EUR million)	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Cash flows from operating activities	1,666	1,551	1,480	1,319	1,447	1,386	1,521	1,470	1,558	1,655
Cash paid for Capex	-734	-757	-773	-852	-916	-1,000	-962	-989	-1,099	-1,091
Cash flows from / (used in) other investing activities	48	-7	-16	38	180	22	0	-189	-8	12
Lease payments	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	-78
Free cash flow (2)	980	788	691	505	711	408	559	292	451	498
Cash flows from / (used in) financing activities other than lease payments	-728	-1,051	-809	-353	-364	-608	-764	-256	-444	-515
Net increase / (decrease) of cash and cash equivalents	252	-264	-118	152	347	-200	-205	36	7	-17
Balance sheet (EUR million)	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Balance sheet total	8,511	8,312	8,243	8,417	8,522	8,283	8,117	8,527	8,671	8,978
Non-current assets	6,185	6,217	6,192	6,254	6,339	6,386	6,372	6,735	6,850	7,160
Investments, cash and cash equivalents	627	356	285	415	710	510	302	338	344	327
Shareholders' equity	3,108	3,078	2,881	2,846	2,779	2,801	2,819	2,857	3,005	2,856
Non-controlling interests	235	225	211	196	189	164	162	156	148	142
Liabilities for pensions, other post-employment benefits and termination benefits	565	479	570	473	504	464	544	568	605	864
Net financial position (incl. lease liability)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	-2,492
Net financial position (excl. lease liability as from 2019)	-1,451	-1,479	-1,601	-1,815	-1,800	-1,919	-1,861	-2,088	-2,148	-2,185
Proximus share	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Weighted average number of ordinary shares (3)	321,138,048	319,963,423	318,011,049	318,759,360	320,119,106	321,767,821	322,317,201	322,777,440	322,649,917	322,918,006
Basic earnings per share - as reported (EUR) (4)	394	236	224	198	204	150	162	162	158	116
Total dividend per share (EUR)	218	218	249	218	150	150	150	150	150	150
Share buyback (EUR million)	0	100	0	0	0	0	0	0	0	0
Data on employees	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Number of employees (full-time equivalents)	16,308	15,788	15,859	15,699	14,187	14,090	13,633	13,391	13,385	12,931
Average number of employees over the period	16,270	15,699	15,952	15,753	14,770	14,040	13,781	13,179	13,161	13,007
Underlying revenue per employee (EUR)	N/A	N/A	N/A	N/A	410,746	426,958	425,997	438,413	441,238	437,173
Total income per employee (EUR)	432,685	408,760	405,084	401,080	413,826	428,194	426,201	440,240	442,870	438,005
Underlying EBITDA per employee (EUR)	N/A	N/A	N/A	N/A	111,923	123,467	130,315	138,325	141,681	143,801
Total EBITDA per employee (EUR)	149,247	120,834	111,973	107,851	118,798	117,251	125,743	134,483	136,342	128,856
Ratios - on underlying basis	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Return on Equity	N/A	N/A	N/A	N/A	21.8%	18.9%	19.4%	19.2%	18.4%	19.9%
Direct margin	N/A	N/A	N/A	N/A	57.8%	59.6%	61.8%	62.5%	63.4%	64.6%
Net debt (excl. lease liability as from 2019) / EBITDA	N/A	N/A	N/A	N/A	1.09	1.11	1.04	1.15	1.15	1.17

(1) Earnings Before Interests, Taxes, Depreciation and Amortization.

(2) Cash flow before financing activities but after lease payments.

(3) i.e. excluding Treasury shares

(4) No difference between basic and diluted earnings per share

- Consumer segment posted solid customer growth for Internet, TV and Mobile Postpaid, supported by Tuttimus and Bizz All-in, in highly competitive market.
- Enterprise segment benefitted from its strengthened ICT portfolio through acquired companies, and its sustained strong position in the Belgian Telecom market.
- Domestic revenue pressure from low-margin products and services, legacy erosion and regulatory headwinds.
- Domestic EBITDA grew by 0.4% on strong cost control.
- BICS' 2019 EBITDA nearly stable at €153M.
- The Proximus Group EBITDA was up by 0.3% on an underlying basis.
- Free Cash Flow of EUR 498 million, or EUR 504 million excluding acquisitions.

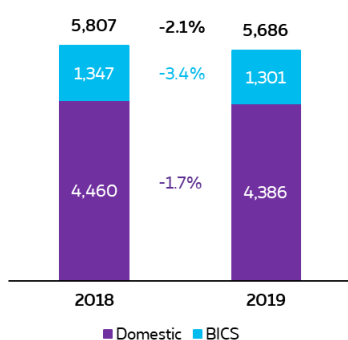
2. Proximus Group

Revenue

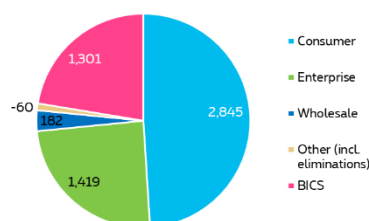
The Proximus Group ended the year 2019 with total underlying revenue of EUR 5,686 million, 2.1% below that of the prior year. Within the mix, the underlying Domestic revenue decreased by 1.7%, and revenue from BICS, Proximus' International Carrier business unit, ended 3.4% below that of the prior year.

**Group underlying revenue
EUR 5,686M**

Group revenue (underlying, M€)

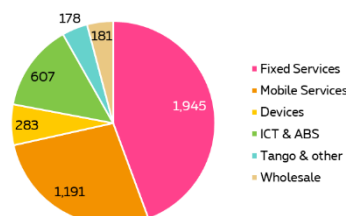


Group revenue by segment (underlying, M€)



For its Domestic operations, Proximus posted revenue of EUR 4,386 million in 2019, with the largest part coming from retail Fixed and Mobile Telecom services generated by the Consumer and Enterprise segments.

Domestic revenue by product (underlying, M€)



Despite Proximus' continued customer growth in the Consumer segment, and maintaining a strong position in the Enterprise segment, the revenue from domestic operations was down from the

prior year by EUR 75 million or 1.7%. This included a EUR 25 million decrease in devices revenues driven by the declining business of reselling standalone mobile terminals at low margin. Excluding this, the domestic revenue ended -1.2% below that of the prior year. Furthermore, regulatory impact on Fixed Termination and International calling/texting rates, affected the revenue negatively by about EUR -31 million, excluding the unfavorable impact from the legislation on customer reminder fees. The remaining revenue pressure largely resulted from an eroding Prepaid and Fixed Voice base, and lower Mobile inbound revenue, which was not fully compensated for by the growth achieved in Proximus' core products.

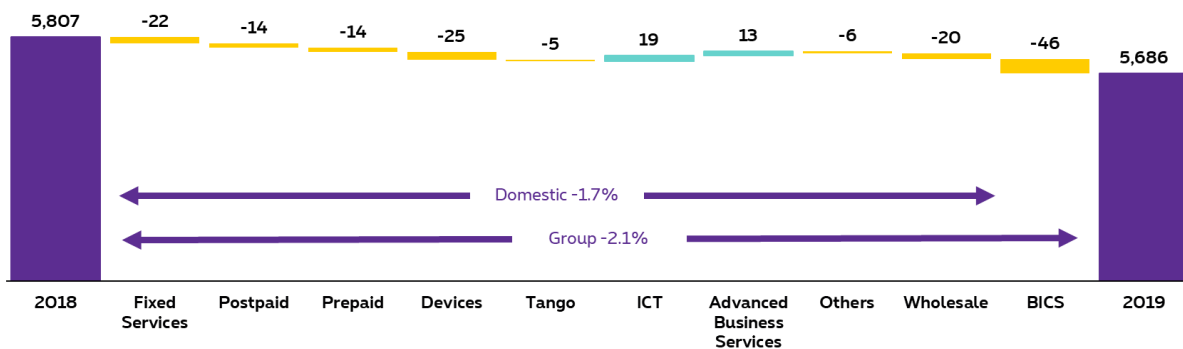
In a challenging competitive setting, Proximus achieved an ongoing expansion of its TV, Internet

and Mobile Postpaid customer base. Moreover, the revenue from ICT showed good progress, benefitting from a strengthened ICT portfolio, including the acquisition of several small, specialized ICT companies.

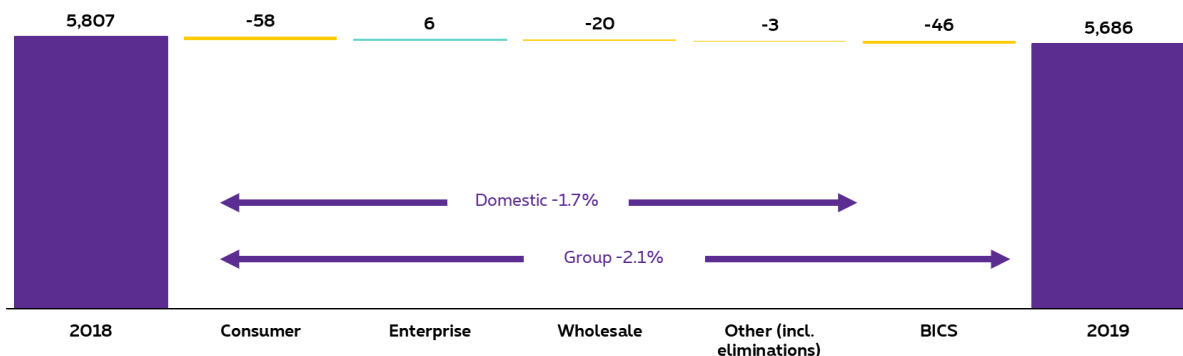
In 2019, BICS' revenue totaled EUR 1,301 million, -3.4% below that of 2018.

For 2019, BICS posted a strong growth in its non-voice revenue, driven by a solid increase in messaging volumes, with especially TeleSign boosting the A2P volumes. This was however more than offset by the ongoing revenue erosion in BICS' traditional Voice services, driven by a lower unit revenue following lower termination rates, competition and a less favorable revenue destination mix.

Revenue evolution per product group (underlying, M€)

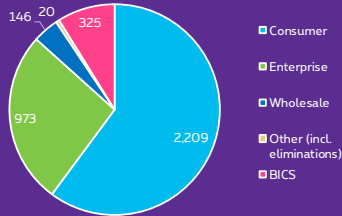


Revenue evolution by segment (underlying, M€)



Direct Margin

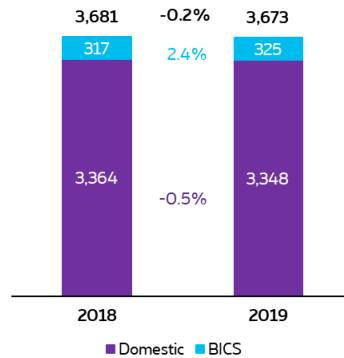
Over the full-year 2019 the Proximus Group Direct Margin totaled EUR 3,673 million, remaining stable (-0.2%) in relation to 2018.



With EUR 3,348 million, Proximus' Domestic direct margin ended -0.5% or -EUR 16 million below that of 2018. The year-on-year variance was impacted by a -EUR 18 million negative effect from the regulatory impact on Fixed Termination and International calling/texting rates, excluding the unfavorable impact from the legislation on customer reminder fees. The regulatory headwind was offset by the positive effect of Proximus' customer growth and higher margin achieved in ICT and Advanced Business Services, including the benefit from acquired companies.

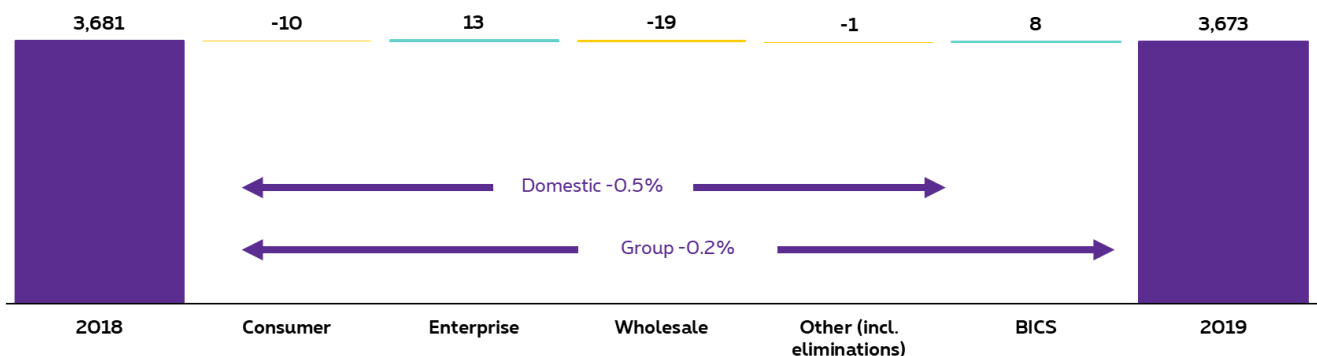
The direct margin of BICS increased by 2.4% year-on-year to total EUR 325 million for 2019. This was driven by BICS' non-Voice services direct margin which benefitted from the BICS-TeleSign combination, with growing SMS A2P volumes and the realization of direct cost synergies. This was only in a limited way offset by the impact of the gradual insourcing by MTN, with the effect coming slower than expected.

Direct Margin (underlying, M€)



Group underlying direct margin
EUR 3,673M

Direct Margin evolution by segment (underlying, M€)



Operating expenses

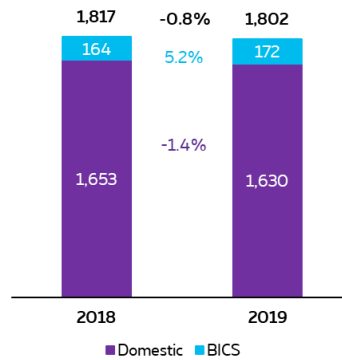
Over 2019, the Proximus Group operating expenses totaled EUR 1,802 million, a decrease by EUR 15 million or -0.8% from the prior year. Proximus continued to keep a strong focus on structurally improving its Domestic cost base, by means of efficiency and digitalization. As a result, Proximus' **Domestic expenses were reduced by EUR 23 million over the year**, totaling EUR 1,630 million for 2019. Within the mix, the Domestic non-workforce costs were down by 2.5% while workforce expenses were down by 0.8%. This in spite of higher expenses associated to the 2018 ICT acquisitions, for which the effect only lapped mid-2019.

In the course of 2019, Proximus' Domestic headcount decreased by 516 FTEs. This was mainly the result of employees leaving in the ongoing "voluntary early leave plan ahead of retirement", retirements and natural outflow, partially off-set by acquisitions in the ICT domain and hirings in business-critical functions. This brought Proximus' Domestic headcount to 12,143 FTEs by end-2019.

