

Consolidated management report

1. Management discussion and analysis of financial results

From reported to underlying revenue and EBITDA

In order to allow like for like comparison, Proximus provides a clear view on the operational-driven trends of the business by isolating 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 on the Proximus Group revenue or EBITDA.

Proximus has considered following main income and expenses as incidental:

- Gain or losses from disposals (subsidiaries)
- Impact on revenue/EBITDA of disposed companies
- Capital gains of building sales
- Large settlement agreements
- Settlement of post-employment benefit plans

Proximus' management discussion focuses on the underlying figures, after deduction of the incidentals.

(in mio €)	FY 2014 Reported	Incidentals	FY 2014 Underlying	FY 2015 Reported	Incidentals	FY 2015 Underlying
TOTAL REVENUES	6,112	-248	5,864	6,012	-17	5,994
EBITDA	1,755	-102	1,653	1,646	87	1,733

New customer segmentation

In 2015 we implemented a new customer segmentation reflecting our new organization.

Within our "Fit-for-Growth" strategy, we implemented a more efficient organization and overall simplification.

The main change resides in the Small Enterprise customers who are reported within our Consumer Business Unit and no longer in our Enterprise Business Unit.

Subsequently we have restated the 2014 figures accordingly in the present document.

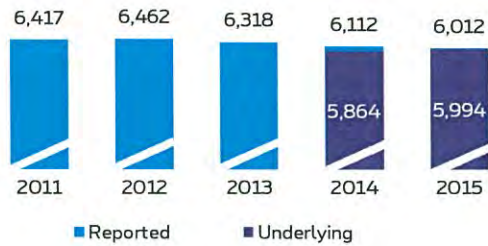
The new customer segmentation did not have any impact on Group level.

Proximus Group

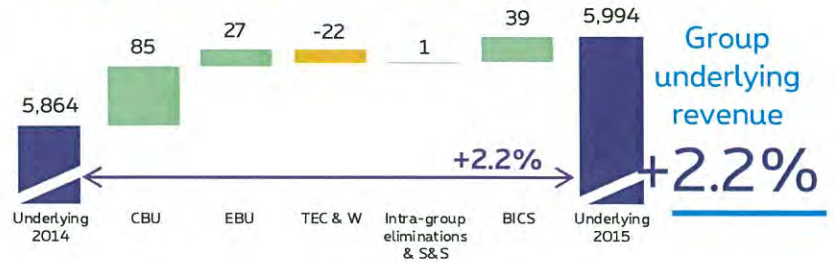
- Proximus Group grew its 2015 underlying revenue by 2.2% and its EBITDA by 4.9%
- Strong Direct Margin contribution from both Proximus' Core¹ operations and BICS
- Proximus' Core growing on progress of Fixed Services, and Mobile turnaround since 2015
- Solid financial position: Free Cash Flow of EUR 408 million; including litigation settlement payment

Revenue

Revenue (in m€)



Underlying Revenue evolution by segment (in m€)



Proximus Group ended the year 2015 with total underlying revenue of EUR 5,994, 2.2% up from the prior year. This excludes the impact from incidentals², which had especially a favorable impact on the 2014 revenue.

The positive evolution of the Group underlying revenue resulted from both Proximus' core operations as well as from BICS, Proximus' International Carrier business unit.

For full-year 2015, the Proximus Core revenue totaled EUR 4,379 million, a 2.1% improvement from 2014. The revenue growth was for a large part driven by Proximus' Consumer Business Unit (CBU), which posted 3.0% underlying revenue growth for 2015. This was driven by solid revenue from Fixed products through a growing customer base for Fixed Internet and TV, as well as by the growing revenue from Mobile services. Proximus benefitted from its great efforts on customer centricity and its convergence strategy. By offering customers multi-play products it increased the loyalty and value of its customer base. Proximus' Luxembourgish subsidiary Tango too closed a solid year, growing its revenue in 2015 by 11.1%.