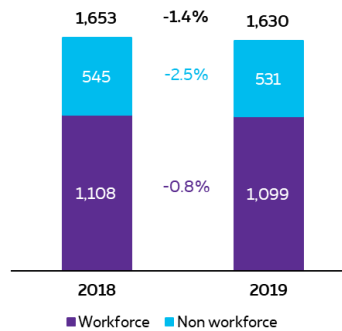
Strong focus on efficient Domestic cost structure led to a net cost saving of EUR 23M

The Operating expenses of BICS totaled EUR 172 million for 2019, an increase by 5.2%. This was mainly driven by additional hiring at TeleSign to support its growth.

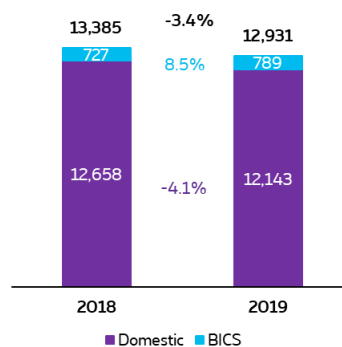
Operating expenses (underlying, M€)



Domestic operating expenses (underlying, M€)



Headcount evolution (in FTE)



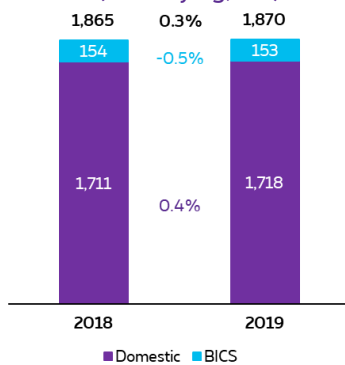
Underlying EBITDA

The Proximus Group posted an underlying EBITDA of EUR 1,870 million for 2019, up by 0.3% and meeting its expectation for the year.

Group underlying EBITDA

+0.3%

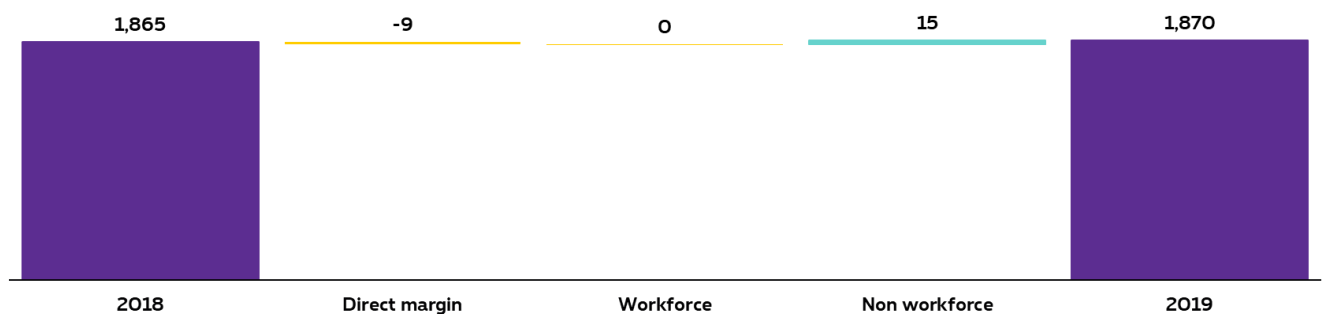
EBITDA (underlying, M€)



The Domestic operations of Proximus grew the EBITDA by 0.4% to a total of EUR 1,718 million. This was driven by the companies' strong cost control, more than offsetting the slightly lower Direct Margin. With a more efficient cost structure, the Domestic EBITDA margin improved to 39.2%, up from 38.4% for 2018.

BICS closed 2019 with its Segment Result totaling EUR 153 million, 0.5 % below that of the prior year following its increased cost base to support its growth areas, and a minor impact as a consequence of the gradual insourcing of services by MTN. BICS' segment margin as percent of revenue for 2019 was 11.7%, up 0.3 p.p. from the previous year.

EBITDA evolution (underlying, M€)



Reported EBITDA

Incidentals included, and operating lease excluded, the Proximus Group reported EBITDA of EUR 1,676 million, whereas this was EUR 1,794 million for the year before. See page 3 for more information on the incidentals.

In 2019, the Proximus Group recorded EUR 278 million net EBITDA incidentals, compared to EUR 70 million for 2018. The 2019 incidentals included mainly expenses recorded in the framework of the Fit for Purpose transformation plan of EUR 253 million (covering the costs for termination benefits reduced by the resulting impacts on complementary pensions, other post-employment benefits and sickness days provision) and the Early Leave Plan ahead of Retirement of EUR 19 million. The lease depreciation and interest for 2019 totaled EUR 84 million. As from 2019, following the application of IFRS 16, these expenses are excluded from the reported EBITDA.

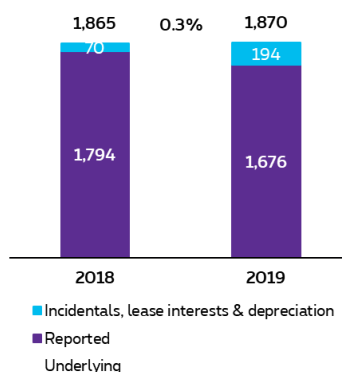
Depreciation and amortization

In 2019, the depreciation and amortization totaled EUR 1,038 million, excluding lease depreciation. This compares to EUR 1,016 million for 2018. With lease depreciation included, the 2019 depreciation & amortization totaled EUR 1,120 million. The year-on-year increase is mainly due to a higher asset base to depreciate following the increased investment levels over the past years, amongst which the ongoing Fiber roll-out, and the depreciation and amortization from acquired companies.

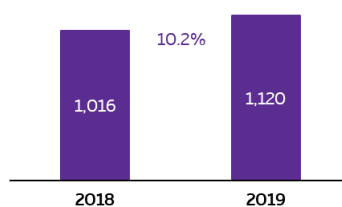
Net finance cost

The net finance cost for the year 2019 totaled EUR 47 million, EUR 9 million lower versus last year's level of EUR 56 million, which included an additional interest expense on the reassessed tax on pylons liability.

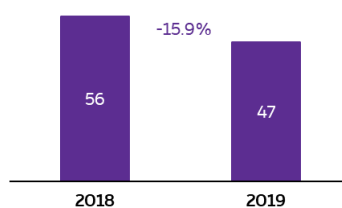
Reported and underlying EBITDA (M€)



Depreciation and amortization incl. lease depreciation (M€)



Net finance cost incl. lease interest (M€)

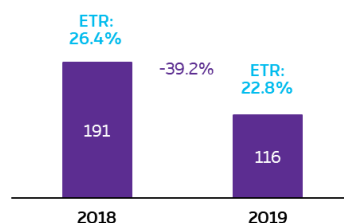


Tax expense

The 2019 tax expenses amount to EUR 116 million, representing an effective tax rate of 22.8%.

The difference with the Belgian statutory tax rate of 29.58% results from the application of general principles of Belgian tax law such as the patent income deduction and other R&D incentives. The year-on-year decrease results also from the Fit for Purpose restructuring cost lowering the income tax base.

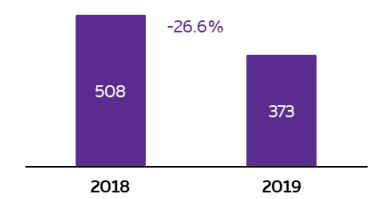
Tax expense and ETR (M€)



Net income

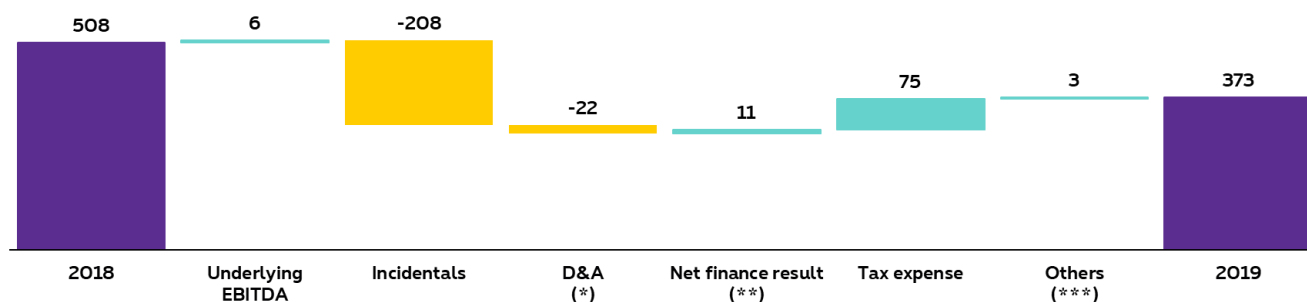
Proximus reported a 2019 net income (Group share) of EUR 373 million. This is down from the prior year largely as a result of a higher level of incidentals booked in 2019, including the restructuring cost related to the Fit for Purpose transformation plan. This was in part offset by the slightly positive underlying Group EBITDA, lower finance cost and lower tax expenses.

Net income (Group Share) (M€)



€ 373M
 Net income

Net income evolution (M€)



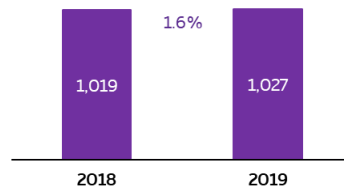
(*) excluding lease depreciation; (**) excluding lease interest; (***) includes Non-controlling interests and Share of loss from associates

Capex

The level of Capex reflects the Group strategy to invest extensively in enhancing its networks and improving the overall customer experience. In line with its expectations, Proximus invested a total amount of EUR 1,027 million in 2019, stable in relation to the EUR 1,019 million invested in 2018. With Proximus' Fiber for Belgium project ramping up, this consumed a larger share of the yearly capex envelope. The deployment of this future-proof network kicked off early 2017, and by end-2019, inhabitants of 13 cities were being connected to Fiber. Proximus also invested extensively in its IT platforms, the ongoing multi-

year modernization of its transport network, and attractive content for its TV customers. Coping with an ongoing steep increase in mobile data traffic, Proximus also invests to ensure a top-quality mobile network for its mobile customers.

Accrued Capex excluding spectrum (M€)



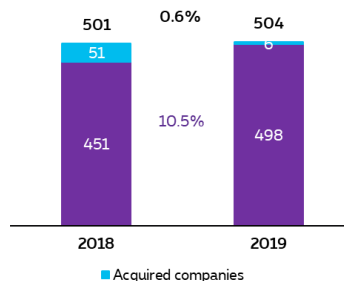
Free Cash Flow

Proximus' 2019 FCF totaled EUR 498 million, or EUR 504 million when excluding the 2019 cash-out related to acquisitions. This is rather stable relative to the EUR 501 million for 2018 (adjusted for acquisition cash-out for ION-IP, Umbrio and Codit).

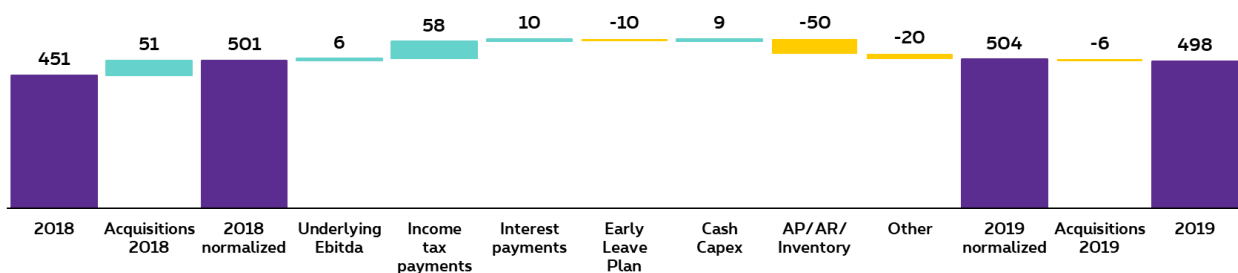
In 2019, the higher amount of cash needed for Business working capital (very good performance in 2018), payments made in the 2016 Early Leave ahead of Retirement restructuring plan, and less proceeds from building sales, was offset by lower cash out for income tax and interests, less cash needed for Capex and a positive evolution in underlying EBITDA.

€ **504** M normalized FCF

Free Cash Flow (M€)



Free Cash Flow evolution (M€)

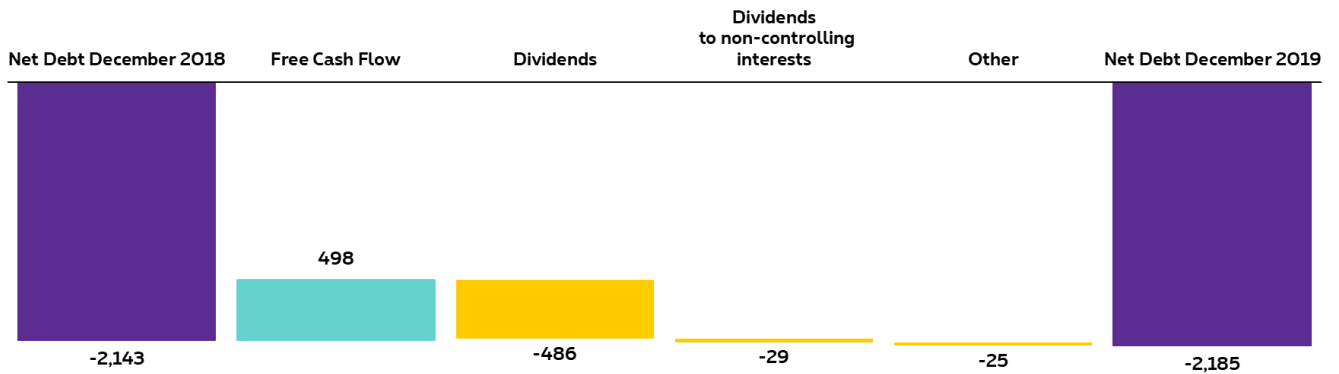


Net financial position

Proximus maintained a solid financial position with an adjusted¹ net debt of EUR 2,185 million end-2019. The net debt increased from one year ago

following acquisitions whereas the normalized 2019 FCF level covered for the committed dividend pay-out to Proximus shareholders.