Proximus' Enterprise business unit (EBU) saw its revenue increasing by 2.1% to a total of EUR 1,338 million. Especially revenue from Mobile services enhanced from the prior year, adding 5.6% on a growing customer base and favorable ARPU³ trend, while the underlying ICT revenue was up by 2.3%.

The above favorable trends of Proximus' Core revenue was partly offset by a 8.9% decrease in Wholesale revenue, mainly due to an ongoing decrease in volumes from the traditional wholesale business, accelerated by the outphasing of "Snow" following the decision of Base to stop their Fixed triple-play offer. The larger part of the former Snow customers opted however for Scarlet in the first-half of 2015. Therefore, the resulting reduction in Wholesale lines was largely compensated for through Proximus retail offer.

BICS generated in 2015 total revenue of EUR 1,616 million, 2.5% more than for the prior year. Continuously growing revenue from non-voice and a positive USD currency impact more than offset the pressure on Voice revenue due to lower volumes.

¹ Defined as Group excluding BICS

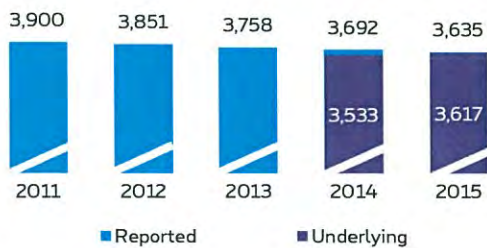
² This mainly includes the recorded gains from disposed companies, the revenue from those companies, and capital gains on building sales.

³ Average Revenue per User

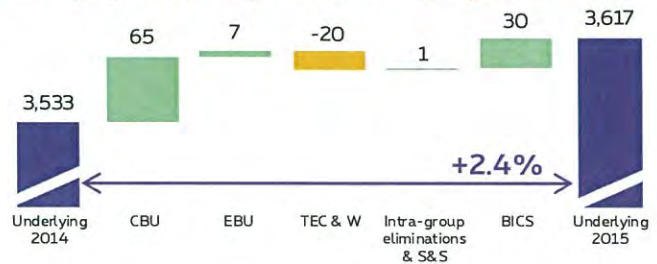
+2.4%
Group Direct
Margin

The 2015 underlying Direct Margin of Proximus Group totaled EUR 3,617 million, a 2.4% increase from the prior year. This favorable evolution was driven by both the Core operations of Proximus and by BICS. With the increase in Core revenue mainly resulting from higher margin Fixed and Mobile services, the Direct Margin of the Core business improved by 1.6% versus the prior year to reach EUR 3,340 million. In addition, BICS' Direct Margin for 2015 totaled a strong EUR 278 million, 13.3% above that of the previous year, resulting from both a favorable variance for Voice and non-Voice.

Direct Margin (in m€)



Underlying Direct Margin evolution by segment (in m€)

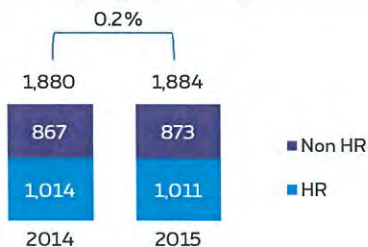


Operating expenses

Operating expenses (in m€)



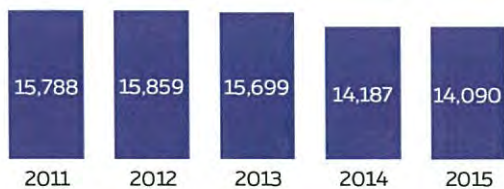
Total underlying Operating expenses (in m€)



Proximus' **total underlying operating expenses for 2015 totaled EUR 1,884 million**. The slight +0.2% increase compared to 2014 resulted from +0.7% higher non-HR expenses of EUR 6 million, including a higher provision for the regional Pylon tax. This impact excluded, non-HR expenses decreased year-on-year, showing benefits from Proximus' cost efficiency initiatives.

The Group HR-expenses for the year 2015 totaled EUR 1,011 million, 0.2% down from the previous year. The Core HR-expenses were lowered by 0.9% on a lower headcount. On the Group level, this was partly offset by higher headcount for BICS in order to support investments in growing businesses.