Adjusted net debt evolution (M€)



¹ Net debt excluding lease liabilities

- Main customer bases growing despite intensifying competition.
- Value-accretive customer mix: growing 4 & 3-Play driving positive ARPH.
- Revenue from Fixed virtually steady: growth in Internet and TV nearly offset the erosion in legacy Fixed Voice.
- Mobile revenue impacted by International calling regulation, eroding inbound and Prepaid.
- Direct Margin nearly stable, with revenue pressure partially on low-margin income.

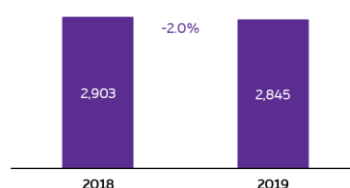
3. Consumer

Revenue

The Consumer revenue over 2019 totaled EUR 2,845 million, -2.0% compared to 2018. This was in part driven by the declining business of reselling standalone mobile terminals at low margin. Revenue from Devices aside, the Consumer revenue showed a 1.3% decrease. The positive impact from the growing customer base for TV, Internet and Mobile Postpaid under the Proximus and Scarlet brands and the price changes since 1 January 2019, could not fully compensate for the revenue pressure caused by the ongoing erosion in Fixed Voice and Prepaid

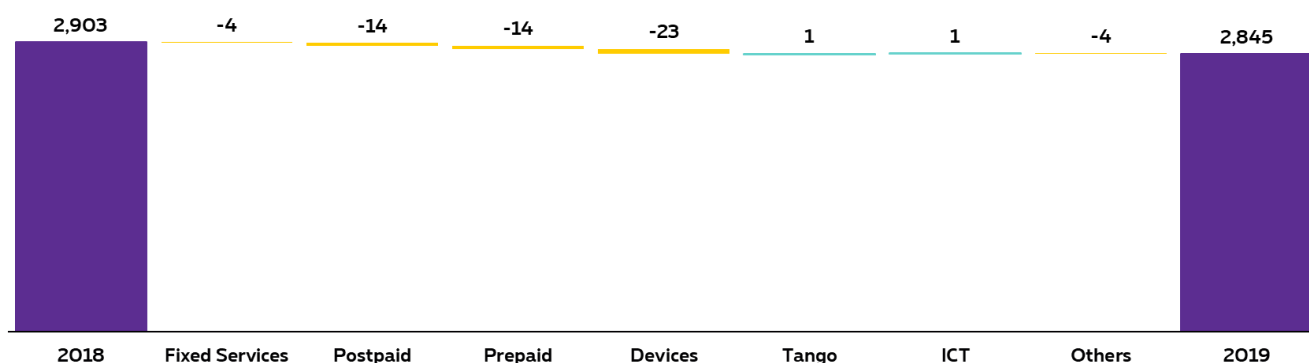
and the regulatory headwind on International calling/SMS revenue.

Revenue (underlying, M€)



Proximus' dual-brand strategy and its segmentation approach for the residential market continued to drive customer growth and proved to be very supportive in the more competitive context. The Proximus brand grew its 3 and 4-Play customer bases, with especially convergent offers such as Tuttimus/Bizz All-In, Minimus and the millennial offer EPIC showing good customer traction. In the price seekers segment, the Scarlet brand continued to grow, benefitting from its no-frills offers.

Revenue evolution per product group (underlying, M€)



Fixed Services

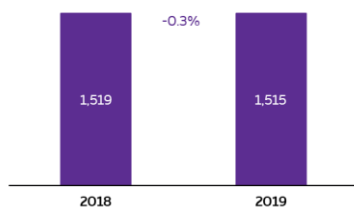
In spite of the intensifying competition on the Fixed market, the Proximus Consumer segment managed to contain the impact on its Fixed Services revenue, with the decrease compared to the previous year limited to EUR 4 million or 0.3%.

This included revenue loss following a decreased Fixed Voice customer base, with especially the single-play Fixed Voice base eroding. This was for a large part compensated for by the Internet and TV growth by both the Proximus and Scarlet brands. Over the past 12 months, Proximus' Consumer Internet subscriptions grew by 28,000 to a total base of 1,922,000 and TV grew by

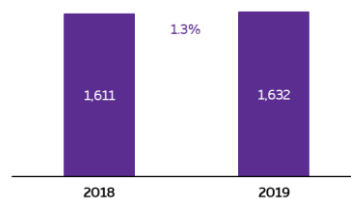
21,000 TV subscriptions to a total of 1,632,000 by end-2019.

1,922,000
Fixed Internet customers
1,632,000
TV subscribers

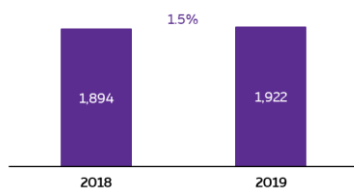
Fixed Services revenue (M€)



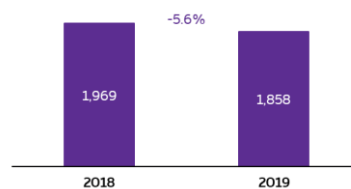
TV subscribers ('000)



Fixed Internet customers ('000)

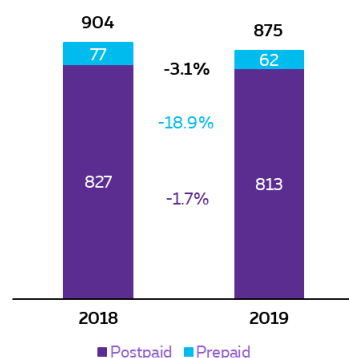


Fixed Voice customers ('000)

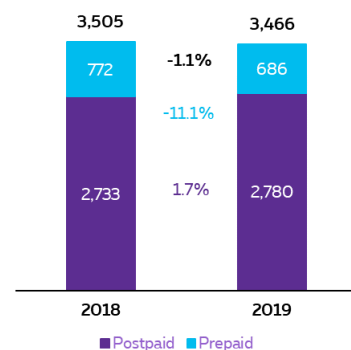


Mobile services

Mobile services revenue (M€)



Mobile cards ('000)



Mobile postpaid

The Consumer segment closed the year 2019 with Postpaid services revenue of EUR 813 million, 1.7% or EUR 14 million down from the prior year, of which about EUR 11 million revenue loss related to the regulated price decrease for International calling/SMS. Moreover, the Mobile Services revenue was impacted by an increasing loss of (low margin) inbound revenue following changing customer behavior with increasing OTT usage.

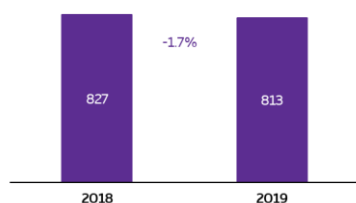
Proximus managed to partly compensate for the unfavorable effects by a growing customer base. Operating in a dynamic market, the Consumer segment succeeded in growing its postpaid base by a net 47,000 cards, bringing its total base to 2,780,000 Postpaid cards by end-2019, up by 1.7% compared to one year ago.

Despite bold competitive moves, the Mobile postpaid churn remained contained at 15.6%, 0.2 p.p. better versus one year ago.

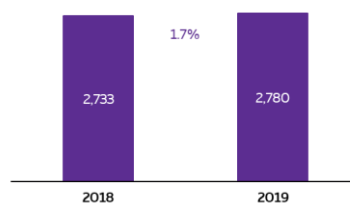
2,780,000
Mobile postpaid cards
+1.7% YoY

The Postpaid ARPU for 2019 was EUR 24.6, a year-on-year decrease of 4.0%, reflecting a mixed effect from the International calling/SMS regulation since mid-May 2019 and less inbound revenue.

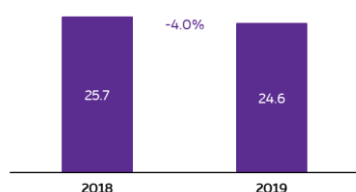
Postpaid revenue (M€)



Postpaid cards ('000)



Postpaid ARPU (€)



Mobile prepaid

The revenue from mobile Prepaid continued to decline in 2019, down by 18.9% from the prior year. This resulted from a further loss of Prepaid cards, with the 2019 Prepaid base reduced by 86,000 cards, compared to a loss of 130,000 Prepaid cards in 2018.

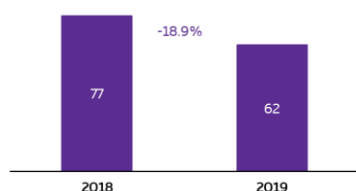
By end-2019 Proximus' Prepaid base totaled 686,000 Prepaid cards. The continued erosion in an already declining market was partly driven by the strategy to migrate customers to similar Postpaid pricing plans, at higher value.

For 2019, the Prepaid ARPU was EUR 7.2, a 6.0% decline from 2018.

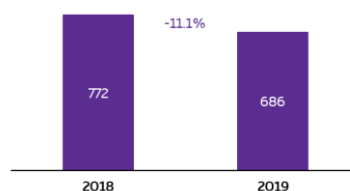
-86,000

Mobile prepaid cards, improving from -130,000 in 2018

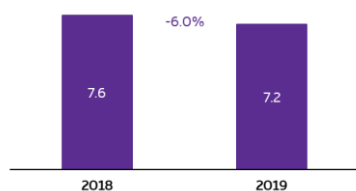
Prepaid revenue (M€)



Prepaid cards ('000)



Prepaid ARPU (€)

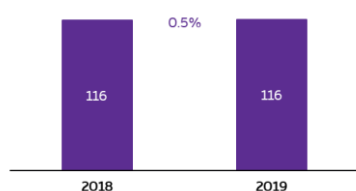


Consumer Tango

Tango, Proximus' Luxembourgish telecom operator, posted a stable revenue of EUR 116 million for 2019 for its Consumer segment, in a fierce competitive market.

by FTTH. It also grew its Mobile postpaid base, while Prepaid further eroded.

Consumer Tango revenue (M€)



Stable

Tango Consumer revenue

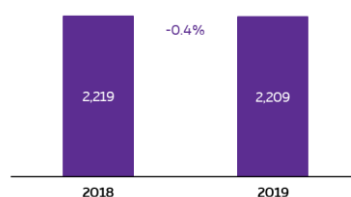
Executing its convergence strategy, Tango grew its Consumer base for TV and internet, supported

Consumer direct margin

The Consumer segment's direct margin over 2019 totaled EUR 2,209 million, i.e. 0.4% or EUR 10 million below that of 2018. This includes a negative regulatory impact and an unfavorable year-on-year effect from a substantial one-off tailwind posted in 2018. This aside, the direct margin benefitted from cost improvements following digital adoption, notably on commissions, from the larger subscriber base for TV and Internet, and price changes, offsetting the pressure in Fixed Voice and Prepaid.

€2,209M
Consumer direct margin

Direct margin (M€)



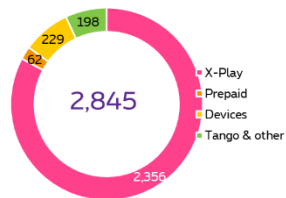
With part of the revenue pressure having no meaningful margin impact, the direct margin as percentage of revenue increased by 1.2 p.p. to 77.7%.

Tuttimus, Minimus and EPIC Combo offers driving higher convergence revenue

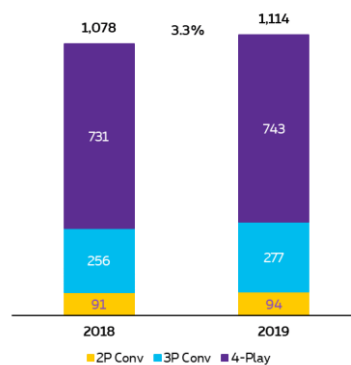
The progress on Proximus' convergence and value strategy was measured through its "multi-play" reporting. In contrast to the traditional reporting per product group, the X-play reporting focuses on operational and financial metrics in terms of Households and Small Offices (HH/SO) serviced by Proximus and the number of "Plays" (i.e. Mobile Postpaid - Fixed Voice - Fixed Internet - TV) and Revenue Generating Units (RGU) offered. The X-play reporting also includes HH/SO services from Scarlet.

For 2019, the Consumer segment posted EUR 2,845 million in revenue, of which EUR 2,356 million was generated by Proximus' Households/Small Offices (HH/SO) base. This is 0.3% up from the prior year. Especially revenue from convergent HH/SO, i.e. combining Fixed and Mobile services, progressed well. Driven by a 3.3% growth in the number of convergent HH/SO, the convergent revenue increased by 3.0% compared to 2018.

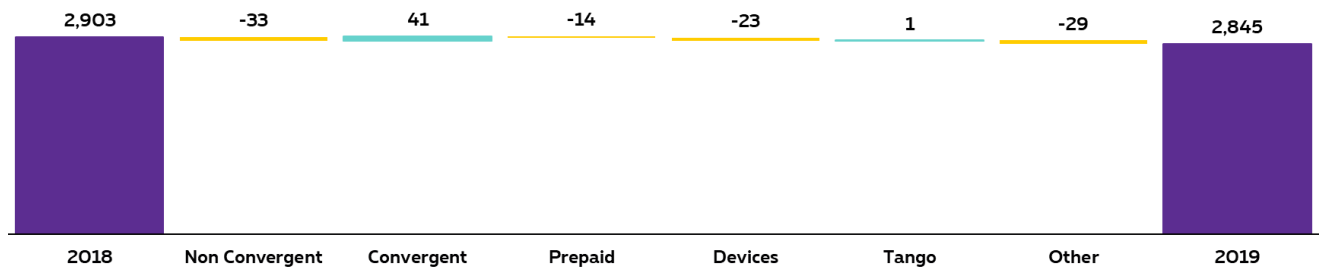
83%
Consumer
revenue
generated by
X-Play HH-
SO.



Convergent Households/Small offices ('000)



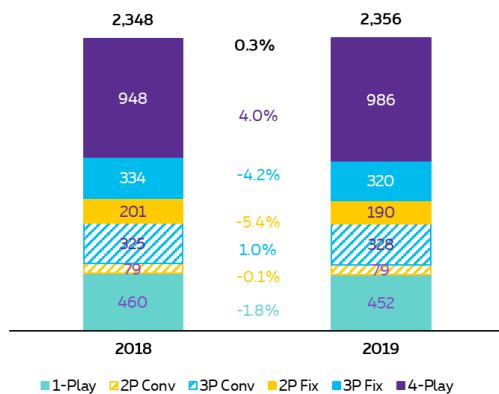
Revenue evolution per X-Play product group (underlying, M€ under IFRS15)



The 2019 revenue benefitted from both the growing 4-Play HH/SO base and the convergent 3-Play HH/SO base. This resulted from the uptake of the convergent offers Tuttimus, Minimus and EPIC Combo. By end-2019, Proximus counted 1,114,000 convergent HH/SO, a 3.3% increase from end-2018, thereby pushing its convergence rate to 60.3% on the total of multi-play HH/SO, +2.0 p.p. on the prior year.