Headcount evolution (in FTE)

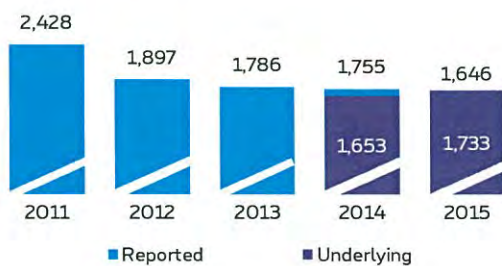


The Proximus Group ended 2015 with a personnel base of 14,090 FTEs. This is 97 FTEs less than end-2014 resulting from natural attrition.

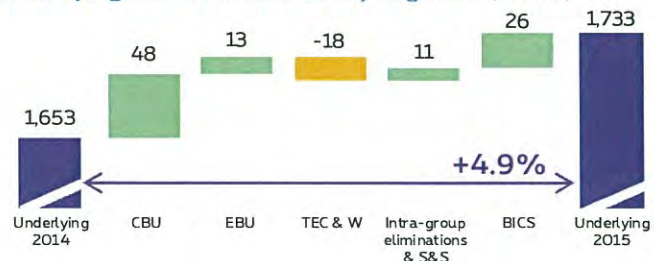
Group
underlying
EBITDA
+4.9%

Net of incidentals, the Proximus Group posted for 2015 underlying EBITDA of EUR 1,733 million, an increase 4.9% compared to 2014. The Core operations of Proximus grew EBITDA by 3.6% to a total of EUR 1,573 million. Especially the Consumer segment closed a strong 2015, posting a 3.5% growth in its segment⁴ result. The Enterprise Business Unit too closed the year 2015 on a positive note, growing its Segment Result by 2.2%. BICS closed a very strong 2015, with its Segment Result totaling EUR 160 million, 19.1% above that of the previous year.

EBITDA (in m€)

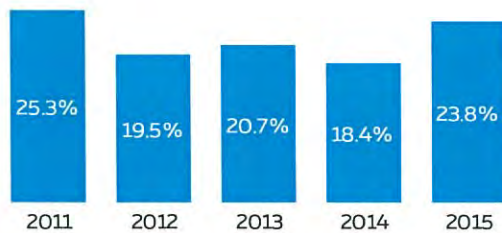


Underlying EBITDA evolution by segment (in m€)



Tax Expense

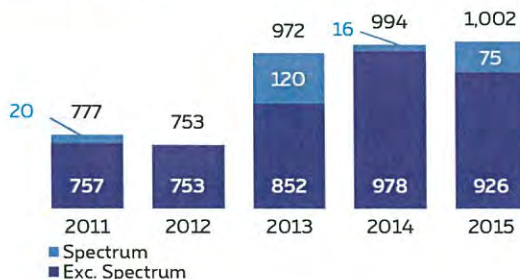
Effective tax rate



The full year 2015 tax expenses amounted to EUR 156 million, representing an effective tax rate of 23.8%, up from 18.4% for 2014. The increase resulted from lower tax deductions in 2015 than in 2014 and a provision for the estimated net cash outflow resulting from discussions with authorities.

Capex

Capex (in m€)