Revenue from 1-Play HH/SO was down by 1.8% compared to 2018 as a consequence of the ongoing erosion in the single-Play Fixed Voice customer base. This was, however, partly offset by higher revenue generated by Internet-only HH/SO, with especially the attractively priced Internet offer of Scarlet having traction.

HH/SO revenue per X-Play (M€)



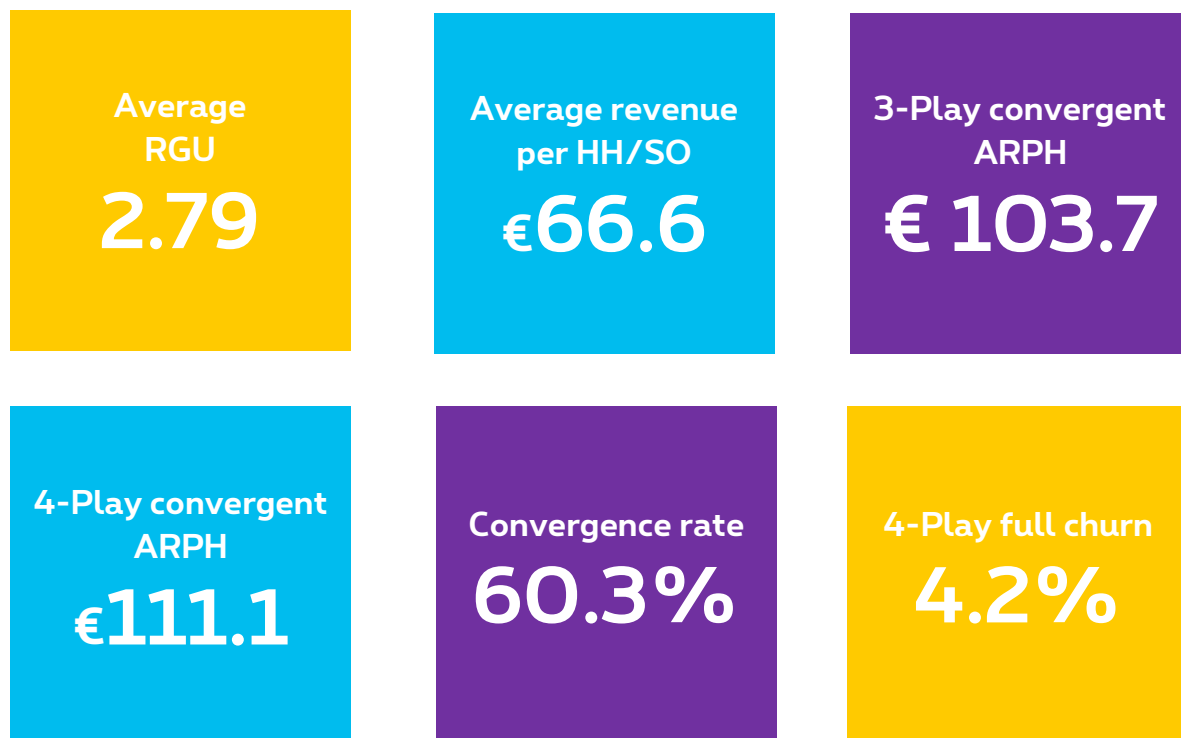
+3.0%
Convergent revenue



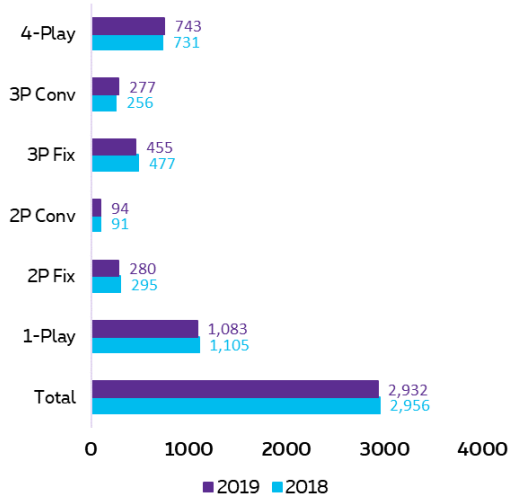
With more customers moving to 4-Play and the convergent 3-Play offer, the average RGUs per HH/SO progressed to 2.79 RGUs. This benefitted the Average Revenue per Household, with the overall ARPH for 2019 at EUR 66.6, up from EUR 65.9 one year back. The ARPH for 4-Play and 3-Play convergent HH/SO was EUR 111.1 and EUR 103.7 respectively.

The slight decline from the prior year was mainly the result of the regulated decrease in International calling/SMS rates and eroding revenue from inbound.

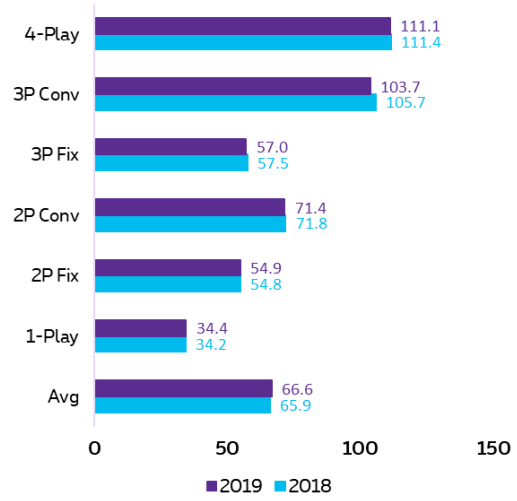
In a more competitive landscape, the overall 2019 annualized full churn rate was 14.4%, up 0.8 p.p. from one year ago. Although somewhat up, the 4-Play churn remained low at 4.2%.



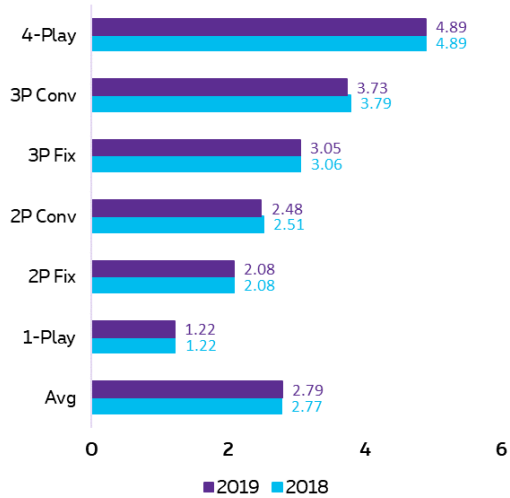
Consumer Households & Small Offices per X-play ('000)



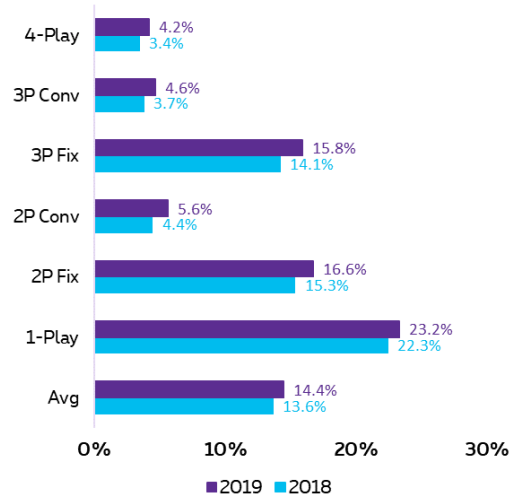
Average Revenue per HH/SO (€)



Average revenue generating units per HH/SO



Annualized full churn rate (%)



- Enterprise segment grew its 2019 revenue by 0.4% in an increasingly competitive setting.
- Revenue progression driven by ICT and Advanced Business Services, offsetting pressure on legacy services.
- Flattish Mobile services revenue, with growing base and churn under control, while ARPU under pressure.
- Direct margin up 0.6% from 2018, a fairly stable 68.5% of revenue, with revenue mix changing from legacy infrastructure products towards high-value professional services.

4. Enterprise

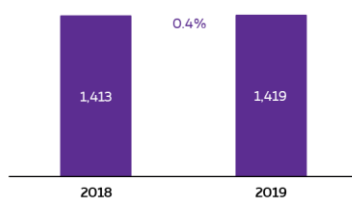
Revenue

For 2019, Proximus' Enterprise segment posted EUR 1,419 million in revenue, nearly stable (+0.4%) relative to 2018, within a more competitive business market, and with a continued revenue erosion in legacy Fixed Voice and Data. Whereas the revenue from Fixed Telecom services was down year on year, the revenue from Mobile services remained fairly flattish, with a growing customer base nearly compensating for the competitive pricing pressure.

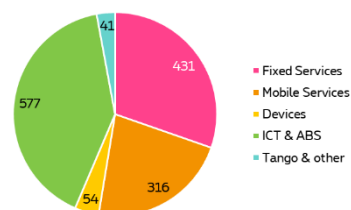
Proximus' Enterprise segment achieved further revenue growth in ICT, in spite of a decline in legacy infrastructure products. Acquired specialized ICT companies contributed to this, also

providing some inorganic growth over the first six months. Advanced Business Services delivered a positive revenue contribution as well, with revenue from convergent solutions progressing and Be-Mobile posting higher revenue, supported by the acquisition of Mediamobile in November 2018.

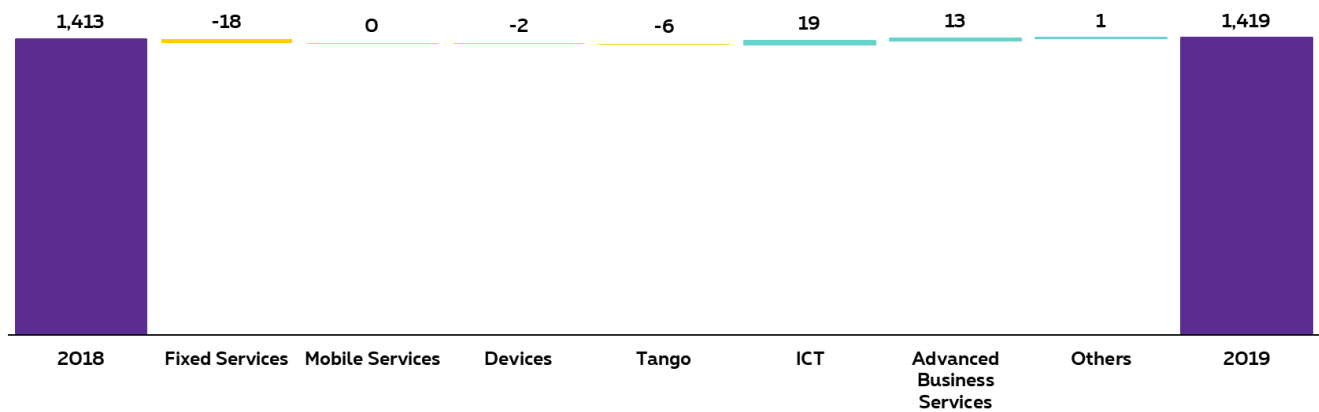
Revenue (M€)



Revenue per product (M€)



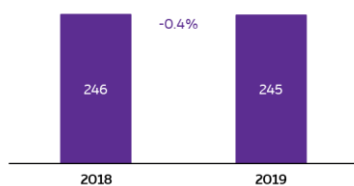
Revenue evolution per product group (underlying, M€)



Fixed data

The 2019 revenue from Fixed Data services totaled EUR 245 million, 0.4% down from the prior year. Revenue from the Data Connectivity Services, the largest portion of this product category, was somewhat below that of the prior year, due to a slightly negative balance between eroding legacy and growing new data connectivity services. In 2019, the Enterprise segment benefitted from its growing P2P fiber park, yet this could not entirely offset the ongoing outphasing and migration of legacy products in the context of simplification programs, which offer customers new solutions at attractive pricing.

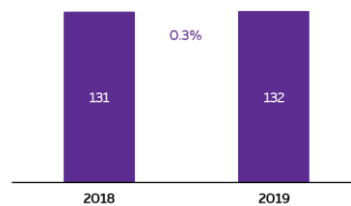
Fixed Data revenue (M€)



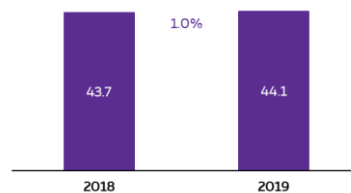
In an increasingly competitive setting for Business Internet, Proximus' Enterprise segment managed to keep the Internet subscriptions stable versus 2018, ending the year 2019 with a total Internet

subscriber base of 132,000 with an ARPU of EUR 44.1

Fixed Internet subscriber base ('000)



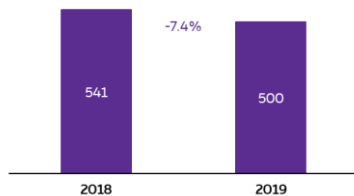
Fixed Internet ARPU (€)



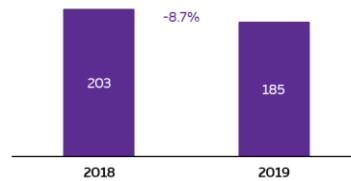
Fixed Voice

The Enterprise segment posted EUR 185 million in Fixed Voice revenue for 2019, a year-on-year decline of 8.7%. The Enterprise segment faces an ongoing rationalization by customers on Fixed-line connections, lower usage, technology migrations to VoIP and competitive pressure. The line loss remained fairly steady in relation to the previous years, with a year-on-year loss of 7.4% or 40,000 Fixed Voice lines for 2019. This brought the Enterprise total Fixed Voice Line base to 500,000 at end-2019.

Fixed Voice park ('000)

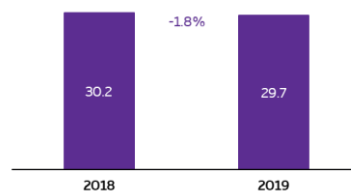


Fixed Voice revenue (M€)



The Fixed Voice ARPU of EUR 29.7 was down by 1.8% compared to the prior year, with the decrease in traffic per line and a higher penetration of unlimited call options only partly compensated for by the limited price indexations on 1 January 2019.

Fixed Voice ARPU (€)

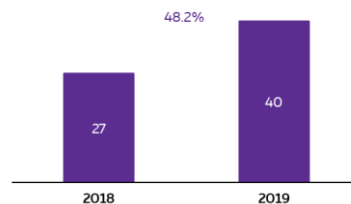


Advanced Business Services

Revenue from Advanced Business Services increased by 48.2%, driven by Smart Mobility, with Proximus' subsidiary Be-Mobile² occupying a unique position in the field. In November 2018, Be-Mobile acquired Mediamobile, strengthening Be-Mobile's position in the automotive industry and increasing the geographical coverage of its traffic management services. Furthermore, Proximus' convergent business solutions gained

traction, growing the number of Call Connect customers (PABX in the cloud).