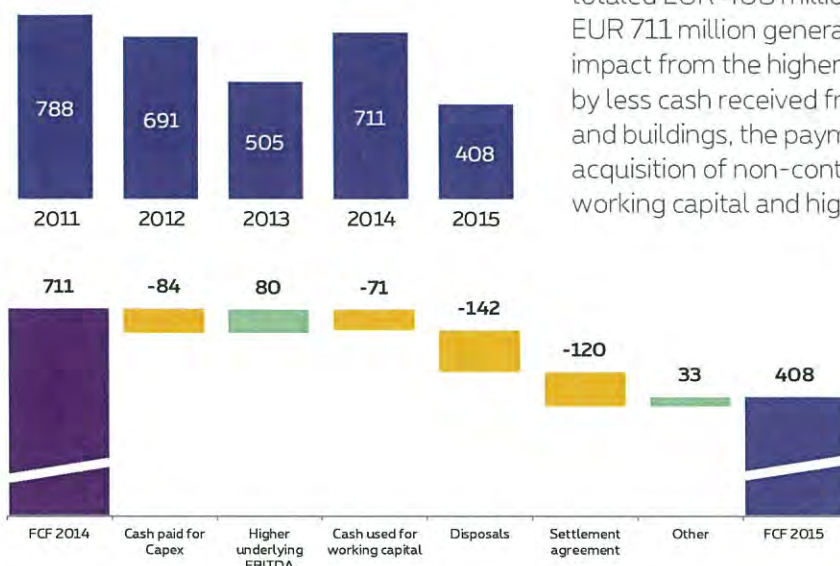
The invested amount over the year 2015 was EUR 926 million for the Proximus Group, or EUR 1,002 million including EUR 75 million Capex for the renewal of the 900Mhz/1800Mhz spectrum. This compares to EUR 978 million for 2014, excluding EUR 16 million spectrum Capex, yet including the three-year broadcasting rights of Belgian Jupiler Pro league football capitalized in 2014.

€ 926m
invested to
improve
customer
experience

⁴ Note that the segment results include only a partial cost allocation and as such not to be confused with a segment EBITDA

Free Cash Flow

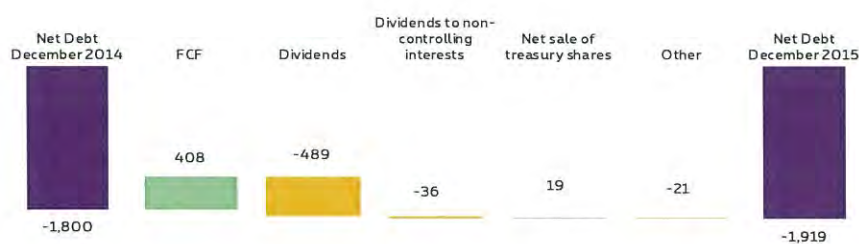
Free Cash Flow⁵ (in m€)



Over the full-year 2015, the Free Cash Flow of Proximus Group totaled EUR 408 million. This compares to a Free Cash Flow of EUR 711 million generated in 2014. Year-on-Year, the positive impact from the higher underlying EBITDA was more than offset by less cash received from the sale of consolidated companies and buildings, the payment of a litigation settlement⁶ the acquisition of non-controlling interests, higher cash used for working capital and higher cash paid for Capex.

Net financial position

Net financial position (in m€)



Compared to end 2014, the net financial debt increased by EUR 119 million to EUR 1,919 million at the end of 2015, the outstanding long term debt amounted to EUR 2,435 million.

In 2015, Proximus took the opportunity to tap the bond markets, taking advantage of the very attractive interest rate environment and improving its debt maturity schedule.

Proximus successfully issued EUR 500 million Senior Unsecured Notes due October 2025. The spread of this transaction was set at 97 basis points over the 10-year mid-swap rate, corresponding to a coupon of 1.875% annually. On 1 October 2015 the bond was listed on Euronext Brussels.

In conjunction with this new bond, Proximus also performed a liability management exercise by successfully launching a cash tender on two of its outstanding bonds.

A total of EUR 370 million was repurchased. The 2016 maturity was tendered for 29% of outstanding bonds, representing an amount of EUR 275 million out of a total of EUR 950 million. A further EUR 95 million of the 2018 maturity were also tendered, representing some 19% out of a total of EUR 500 million. Furthermore, during March, 2015, Proximus also successfully managed to buy back 85% of its outstanding 10 billion JPY Notes due in December 2026, thereby reducing the outstanding amount on these long term bonds to JPY 1.5 billion, equivalent to some EUR 11 million.

⁵ Cash flow before financing activities

⁶ In October 2015, KPN, BASE Company, Mobistar and Proximus agreed to settle all outstanding litigation related to the practice of applying tariffs from the past for mobile telecommunication services that are differentiated between on-net and off-net voice communications. The settlement agreement involved the payment of an amount of EUR 120 million.

Consumer Business Unit – CBU

- CBU posted a solid revenue growth of 3.0% to a total of EUR 2,889 million
- Growing revenue from Fixed and Mobile on larger customer base and favorable ARPU trends
- Direct Margin grew by 3.1% to EUR 2,196 million
- Segment result was up by 3.5% to EUR 1,440 million
- Growth of +70,000 in 3-or 4-Play, ending 2015 at 43% of HH/SO base

Revenue

For 2015, the Consumer business unit posted total underlying revenue of EUR 2,889 million, or an increase of 3.0% compared to 2014. This favorable evolution is largely the result of the strong progress made in Fixed, which grew by 4.2%. The revenue growth from Fixed Internet and TV largely compensated for the lower Fixed Voice revenue. In addition, the Mobile Services revenue trend turned positive again in 2015, growing by 1.0% versus last year, benefitting from a growing mobile Postpaid customer base and a positive ARPU evolution. This was in part offset by declining revenue from mobile Prepaid.

The favorable revenue evolution was strongly supported by Proximus' successful convergence strategy, upselling additional services to its customer base. End-2015, 43% of households and small offices (HH/SO) serviced by Proximus had 3 or 4 services. Combining Fixed with Mobile services also progressed, with 56% of HH/SO now being convergent, up year-on-year by 2.6pp.

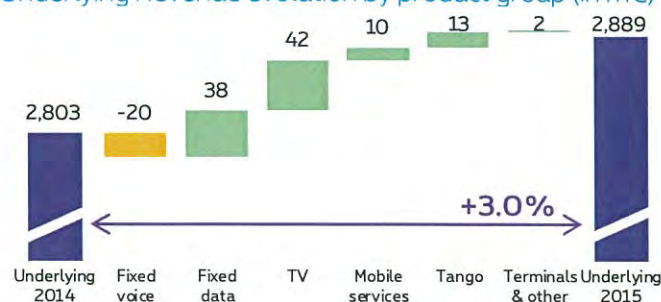
In addition to the solid results of the Proximus brand, its other brands too closed a successful year.

In Belgium, Scarlet showed good progress on its customer base, in the first half of 2015 supported by 22,000 former Snow customers that were won over by Scarlet's Trio offer. Tango, Proximus' mobile brand in Luxembourg, closed the year with EUR 130 million revenue, an increase of 11.1% from the prior year.

Revenue (in m€)

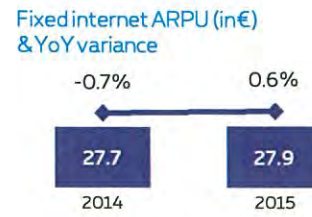
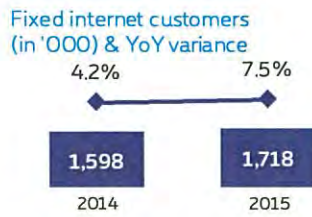
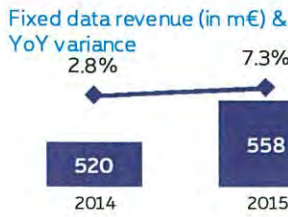


Underlying Revenue evolution by product group (in m€)



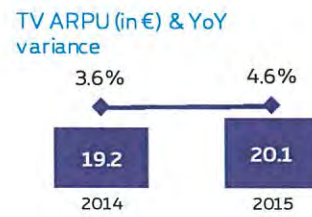
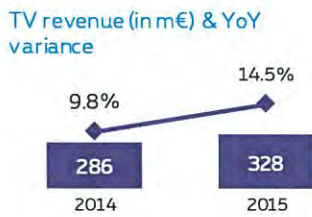
+120,000
Fixed Internet
customers,
revenue up by 7.3%

Revenue from Fixed Internet grew by 7.3% year-on-year to EUR 558 million for 2015. This resulted from a growing customer base, up by 120,000 or 7.5% in a one year period to reach a total of 1,718,000. In the first half of 2015, CBU successfully gained former Snow customers, migrating a total of 22,000 customers to the Scarlet brand. Besides a larger customer base, the positive revenue evolution is also the result of a higher revenue per customer, with ARPU increasing 0.6% to EUR 27.9 for 2015.