Advanced Business Services revenue (M€)



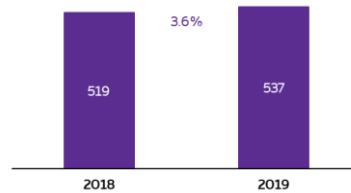
² Be-Mobile is a Proximus subsidiary specialized in smart mobility.

ICT

Operating in a competitive environment, the Enterprise segment has deployed a successful strategy of expanding its portfolio well beyond pure connectivity services and therefore offers meaningful solutions for the digital transformation of its professional customers. This led to a further revenue increase of 3.6% for ICT in 2019, with a favorable evolution in high-value professional services offsetting lower revenues from legacy infrastructure products.

The revenue from ICT includes the contribution from acquired³ specialized companies, accelerating this shift from product transactions to service revenue. These acquisitions annualized mid-2019.

ICT Revenue (M€)



Mobile services

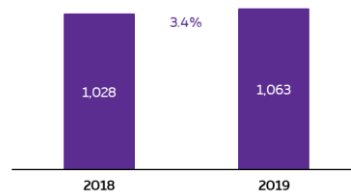
The Enterprise mobile service revenue for 2019 remained stable relative to the prior year, totaling EUR 316 million.

This resulted from higher subscriptions revenue, which compensated for the ongoing competitive price pressure and the lower out-of-bundle revenue resulting from the continuous move to mobile price bundles.

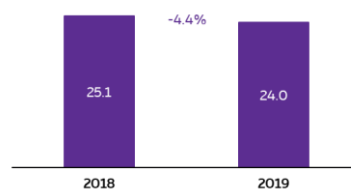
In view of the competitive environment, Mobile postpaid churn was somewhat up, reaching 11.1%, compared to 9.6% for the prior year. Nonetheless, Proximus' Enterprise segment further increased its base by 35,000 Mobile postpaid cards in 2019, with its Mobile postpaid base reaching 1,063,000, 3.4% higher than the prior year.

The benefit of the customer growth was however offset by a lower Mobile postpaid ARPU, down by 4.4% to EUR 24.0.

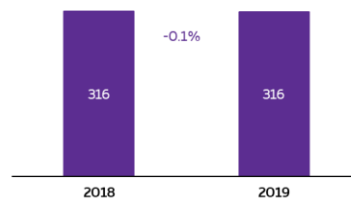
Mobile postpaid cards ('000)



Mobile postpaid ARPU (€)



Mobile services revenue (M€)



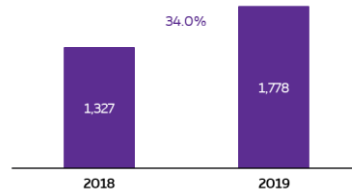
Mobile postpaid cards added
(excluding M2M)

+35,000

³ Codit, Umbrio and ION IP

Proximus' Enterprise segment posted another strong increase in M2M cards, with an additional 451,000 M2M cards activated in 2019. This was mainly related to the Smart metering project with Fluvius, in addition to an ongoing growth in regular M2M cards. This brought the total Proximus M2M base to 1,778,000 by end-2019, a 34.0% increase from one year ago.

Machine-to-Machine cards ('000)

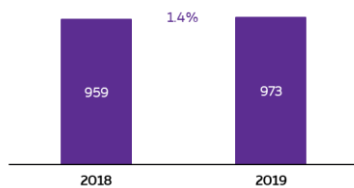


Enterprise direct margin

The 2019 direct margin grew by EUR 13 million or 1.4% to EUR 973 million. This resulted from the direct margin contribution from Advanced Business Services, Mobile services and ICT, including the support from acquired ICT companies. The growth in these areas more than

offset the ongoing margin erosion for Fixed Voice. The 2019 direct margin as a percentage of revenue was 68.5%, up by 0.6 p.p. from a year ago, reflecting the ongoing change in revenue mix; shifting from higher direct margin legacy revenue to higher workforce-driven ICT revenue.

Direct margin (underlying, M€)



€973M

Enterprise direct margin

Wholesale

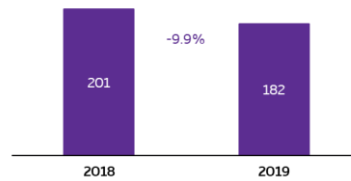
For its Wholesale operations, Proximus posted EUR 182 million revenue in 2019, a 9.9% decline compared to 2018. This reflects the impact of regulation, with reduced Fixed Termination Rates since 1 January 2019 decreasing the revenue by EUR 19 million.

Furthermore, within the mix, Wholesale roaming revenue was up on the back of higher traffic volumes, offsetting the impact from lowered roaming wholesale rates, negotiated in the Group's interest. The increase in wholesale roaming traffic revenue was, however, offset by lower revenue from traditional wholesale services. This was partly the consequence of the termination of various contracts with two of Proximus' Wholesale customers due to continued failure to comply with their contractual payment obligations.

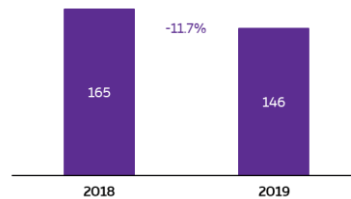
The direct margin for 2019 totaled EUR 146 million, a 11.7% decline compared with the prior year. This mainly reflects a direct margin impact from the regulated lower Fixed Termination Rates, partially offset at Group level by a positive

impact on the Consumer and Enterprise segments. Furthermore, the margin was impacted by the erosion of traditional wholesale services, including the termination of the aforementioned contracts and only partially offset by a higher roaming margin following higher volumes.

Revenue (M€)



Direct margin (M€)



5. BICS

Revenue

BICS operates in the international communications market, which is highly competitive. BICS's revenue mix continued to move from Voice to Data. For 2019, BICS posted a 3.4% decline in its revenue, totaling EUR 1,301 million. Revenue from non-Voice products was up by 19.1% reaching EUR 486 million, driven by increasing messaging revenue. The overall volume of messages went up by a steep 27.7% in 2019 following strong TeleSign A2P volumes. Revenue from Voice services continued its declining trend, with revenue for 2019 down by 13.2% year-on-year. The sequential Voice revenue deterioration results mainly from lower unit revenue because of lower termination rates, competition and a less favorable destination mix.

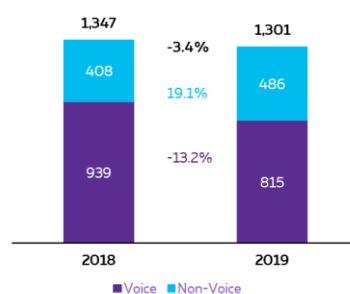
**Robust increase in SMS A2P
Impact from insourcing by MTN
slower than foreseen**

Direct margin

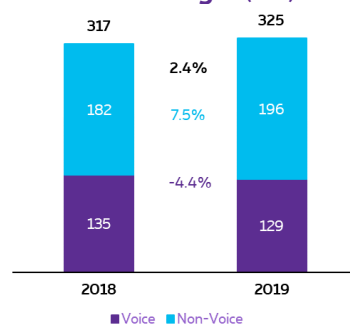
For 2019, BICS posted a direct margin of EUR 325 million, up 2.4% compared to the prior year. The direct margin growth was fully driven by the non-Voice Direct margin, which was up by 7.5% from the prior year thanks to a strong A2P and roaming volume growth. The margin from Voice was down by 4.4% as a result of the revenue decline. Moreover, due to a timing shift, the progressive insourcing by MTN impacted 2019 only in a very limited way. The direct margin as a percentage of revenue improved by 1.4 p.p. from the prior year to reach 25% in 2019.

For 2019, the anticipated progressive insourcing by MTN of the transport and management of its traffic within the Middle East and African regions has started but due to a timing shift, to a lesser extent than foreseen. Overall, Voice volumes carried by BICS were stable year-on-year at +0.8%, totaling 25 billion minutes for 2019.

BICS revenue (M€)

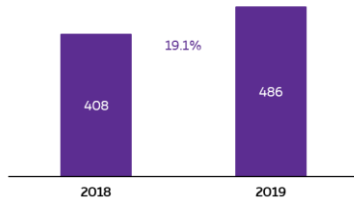


BICS direct margin (M€)

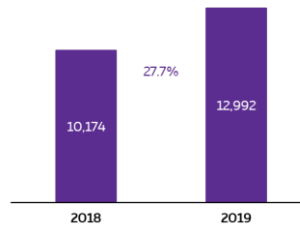


Non-Voice

Non-Voice revenue (M€)

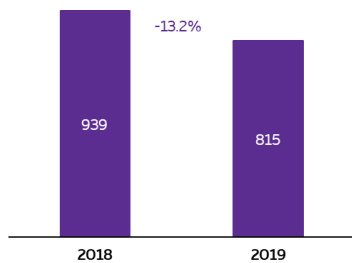


Non-Voice volumes (M messages)

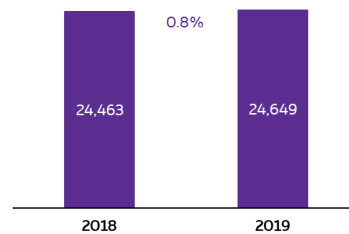


Voice

Voice revenue (M€)



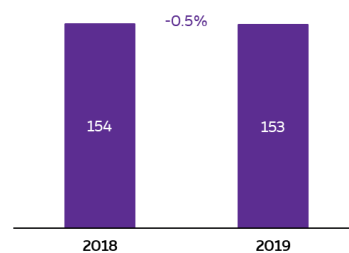
Voice volumes (M minutes)



Segment result

The segment result of BICS amounted to EUR 153 million, nearly stable compared to the previous year. The increase in Direct Margin was partly offset by higher Workforce expenses following the additional hiring by TeleSign to support its growth, and wage inflation. The segment margin as a percentage of revenue further progressed to 11.7%, +0.3 p.p.

BICS segment result (M€)



6. Definitions

- **Adjusted Net Financial Position:** refers to the total interest-bearing debt (short term + long term) minus cash and cash equivalents, excluding lease liabilities.
- **Advanced Business Services (ABS):** new solutions offered aside from traditional Telecom and ICT, such as Road User Charging, converging solutions, Big Data and smart mobility solutions.
- **Annualized full churn rate of X-play:** a cancellation of a household is only taken into account when the household cancels all its plays.
- **Annualized Mobile churn rate:** the total annualized number of SIM cards disconnected from the Proximus Mobile network (including the total number of port-outs due to Mobile number portability) during the given period, divided by the average number of customers for that same period.
- **ARPH:** Average Underlying Revenue per Household (including Small Offices).
- **ARPU:** Average Revenue per Unit.
- **Average Mobile data usage:** calculated by dividing the total data usage of the last month of the quarter by the number of data users in the last month of the quarter.
- **Blended Mobile ARPU:** total Mobile Voice and Mobile data revenues (inbound and outbound), of both Prepaid and Postpaid customers, divided by the average number of active Prepaid and Postpaid customers for that period, divided by the number of months of that same period. This also includes MVNOs but excludes M2M.
- **Broadband access channels:** ADSL, VDSL and Fiber lines. For Consumer this also includes Scarlet.
- **Broadband ARPU:** total Internet underlying revenue, excluding activation and installation fees, divided by the average number of Internet lines for the period considered, divided by the number of months in that same period.
- **BICS:** international carrier activities, a joint venture of Proximus, Swisscom and MTN in which Proximus owns 57.6%.
- **Capex:** this corresponds to the acquisitions of intangible assets and property, plant and equipment, excluding Right of Use assets (leasing).
- **Consumer:** segment addressing the residential and small businesses (< 10 employees) market, including the Customer Operations Unit.
- **Convergence rate:** Convergent households/small offices take both Fixed and Mobile services of Proximus. The convergence rate refers to the percentage of convergent households/small offices on the total of multi-play households/small offices.
- **Cost of Sales:** the costs of materials and charges related to revenues.
- **Direct margin:** the result of cost of sales subtracted from the revenues, expressed in absolute value or in % of revenues.
- **Domestic:** defined as the Proximus Group excluding BICS.
- **EBITDA:** Earnings Before Interest, Taxes, Depreciations and Amortization; corresponds to Revenue minus Cost of sales, workforce and non-workforce expenses.
- **EBIT:** Earnings Before Interest & Taxes, corresponds to EBITDA minus depreciations and amortizations.
- **Enterprise:** segment addressing the professional market including small businesses with more than 10 employees.
- **Fixed Services Revenue:** total underlying revenue from Fixed services (Fixed Voice, Broadband and TV).
- **Fixed Voice access channels:** PSTN, ISDN and IP lines. For Enterprise specifically, this also contains the number of Business Trunking lines (solution for the integration of Voice and Data traffic on one single Data network).

- **Free Cash Flow:** this is cash flow before financing activities, but after lease payments as from 2019.
- **ICT:** Information and Communications Technology (ICT) is an extended term for information technology (IT) which stresses the role of unified communications and the integration of telecommunications (telephone lines and wireless signals), computers as well as necessary enterprise software, middleware, storage, and audio-visual systems, which enable users to access, store, transmit, and manipulate information. Proximus' ICT solutions include, but are not limited to, Security, Cloud, "Network & Unified Communication", "Enterprise Mobility Management" and "Servicing and Sourcing".
- **Incidental:** adjustments for material (**) items including gains or losses on the disposal of consolidated companies, fines and penalties imposed by competition authorities or by the regulator, costs of employee restructuring programs, the effect of settlements of post-employment benefit plans with impacts for the beneficiaries and other items that are outside the scope of usual business operations. These other items include divestments of consolidated activities, gains and losses on disposal of buildings, transaction costs related to M&A (acquisitions, mergers, divestments etc.), deferred M&A purchase price, pre-identified one-shot projects (such as rebranding costs), changes of accounting treatments (such as the application of IFRIC 21), financial impacts of litigation files, fines and penalties, financial impact of law changes (one-off impact relative to previous years), recognition of previously unrecognized assets and impairment losses.
- (**) The materiality threshold is met when exceeding individually EUR 5 million. No materiality threshold is defined for costs of employee restructuring programs, the effect of settlements of post-employment benefit plans with impacts for the beneficiaries, divestments of consolidated companies, gains and losses on disposal of buildings and M&A-related transaction costs. No threshold is used for adjustments in a subsequent quarter if the threshold was met in a previous quarter.
- **Mobile customers:** refers to active Voice and Data cards, excluding free Data cards. Postpaid customers paying a monthly subscription are by default active. Prepaid customers are considered active when having made or received at least one call and/or sent or received at least one SMS message in the last three months. An M2M card is considered active if at least one Data connection has been made in the last month.
- **Mobile ARPU:** monthly ARPU is equal to total Mobile Voice and Mobile Data revenues (inbound and outbound, visitor roaming excluded), divided by the average number of Active Mobile Voice and Data customers for that period, divided by the number of months of that same period. This also includes MVNOs but excludes M2M.
- **Multi-play household (including Small Offices):** two or more Plays, not necessarily in a Pack.
- **Net Financial Position:** total interest-bearing debt (short and long term) minus cash and cash equivalents.
- **Non-workforce expenses:** all operating expenses excluding workforce expenses and excluding depreciation and amortization and non-recurring expenses.
- **Other Operating Income:** this relates to income from, for example, reimbursements from damages, employees, insurances, gain on disposal, etc.
- **Play:** a subscription to either Fixed Voice, Fixed Internet, dTV or Mobile Postpaid (paying Mobile cards). A 4-Play customer subscribes to all four services.
- **Revenue-Generating Unit (RGU):** for example, a household with Fixed Internet and 2 Mobile Postpaid cards is considered as a 2-Play household with 3 RGUs.
- **Reported Revenues:** this corresponds to the TOTAL INCOME.
- **Terminals:** this corresponds to devices for Fixed Voice, Data, Mobile and related accessories. This excludes PABX, ICT products and TV CPE.
- **Underlying:** refers to Revenue and EBITDA (Total Income and Operating Income before Depreciation and Amortization) adjusted for lease depreciations and interest as from 2019 and for incidentals in order to properly assess the ongoing business performance.

- **Wholesale:** Proximus' unit addressing the telecom wholesale market including other telecom operators (incl. MVNOs) and ISPs.
- **Workforce expenses:** expenses related to own employees (personnel expenses and pensions) as well as to external employees.
- **X-Play:** the sum of single play (1-play) and multi-play (2-play + 3-play + 4-play).

Risk Management

Taking risks is inherent to doing business, and successfully managing risks delivers a return to Proximus stakeholders. Proximus believes 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 in the realization of our objectives. The aim 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 32 of the consolidated financial statements, published on the Proximus website. Risks related to important ongoing claims and judicial procedures are reported in Note 34 of these statements.

The enterprise and financial reporting risks are detailed below, together with the related mitigating factors and control measures. However, this is not an exhaustive analysis of all potential risks that 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 this by assessing emerging risks (e.g. from regulation and new technologies on the market) and developing mitigating strategies in line with its risk tolerance.

Proximus' ERM framework has been reviewed and updated in 2019 to align 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 by the last ERM 2019 exercise, the following risk categories were prioritized (in the following order):

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

Business model and servicing evolution

Proximus' business model and financial performance have been and will continue to be impacted by (disruptive) technologies, such as SD-WAN, 5G and OTT (over-the-top) services. Proximus' response to new technologies and market developments and its ability to introduce new competitive products or services, which are meaningful to its customers, will be essential to its performance and profitability in the long run.

Proximus, and the industry as a whole, is evolving towards a more individualized approach to serving its customers. For example, for ultra-broadband, fiber-based connectivity, Proximus adopts a local marketing approach, in which the sales forces, technical staff and local partners join forces for its fiber deployment project. In the business market, Proximus is further developing and reinforcing its 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.

Competitive market dynamics

Proximus' business is primarily focused on Belgium, a small country with a few large telecom players, with Proximus being the incumbent. Proximus operates in growing markets (e.g. enterprise campus networks, security, smart mobility, and API platforms), maturing markets (e.g. 4G smartphones), saturated markets (e.g. Fixed Internet, postpaid mobile and fixed voice) and even declining markets (e.g. prepaid mobile and enterprise voice).

The market is in constant evolution, with competitive dynamics at play (e.g. frequent new product launches, competitors entering new segments of the market that might impact market value going-forward). In December, the validation of the sale of 51% of Voo (the cable company operating in most of Wallonia and part of Brussels), to Private Equity firm Providence Equity Partners was announced. This transaction is expected to be finalized in the course of 2020. It will likely change the outlook and strategy of Voo going forward. Furthermore, in the coming months or years, the market structure could further evolve with the possible entry of a new mobile operator, in addition to the three existing operators and supported by favorable conditions set in the upcoming spectrum auction. Sector federation Agoria estimates that the possible arrival of a 4th mobile entrant could impact the total Mobile market in Belgium with a reduction of 6,000-8,000 jobs and a reduced sector contribution to the state of €200 M - €350 M. The timing of that remains uncertain, as the upcoming spectrum auction has been repeatedly delayed.

Substitution of fixed line services by OTT services (e.g. by apps and social media such as Skype, Facebook, WhatsApp, etc.) and TV content (e.g. Netflix, Amazon Prime Video, Disney+) could put further pressure on revenues and margins, as these over-the-top services continue to gain ground. As a result of its long-term strategy and continued network investments (Fiber, VDSL/Vectoring, 4G/4G+), Proximus has been consistently improving its multiplay value propositions by putting more customers on the latest technologies, maintaining its 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 the Studio 100 agreement, etc.), developing an omnichannel strategy and improving digital customer interfaces (launch of the new Pickx platform), etc. Proximus has established an advantageous and solid competitive position, providing the company with other levers besides price, reducing the risk to churn and price disruption exposure. Following the launch of the Epic mobile offer in 2018, Proximus successfully launched in 2019 a new convergent offer, Epic Combo, targeted at the millennial segment and specifically designed offer to meet the telecommunication needs of these customers. Proximus is also responding through a convergent and bundled approach and by offering new services and opting for an aggregator model, putting the best content at the disposal of its customers (e.g. Netflix).

The price-sensitive segment, which has continued to rise in 2019 as more consumers seek no-frills offers at a lower price, is successfully addressed through 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. Proximus has developed specific solutions to accompany our customers in the transition to both local and cloud-based communication services, leveraging our various assets to offer simple, reliable and technologically advanced solutions to meet our customers' communication needs. Furthermore, Proximus is working with its customers to answer their industry-specific requirements and business needs through solutions combining core assets with innovation like IoT, Cloud, Security and big data, which will help preserve value.

Customer experience

For Proximus, delivering a superior customer experience is a core strategic mission. The priority given to customer centricity means more than focusing on the customer. This is about creating an effortless, intuitive and personalized experience for each customer.

Why would a prospect choose Proximus rather than another telco provider? Why would an existing customer recommend us to family and friends? Why would a customer be delighted with the way his products and services are being moved? This is all about the experience we provide him with.

This experience includes a consistent, effortless and intuitive experience across all interactions in all customer journeys, a high-quality stable network, easy-to-use products and services and a good recommendation index. To achieve this goal, key transformational initiatives such as 'End-to-End Journey Evolution', 'Voice of the Customer', and 'Customer Service Lighthouse addressing root cause of pain points' were set up to take charge of transformation projects participating in Proximus' brand promise: 'Think Possible'.

Providing a superior experience to customers is a crucial challenge but also an ongoing risk domain, considering:

- The fast evolution of market and customers' expectations
- The increased influence of GAAFA and OTT players
- The ever-present risk of a bold move from the competition

As we are aware of those risks, here are some achievements of the past year tackling them:

- The 'Close-the-loop' was set up to allow customers who express, via our surveys, that they still have an open question or issue, to be re-contacted in priority in order to find a solution.
- Dedicated multidisciplinary teams were set up to act on identified root causes of customers' and operational pain points and drive continuous improvement to realize customer experience improvements and capture financial value. Five priority topics are being looked at end-to-end (i.e. billing, payment & collection, ordering, non-commercial communication and usage experience) and will result in addressing pain points and useful customers' contacts reducing thereby the customer effort. The dedicated teams are supported in their mission by a customer experience analytics team whose mission is to quantify and qualify the root causes and to measure the impact of the adopted improvements.
- The Digiline project allowing a digital journey follow-up and visualization of main interaction for new customers.

- Proximus is no longer a service provider. We create a real bond with our customers and do everything possible to ensure that their experience with us is 'effortless and delightful'.

Employee skills and motivation

In the digital era, knowledge workers are a competitive asset if they have the right skills and mindset. Proximus could face a shortage of skilled resources in specific domains such as security, digital front-ends, data science, and agile IT. This shortage could hamper the realization of our ambition to become a truly customer-centric organization, and delay some of our objectives in innovation. In addition, we need to upgrade skills in customer-facing and other functions to become digitally oriented.

This is why the company is paying so much attention to training programs, internal mobility, hiring of young graduates from relevant fields, and employer branding. In this context, it is also essential for Proximus to adapt its way of working to the needs and requirements of the new generation – the 'millennials' – and to manage all talents within an inclusive, multi-generational environment.

Considering the imperative to align skills with customer and business needs, Proximus has taken the necessary steps to identify the skills that will be critical for facing tomorrow's challenges and increased drastically its upskilling and reskilling efforts to accelerate the skills' shift. Proximus focuses also more on discovering, developing and sharing talents in order to have the right talent in the right place. Proximus continues to invest in leadership, a collaborative work environment, digitalization, and development in order to stimulate a company culture that nurtures a growth mindset, new ways of working, and our five company values: the digital mindset, customer centricity, accountability, collaboration and agility.

Human resource cost flexibility

Even though Proximus has been on the path of growth since 2015, strong competition, the impact of regulation and fast market evolution mean that it needs to further reduce costs in order to remain competitive and preserve EBITDA. A significant portion 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 well above the average of international peers and main competitors, even if steady progress has been made in recent 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 outsourcing companies being subject to the indexation as well.

At Proximus Group level, about one in five employees is a statutory employee. The application of HR rules as defined during successive Collective Agreements is quite strict and doesn't allow for as much flexibility as competition. This restricts Proximus' ability to improve efficiency and increase flexibility to levels comparable to those of its competitors.

In 2019, another wave of employees left the company under the voluntary early leave plan that was agreed by the unions in 2016. But in the future, major efforts will be needed to increase organizational flexibility and agility. That's why we intend to accelerate our transformation in the next three years, to become an increasingly digital company with an agile and efficient organization. First, Proximus will continue to adapt and simplify its organizational structure in order to evolve towards a high-performance organization by transforming the way we work.

In addition, different initiatives (drastic simplification and/or automation of Proximus' products, services, processes and systems) have been taken to optimize and safeguard the balance between workforce and

workload (both in numbers and competencies). The objective is to adapt workforce cost and HR rules to Proximus' future needs, so that we remain competitive and can evolve with customers' needs.

In this respect, in January 2019, Proximus announced the need to reduce the number of employees in line with the workload reduction mainly linked to digitalization. The transformation plan was approved in the Joint Committee of December 9, 2019 while the implementation had started by informing the employees individually.

The content of the transformation plan, is made of:

- A better adequation between the workforce and the workload, linked to business initiatives mainly linked to digitalization. The agreed upon workforce reduction will be managed through a specific process, starting with a voluntary leave plan with a majority of employees leaving by the 1st of March 2020. All other departures will happen before year-end 2020.
- A simplification of HR rules related to functional mobility, HR flexibility, and the balance between insourcing and outsourcing.
- New working conditions for employees hired as of 1st January 2020.
- A significant increase of reskilling and upskilling efforts, to meet the needs in terms of skills transformation.

The three parts of the plan will improve our productivity, flexibility and agility on the market.

BICS

The disruption of the traditional operator-to-operator wholesale telecoms market has accelerated in 2019, driven by the increasing digitalization of the communications (smartphone penetration, social/communication apps development) and the emergence of new (cloud-based) players. Legacy communications volumes (Voice, Person-to-Person Messaging) have registered a decline between 5 and 10%, while pricings are flattening. The growing segments of the markets (LTE signalling, IPX Roaming data, Roaming value added services) have registered continuous volume growth, but are under fierce competitive pressure, with significant impacts on pricing.

In this turbulent market, BICS managed in 2019 to reinforce its position as one of the top international voice carriers and as number 1 provider of Signalling and Roaming Data services. 2019 also saw the progressive implementation of the new contract between BICS and the MTN Group, whereby MTN will leverage its assets in Africa and Middle East while BICS remains MTN's preferred provider for the rest of the world. To compensate for the legacy business erosion, BICS made good progress in selling new products in the Cloud communication and IoT markets.

TeleSign, the leading US-based authentication and security services provider acquired by BICS in 2017, has managed to double the revenue and triple the EBITDA since its acquisition, despite strong competition by companies operating with a different logic (high revenue growth, negative cash flows). In 2019, TeleSign created a strong momentum in the Mobile Identity market, on which the company will further capitalize in the years to come.

Operational risks

Operational risk relates to risks arising from systems, processes, people and external events that effect the operation of Proximus businesses. It includes product life cycle and execution; product safety and performance; information management, data protection and cyber security; business continuity; supply chain; and other risks, including human resources and reputation risks. Depending on the nature of the risk involved and the particular business or function affected, Proximus uses a wide variety of risk mitigation strategies, including adverse scenario stress tests, back-up/business-continuity plans, business process reviews, and insurance. Proximus' operational risk measurement and management relies on the Advanced Measurement Approach (AMA) methodology. A dedicated 'as-if' adverse scenario risk register has been developed in order to make the stress tests relevant.

Proximus is covered by extended general and professional liability, property damage and business interruption insurance, as well as by a dedicated cyber security insurance program. Nevertheless, these insurance programs may not provide indemnification should the traditional insurance exclusions (non-accidental event) apply.

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

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

Resilience and business continuity

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

Building and ensuring the resilience of our network, platforms and IT systems remains a top priority. 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

Every year, the business units define or review the Recovery time objective (RTO) for each critical product, service and business process. The operational teams perform a gap assessment, the divisional Business Continuity coordinators follow up the resulting action plans and report progress to the Business Continuity Manager.

Proximus closely follows the international standards best practices guidelines. The level of preparedness (relevant KPIs and score cards) is submitted annually to the Audit and Compliance Committee.

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

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 in terms of products, systems and networks.

The confidentiality, availability and integrity of the data of Proximus and its customers are also at risk. We are taking the necessary actions and making investments to mitigate those risks by employing a number of measures, including employee awareness and training, security-by-design, security testing, protective measures, detective measures and maintenance of contingency plans. In addition, Proximus invests in threat intelligence and security incident response.

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 continued demand for ever-greater quantities of data at ever-greater 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 decades and has far outlived any guarantee period. Outages on the lines will become more frequent.

Considering those elements, in 2004 Proximus was the first operator in Europe to start building a national Fiber-to-the-Home 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 kilometres of optical fiber connecting its street cabinets.

In the last three years, Proximus has accelerated the roll-out of fiber on its fixed network.

The initiatives from utility players, such as Fluvius, to invest in a parallel fiber network, risk to have an impact on the business case of the Proximus Fiber investments.

Sourcing & Supply chain

Proximus depends on key suppliers and vendors to provide the equipment its needs to carry out its business activities. 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 to keep the supply chain risk at an acceptable 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 and 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 personal data for business purposes. Keeping personal data confidential and secure remains a top priority for Proximus.

In 2019, Proximus continued the GDPR implementation project it started in 2017. As part of our commitment to protect personal data and privacy, we took a series of actions such as appointing a Data Protection Officer (DPO), developing a consent management structure, security screening, and corrective measures for our IT applications. Proximus is using the functionalities and capabilities of the Collibra data governance tool to meet certain compliance requirements under GDPR e.g. register of processing activities.

Furthermore, Proximus has made effort to continuously improve its privacy by design process. As part of rendering the data subject requests process more efficient, Proximus is looking into the further use of semi-automated solutions. In the context of keeping personal data safe, Proximus has implemented additional measures to ensure that personal data in non-production environment is adequately protected.

Environmental risk & climate change

Environmental risk

Group Internal Services (responsible for buildings) and Risk Management, together with the Network Engineering and Operations department, regularly assess how extreme climate events could impact Proximus' operations.

To date, Proximus did not identify any chronic physical risks. Risk of extreme weather conditions such as heavy rain and winds, floods, lightning strike and heat waves are seen as acute and temporary events and are treated as follows:

- Flooding risk mainly applies to equipment that is placed outside in cabinets or units. All cabinets are put on a pedestal in concrete and a second one in metal. The latest type of cabinets with copper access technology make use of a sealed, water resistant unit containing the active equipment.
- The oldest type of copper cables with lead mantle are more vulnerable to excessive water in the ground. There are two very important investment projects that aim to phase out these old copper cables. Mantra+ program will phase out most of the copper feeder cable in a timeframe of 15 years. An extensive fiber program will phase out 50% of all copper distribution cables over the next decades. There is no active equipment in the outside optical fiber network, the fact that this is a completely passive and water-resistant solution will limit the risk of customer impact during flooding.
- In 2013, the regulation regarding protection against lightning strikes changed in Belgium. All technical installations are compliant. The installed base of radio access network sites was adapted to be compliant with the norm NBN EN 62305 which implies a detailed risk analysis for each site.
- Heavy winds are mainly a risk for the pylons and structures that carry mobile antennas. The current norms imply the resistance of the structure to wind loads that are far greater than regular conditions in Belgium. The Proximus outside plant is less vulnerable than the OSP in countries like France, the UK, Spain, ... which heavily use aerial last mile networks, both in copper or in fiber. Proximus traditionally deployed fully underground cable networks (opposed to aerial) and the recent façade FttH solutions are also attached to solid objects (buildings), limiting exposure.

- Several precautions are taken to limit the effect of extreme heat conditions on street cabinets. These are (almost always unless imposed otherwise by communalities) a very light colour and placed outside direct sunlight. A lot of engineering is done regarding the heat exchangers. With every change of technology, or additional technology in these cabinets, heat flows are studied and optimized.

Climate change

Climate change is high on the agenda due to growing awareness on global warming. In Belgium this is demonstrated by the Thursday marches for climate and political debate on salary cars.

The Group Corporate affairs, responsible for legal, regulatory, public affairs, internal audit & risk management, compliance, group communications and security governance & investigations, closely follows the evolution of regional, national, EU and worldwide climate related guidelines, directives, standards and laws. Proximus has a clear policy to reduce CO2 emissions and clear commitment to become circular.

Risk Management & Compliance Committee

In 2019, the Risk Management and Compliance Committee (RMC) held five sessions. The related decisions were reported to EXCO and the Audit & Compliance Committee. RMC meetings provide an opportunity to review files in which decisions have to be taken by finding a balance between risk taking and cost, in line with the Group's risk appetite.

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

The RMC's objectives are:

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

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

Internal Audit

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

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

Internal Audit helps Proximus to accomplish these objectives through its systematic, disciplined approach to evaluating and improving the effectiveness of risk management and control and governance processes. Internal Audit's activities are based on a continuous evaluation of perceived business risks, and it has full and unrestricted access to all activities, documents/records, properties and staff. The Director Audit, Risk and Compliance (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, besides the general enterprise risks impacting the financial reporting (e.g. staff), the main risks identified include: new transactions and evolving accounting standards, changes in tax law and regulations, and the financial statement closing process.

New transactions and evolving accounting standards

New transactions can have a significant impact on the financial statements, either directly in the income statement or in the notes. An inappropriate accounting treatment can result in financial statements which do not provide a true and fair view any more. Changes in legislation (e.g. pension age, customer protection) can 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 adequately foreseen, the timeliness and reliability of the financial reporting could be jeopardized.

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

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

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

Changes in tax law and regulations

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

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

Financial statement closing process

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

Clear roles and responsibilities in the closing process of the financial statements have been defined. During the monthly, quarterly, half-yearly and annual financial statement closing processes, there is continuous monitoring of the 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 subsidiaries, a highly detailed closing calendar is drawn up, which includes a detailed overview of cross-divisional preparatory meetings, deadlines for ending specific processes, exact dates and hours when IT sub-systems are locked, validation meetings and reporting deliverables.

For every process and sub-process, different controls are performed, including preventive controls, where information is tested before being processed, and detective controls, where the outcome of the processing is analysed and confirmed. Special attention is paid to reasonableness tests, where financial information is analysed against underlying operational drivers, and coherence tests, where financial information from different areas is brought together to confirm results or trends, etc. Tests on individual accounting entries are performed for material or non-recurrent transactions. The combination of all these tests provides sufficient assurance on the reliability of the financials.

Internal control system

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

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

Proximus’ internal control system is characterized by an organization with a clear definition of responsibilities, next to sufficient resources and expertise, and also appropriate information systems, procedures and practices.

Proximus cannot guarantee that this internal control will be sufficient in all circumstances as risks of misuse of assets or misstatements can never be totally eliminated. However, Proximus organizes a continuous review and follow-up of all the components of its internal controls and risk management systems to ensure they remain adequate.

Proximus considers the timely delivery to all its internal and external stakeholders of complete, reliable and relevant financial information in conformity with International Financial Reporting Standards (IFRS) and 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 behavior and attitudes. The ethical behavior 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 training 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 are kept under IFRS as well as local GAAP. In general, financial information delivered to management and used for budgeting, forecasting and controlling activities is established under IFRS. A common financial language used throughout the organization positively contributes to an effective and efficient communication.

Reporting and validation of the financial results

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

Afterwards, the financial information is reported and explained to the 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.

Evolution in research and development activities

Enabling a better digital life

We believe in a connected digital society. We encourage digital adoption by building high-quality future-proof infrastructure and by providing and co-creating innovative solutions and services. With our cyber security solutions and through data protection, privacy and awareness initiatives, we also build trust in digital.

Future-proof digital infrastructure

Being connected is part of everyone's and every company's daily life. At home, at work and on the go. Our objective is to ensure that people and companies have access to high-quality fixed and mobile networks, so they can seize the opportunities of the digital world. With around €1 billion investment per year, Proximus is Belgium's biggest investor in a future-proof digital infrastructure.

KPI	Result 2019	Result 2018
4G indoor coverage (1)	99.6% (2)	99.6% (2)
4G outdoor coverage (3)	100% (2)	100% (2)
Fixed Internet speed 70Mbps and above	76%	73%
Average VDSL2 speed	79.2 Mbps	75.8 Mbps
Vectoring coverage	90.1%	88.6%

(1) The indoor coverage refers to the coverage of 4G inside of buildings.

(2) Results are based on BIPT/IPBT public figures in Q4 and represent the coverage percentage based on a simulation provided by the operators calibrated on basis of BIPT-drive-tests.

(3) The outdoor coverage refers to the coverage of 4G outside of buildings.

Fiber for Belgium

Data traffic and digital services are growing exponentially, mainly due to the increased volume used by videos, cloud apps and the Internet of Things. With Fiber for Belgium, a multi-billion EUR investment plan, Proximus prepares its infrastructure for the customers' future needs by rolling out fiber to most businesses and city centers in Belgium.

Fiber enables low-latency and stable high-speed connectivity, today reaching up to 1 Gbps upload and download speeds, and soon up to 10 Gbps. Our Fiber for Belgium roll-out is one of our key investments towards a digital economy and society. Our commercial offer provides a download speed of up to 220 Mbps to our customers, which can be boosted to 400 Mbps.

Fiber for cities

Fiber offers cities access to the most advanced digital services to enable their transformation into Smart Cities. Smart solutions can be developed by equipping fiber with thousands of sensors and devices thus improving mobility, public safety and air quality, and can drive growth and employment in the city. In the future, fiber will become an essential part of every city's infrastructure just like the water supply and electricity network.

In 2019 we increased our fiber roll-out rhythm, thanks to boosted industrialization efforts. The rollout of this new technology is ongoing in 13 Belgian cities: Aalst, Antwerp, Brussels, Charleroi, Ghent, Hasselt, Knokke-Heist, Kortrijk, Leuven, Liège, Namur, Roeselare and Vilvoorde. (4 new cities in 2019).

Fiber for businesses

Fiber allows companies to exploit all the possibilities of the digital economy. It offers the most future-proof, reliable and scalable technology to stay competitive, agile and innovative. Its high speed facilitates the adoption of new ways of working and technologies such as artificial intelligence, data analytics, connected objects or virtual reality.

For business customers, we proactively roll out fiber in areas with high business densities — such as industrial zones and business parks — and we offer on-demand fiber connectivity to any business customer who requests it. As a result, our coverage within the business and corporate market segments saw a strong increase. At the end of 2019, fiber was available for 64% of companies located in industrial zones (compared to 48% in 2018).

Fiber for residential customers

With fiber, all members of a household can surf, stream high-quality videos, play and work online at the same time, with very low latency or loss of quality. And they benefit from the sharpest images on all screens.

In 2020, we will continue to grow our fiber footprint to reach our 50% coverage ambition in the years to come and adopt an ambitious fiber-centric marketing strategy, unlocking the commercial value in the residential, professional and wholesale markets. We make operational savings through the decommissioning of our copper network and by managing our networks remotely. At the same time, we reduce our unit cost with significant measures to compensate topology evolution.

Mobile network: on the road to 5G

While the use of mobile data is constantly increasing, Proximus wants to continue offering its customers the best mobile network experience.

Over the past two years, on top of extending the coverage of our 4G network (population coverage: 100% outdoor and 99.6% indoor), we have also invested in the faster 4.5G, adding more capacity to the network.

At the end of 2019, Proximus and Orange Belgium signed an agreement with the intention to set up a shared mobile access network. This will allow us to aim for a faster and broader 5G roll-out and to improve the mobile network capacity and coverage to the benefit of our customers.

In 2019, the first showcases of the precommercial 5G launch took place to show our professional and residential customers that we are 5G-ready. 5G use cases were demonstrated for enterprises during our ThinkThings event and for the gaming public at the ESL Proximus Gaming Championship.

In 2019, our affiliate Proximus Luxembourg was the first Luxembourg operator to have connected 5G live on its mobile network.

Also in 2019, the SAFIR consortium (of which Proximus is a member), successfully conducted a pilot project with drones above the city and the port of Antwerp. 5G connectivity will be of great added value for drone applications.

In 2020, Proximus will focus on the implementation of the shared mobile access network and invest in the end-to-end preparation for the 5G network roll-out. We will launch commercially as soon as the spectrum is available.

Optimizing our fixed network

To simplify our network we launched the Mantra+ project to replace technical buildings by an innovative new concept of compact and less energy-consuming Optimus-containers. Our Titan project to increase the capacity of our backbone from 10 to 100 Gbps, was successfully completed in 2019.

New tools and technologies enable us to continue the optimization of our Wi-Fi performance. We activated a smart Wi-Fi solution in our gateways: it provides our customers with the best Wi-Fi connection by choosing the optimal Wi-Fi channel and the best Wi-Fi band (2,4Ghz or 5GHz) for all their devices.

We also launched the Wi-Fi Booster, which extends coverage at home. With the Proximus Home Optimizer app our customers can find the right spot to install the Booster. The smart Wi-Fi solution also runs on the Booster, making sure that customers wherever in the house know which access point best to connect to.

White zones: boosting mobile coverage

White and rural zones are less economically attractive. However, we want to make the opportunities of the digital world accessible to everyone, everywhere. We are doing this by using new technologies and co-investing with public authorities.

We invested an additional EUR 18.5 million in 2017-2019 to offer high-speed fixed broadband services and high-definition digital TV and to increase outdoor 4G mobile coverage in Wallonia.

In 2019, we have installed and upgraded 43 mobile sites to boost 4G mobile coverage in Wallonia. We have also worked with Tessares on innovative solutions to connect remote areas. We are implementing microwave ROP technology, connecting VDSL2 street cabinets through wireless microwave technology, and we have installed 97 remote optical VDSL2 platforms in white zones to increase VDSL coverage significantly. Thanks to the investments we made, 35 municipalities out of the 39, reach at least 60% high bandwidth coverage (> 30 Mbit/s), including 10 municipalities with a coverage above 80%.

In 2020, we will further increase the fixed broadband coverage and explore the possibilities of increasing the mobile coverage in white zones.

Digital trust

Today's digital world offers many opportunities, but also new threats. Trust is a prerequisite for people and companies to embrace the many opportunities of digital and to enable a digital future. As a leading digital company, Proximus is actively involved in developing a safer digital society through data protection, privacy and awareness initiatives.

KPI	Results 2019	Result 2018
International recognized certifications related to cyber security (ISO 27001 and Trusted Introducer certifications)	5*	6
Phishing exercises: employee awareness results: employees who informed CSIRT	2,480	1,113

*Our ISO certificate 'Workplace-as-a-Service' has become redundant in 2019 due to the implementation of the Microsoft certification.

Cyber security: safety first

In developing infrastructure and digital services, safety is our top priority. That is why we offer our customers solutions to protect themselves and keep our employees up to date with the latest security practices. Threats in digital surpass national borders. To this end, we work closely with national and international cyber authorities.

Within our company

In 2019, Proximus has invested EUR 10 million in its Corporate Cyber Security Program. With this investment, we want to make our company more cyber-resilient and we want to offer best-in-class secured services and networks to our customers to protect company data, networks, servers and the end user.

Our corporate Cyber Security Incident Response Team (CSIRT¹) continuously monitors security alerts and coordinates the response to cyber threats. In 2019, our CSIRT analysts handled 1,261 incidents (versus 2,087 in 2018) and 23,111 alarms (vs 15,348 in 2018). No single incident had a major business impact.

We are the proud holder of 5 ISO certifications covering our data centers (including both certifications for housing and hosting), Security Operations Center, the enterprise Explore Connectivity and Managed Services which was recertified in 2019.

Raising cyber security to a higher level remains a top priority for 2020. We continuously invest in our Cyber Security Corporate Program, further strengthening our capabilities and sustaining our ISO 27001 and Trusted Introducer certifications.

¹ The Proximus CSIRT is the central incident response team of the Proximus Group. Its mission is to provide information and assistance to reduce the risks of cyber security incidents as well as respond effectively to such incidents when they occur.

For our customers

In 2019 we launched our state-of-the-art “Managed Security & Threat Intelligence” service, currently used by some of Belgium’s largest organizations like the Federal Public Services Finance and Justice

Thanks to our acquisitions Umbrio and ION-IP we successfully continued to expand our cyber security solutions in the Netherlands, supporting Dutch cities to protect their citizens’ data.

Proximus’ Security Operations Center monitors more than 3,000 million events daily, alerting enterprise customers in case of incidents and remediating them.

In 2020 we will continue to invest in continuous improvement tracks for our Managed Security Services.

For the general public and institutions

We are a committed partner of BE-Alert, a 24/7 public warning system by the Belgian authorities. BE-Alert can broadcast news and information in the event of a crisis via SMS, fixed voice, email and social media.

We continued our engagement with NATO’s Cyber Defense teams in 2019 and also participated in working groups with international law enforcement agencies to get first-hand information on the modus operandi of cyber criminals. Additionally, we are actively exchanging information about observed threats and attacks on a national and European level via the ETIS platform.

In 2020, we will continue to expand our collaboration network through active participation in the Cyber Security Coalition, through close collaboration with the Center for Cyber security Belgium, with other European telecom operators via the ETIS platform, with global companies through the World Economic Forum’s Center for Cyber Security and with the European Cybercrime Center of Europol and through new and existing strong partnerships, such as with NATO.

Cyber security education: raising awareness

We have an important role to play in raising society’s digital awareness. Not everyone is a ‘digital native’ and those who are, do not always see the digital dangers.

Educating our employees

In 2019, we organized a Security Week for our employees with a vast awareness program. We also hosted dedicated training, awareness sessions, and multiple ‘real life’ phishing exercises to increase the detection skills of our employees. We fully supported the national awareness campaign on phishing during the European Cyber Security Month: a strong downwards trend of employees being phished shows that awareness initiatives have a positive impact.

We also want to offer employees the opportunity to develop careers in cyber security. In 2019, 10 employees followed an extensive one-year training on cyber security.

Educating business and public sector customers

Professional customers and their cyber experts are always looking for in-depth advice and the latest trends. Therefore, we organized the biannual Proximus Cyber Security Convention. Our Proximus Corporate University (PCU) also provided security education programs for enterprise and public sector customers in 2019).

Five one-day information and networking events were organized by the Cyber Security Coalition, in which we are actively involved as co-founder and member. Each event addressed a dedicated topic such as secure applications, cyber threat intelligence, trust services, assessing & insuring cyber risks and security of drones. Currently 9 focus groups, gathering top experts from Coalition member organizations, are active: Awareness, Cyber Security Act, NIS, Privacy, Cloud Security, Cryptography, CSIRT-SOC, Enterprise Security Architecture and Governance and Risk & Compliance.

Educating society

Twice a year our employees — trained by partner organization Child Focus — visit primary schools to make children aware of safe and responsible Internet usage. They reached 10,300 children in 185 schools in 2019 (vs 10,259 children in 212 schools in 2018).

To reach undergraduates, in 2019 Proximus CSIRT organized for the third consecutive year a full-day 'Capture the Flag' contest for 50 students following the new cross-university master's in cyber security (regrouping the ULB, UCLouvain, U-Namur and the Royal Military School) and 25 students from HOWEST, following the Professional Bachelor of Applied Computer Science (Computer & Cybercrime Professional).

In 2019, Proximus handled 94 requests from law enforcement authorities to block access to websites. We cooperate closely with the judicial authorities and help them in their investigation in the context of criminal offences such as the possession and distribution of images related to child pornography. In order to protect our customers from fraud, like phishing via fake Proximus websites, the Proximus CSIRT is closely monitoring any attempts to attack our customers and is usually able to take down phishing websites in a matter of hours after the attacks were launched. In 2019, we were faced with 210 phishing attacks against our customers.

We believe in lifelong learning. We collaborate with CyberWayFinder, offering women who want to change career paths the opportunity to join the cyber security world (through on-the-job experience). In 2019, we welcomed two women trainees in our cyber security teams.

In 2020, we want to extend the reach of our training programs and learning partnerships to new schools and universities. Via our Safer Internet Day, we want to reach 12,000 students in the coming year. We will also continue to optimize internal processes to allow an efficient "privacy by design" approach.

Safe and private data: trusted gatekeeper

As a telecommunications company and supplier of digital services, we process enormous amounts of personal data. It goes without saying that these data must remain confidential and secure. To this end, we apply strict rules and policies within our company that respect GDPR legislation.

Proximus further extended the privacy settings within the MyProximus app and website to allow our customers to efficiently choose how we process their personal data.

Throughout 2019, several internal awareness initiatives via internal blogs and videos stressed the importance of privacy, e.g. during the Security Week 2019 or via the digital learning tool "Data and analytics at Proximus".

To show our commitment to protecting personal data and privacy, we took a series of actions:

- appointing a Data Protection Officer (DPO);
- developing a consent management system;
- implementing data subject rights processes, a "privacy by design" process, security screening and corrective measures for our IT application.

A dedicated internal audit assignment concerning data usage and data acquisition within the consumer business unit has been conducted in 2019.

Digital innovation

Digital innovations will shape the future of our economy and society. Not only do we want to increase the digital possibilities of our customers; we also want to have an impact on social and ecological challenges. That is why we are opting for open innovation: we work together with academia, support start-ups and co-create solutions with innovation partners.

KPI	Results 2019	Results 2018
IoT connections	1,82 Mio	1,36 Mio
Number of projects with universities/education institutes	20	39

Supporting young companies, start-ups and scale-ups

As a catalyst for young companies, start-ups and scale-ups, we share our know-how, experience and infrastructure, and we collaborate on concrete projects. This way we stimulate innovation and boost our digital economy.

Co.Station

Since 2017, Proximus has been a partner of Co.Station. This innovation eco-system, with offices in Ghent, Brussels and Charleroi, has the ambition to lift the Belgian technology sector to a higher level by bringing established companies, startups, scale-ups and experts together so that they can stimulate one another.

Imec.istart

We collaborate with Imec.istart, the world-leading Belgian R&D and innovation hub in nanoelectronics and digital technologies. We work together on programs & technologies such as Smart Cities and artificial intelligence.

ThinkChallenges

ThinkChallenges is a portal where start-ups and academics can compete for selection to further co-create with Proximus. Business, operational and sustainability challenges for which Proximus is seeking a solution are shared with the community. In 2019, we partnered with iReachm to develop our Voice Assist-solution for enterprise customers.

FinTech

We support the ecosystem of FinTech start-ups and companies offering innovative solutions for the financial world. FinTech represents the digitalization of next-generation financial services with cheaper, faster and highly customer-centric services. As an active member of the FinTech ecosystem, Proximus enables the digitalization of financial sector clients through cutting-edge solutions like DigitalKYC, blockchain, artificial intelligence and cloud services.

As an active member of the Luxembourg House of Financial Technology, Proximus Luxembourg enables the development of services which meet specific industry needs for the benefit of the entire Proximus Group and its customers.

Microsoft Innovation Center

Proximus is structural partner of the Microsoft Innovation Center (MIC) Belgium. This public-private partnership with the Walloon Region and Microsoft inspires, educates and fosters digital entrepreneurship. In 2019, we jointly participated in “Hack in the Woods”, a coding festival bringing together developers around societal goals.

Proximus API Solutions

Proximus API Solutions addresses the new, digital economy challenges of B2B business market with innovative API based solutions to help businesses in their digital transformation. Any business can enjoy this digital environment linked to a whole ecosystem of affiliates and partners to easily build today's and tomorrow's new solutions.

Academic collaboration: shaping the digital future together

Proximus collaborates intensively with universities and university colleges. We gain access to innovative solutions and academic insights. In exchange, they can use our data, infrastructure and resources to put their ideas into practice.

To work more efficiently, we installed a central governance body in 2019, the Academics Board. This serves to align internal stakeholders and to evaluate the proposed projects and the availability of resources and budget to execute them.

We have collaboration projects at ULB/VUB, UCLouvain, KULeuven and UGent in the domains of Security, AI, mobile and fixed networking, and IoT.

With UGent, we jointly create collaboration projects in telecom and ICT and cooperate on doctoral research and theses. We are currently working together on several projects, such as studying exposure to air pollution or making a predictive analysis of criminal offences, both by using data from our mobile network.

Demand is rising for employees with strong digital skills. That is why we want to cooperate even more closely with the academic world in specific domains such as artificial intelligence or cyber security and on aligning training courses with the fast-evolving labor market.

In 2019, 149 young people did an internship at Proximus. It gives them the opportunity to acquire new digital knowledge and consider to start a career within Proximus.

Innovative solutions addressing societal challenges

We are convinced that we have an important role to play in creating a strong digital Belgium. We want to help companies in their digital transformation, to build a robust digital economy in Belgium as well as tackle societal problems together in terms of mobility, safety, energy and climate.

To deliver on this, we invest massively in our current and future networks and infrastructure with the deployment of fiber and the continuous improvement of our mobile network in anticipation of 5G. On the other

hand, we continue to invest heavily in the right skills and services that push the digital economy forward: IoT, data analytics & artificial intelligence, cyber security, cloud transformation, application integration and application development.

This is largely supported by Proximus Accelerators, our ecosystem of IT affiliates, augmented with in-house developments and industry-specific partnerships. The system provides us with a unique combination of assets to create solutions and applications that create an added value for companies, industries and the end user.

Each year, we organize the ThinkThings event for our enterprise customers and partners to give an overview of the countless possibilities of IoT and data analytics.

IoT, driving many smart solutions

Proximus is Belgium's leading IoT connectivity provider — with more than 1.8 million connections, using different wireless technologies (LTE, LoRa, NbloT) and offering strong platforms. It is a critical component in many of the smart solutions we develop.

Smart energy and climate

Within the framework of the IO.Energy open innovation initiative, initiated by the Belgian ecosystem of energy providers, Proximus is co-creating an advanced solution. Its purpose: to radically improve energy efficiency in and across large buildings. With our IoT platform we also enable the country-wide roll-out of smart meters in Belgium.

Smart buildings and venues

Together with leading Belgian construction company Besix we develop a variety of smart building solutions in various domains: energy efficiency, hospitality, advanced workspace management and physical security services. Proximus also delivers unique experiences to visitors and owners of large venues such as exhibition spaces, sports facilities or hospitals. We do so by providing mobile applications and digital platforms for parking guidance and optimization, visitor hospitality and on-site guidance, as well as advanced visitor analytics services. As such, in 2019 we collaborated to the digital transformation of the Tour & Taxis site in Brussels.

Smart mobility and logistics

Our affiliate Be-Mobile is one of the leading Smart Mobility companies. It helps to solve complex mobility problems through parking, tolling and multi-modal mobility solutions. A well-known example is 4411, a parking solution used by 58 cities in Belgium. In 2019, Be-Mobile launched a pilot to predict the weather on a small-scale level using floating car data — in co-operation with imec, Verhaert, Inuits, bpost and the Royal Meteorological Institute (RMI) of Belgium. It is our common ambition to improve road safety by warning drivers in time for dangerous weather conditions.

Smart cities and safety

In Flanders we are a part of the City of Things project, where we work together with the research center Imec, academics and many cities to test new network communication enablers and solutions. We co-create innovative Smart City services with citizens and an ecosystem of commercial partners.

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 Chairwoman of the Audit & Compliance Committee, 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 degree in Economics and several postgraduate degrees. The Chairwoman and the majority of the members exercised several board or executive mandates in large Belgian or international companies.

Diversity & Inclusion 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.

Strategic orientation about diversity & inclusion

Proximus believes that a diverse workforce, through employees' unique capabilities, experiences and all other characteristics unrelated to someone's abilities, 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 organization 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 leadership and employees communities

Proximus is particularly conscious about the importance of diversity at all levels of the organization and concentrates on recruiting employees with an inclusion and growth mindset. Once they are part of the company, we ensure that they are the best ambassadors of our company values by including a part on our inclusion program and philosophy in our welcome days as well as in all related trainings for team leaders, experts, trainees, ...

While taking care of putting in place well-balanced and talented 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:

- 38% of the Board of Directors
- 14% of the Executive Committee
- 23,8% of the members of the Leadership Team
- 33% of all employees' population.

Proximus Group also has a very diverse workforce in terms of culture with 48 nationalities.

Proximus supports internal and external diversity network activities and initiatives such as the AfroPean network (APN). We have a Diamond Sponsorship in the organization "Women on Board" and started a partnership with KliQ, an organisation with expertise in the fields of sexual diversity and gender diversity. We will keep on focusing on creating supportive networking groups so that everyone can reinforce their feeling of belonging to our community.

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 employees to work in a safe, inspiring and inclusive workplace with equal opportunities for everyone, allowing them to combine their personal and professional lives in order to be optimally present and feel supported, motivated and engaged at work.

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

Diversity as part of Proximus code of conduct

Proximus' mission consists in opening up a world of digital opportunities, 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 behavior 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 Organization'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, diversity and inclusion in all employment practices.

Our working environment standards are applied to every member of our diverse community and are exemplified by all managers, team leaders and employees who are expected to act as role models in this matter.

Other information

Rights, commitments and contingencies as of 31 December 2019

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

Use of financial instruments

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

Circumstances which may considerably impact the development of the Group

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

Treasury shares

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

Capital management

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

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

Post-balance sheet events

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

On behalf of the Board of Directors,

Brussels, 20 February 2020



Guillaume Boutin
Chief Executive Officer



Stefaan De Clerck
Chairman of the Board of Directors