+167,000
TV set-top boxes,
Revenue up by
14.5%

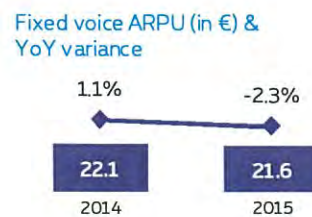
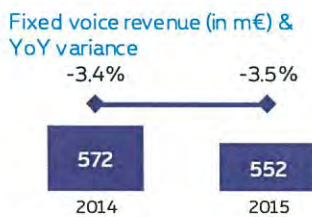
In 2015, Proximus continued to grow its **revenue from TV, up by 14.5% compared to 2014**, to a **total of EUR 328 million**. This resulted from a continued increase in the TV subscriber base, for both the Proximus and Scarlet brands. CBU ended 2015 with a total of 1,759,000 connected TV set-top boxes, up by 167,000 Year-on-Year, or + 10.5%. This represented 1,414,000 TV households, and a total of 345,000 second/third TV set-top boxes at the end of 2015. Besides a growing customer base, the TV ARPU also evolved positively on the uptake of paying TV options, offsetting the impact of the discount in a multi-play Pack. The TV ARPU for 2015 was EUR 20.1, 4.6% up from 2014.



-14,000
Fixed Voice Lines,
revenue -3.5%

Over 2015, CBU generated EUR 552 million from Fixed Voice, or **3.5% less than for 2014**. The declining trend in the Fixed Voice line base continued in 2015, though was limited to 14,000, i.e. a 0.6% line erosion. The improvement from prior years resulted from an increased sales focus on multi-play Packs including Fixed Voice and the positive impact of the migration of former Snow customers to the Scarlet Trio offer. As such, CBU ended 2015 with a total Fixed Voice line base of 2,112,000.

However, the success of multi-play Packs at favorable pricing for the customer impacted the standalone Fixed Voice ARPU, only in part offset by the upward price adjustment in July 2015. Over 2015, the Fixed Voice line ARPU totaled 21.6, 2.3% less than for 2014.



+164,000 Mobile postpaid cards, Service revenue +1.0%

Driven by a solidly growing Mobile postpaid customer base, and by a higher blended ARPU, CBU's revenue from Mobile services turned positive again Year-on-Year as of the first quarter 2015. **CBU's full-year revenue from Mobile services totaled EUR 1,010 million, or a 1.0% increase from 2014.**

A new and simplified mobile portfolio since mid-August 2015, Proximus' mobile network superiority and the growing success of convergence and our brands led to a solid increase of 164,000 Mobile postpaid cards. Accordingly, CBU ended 2015 with a total Postpaid customer base of 2,939,000, 5.9% higher versus one year ago, reinforcing the mix to 69% Postpaid/31%Prepaid.

By end-2015, CBU counted 1,307,000 Prepaid cards, or 10.3% less than for the previous year.

Postpaid and Prepaid combined, CBU's mobile customer base totaled 4,246,000 cards end 2015.

Benefitting from a higher smartphone penetration, higher mobile data usage and a better customer tiering versus one year ago, the blended mobile ARPU for 2015 progressed by 1.8% to EUR 22.5. This resulted from an improving Postpaid ARPU, up by 1.1% to EUR 29.4; and a lower Prepaid ARPU of EUR 10.5, i.e. - 11.7%.

Mobile services revenue (in m€) & YoY variance



Mobile customers (in '000) & YoY variance



Mobile blended ARPU (in €) & YoY variance



+11.1% Revenue growth for Tango

Tango, Proximus' Luxembourgish telecom operator, generated for the full year 2015, revenue of EUR 130 million, or 11.1% more than for 2014. This was mostly attributable to the mobile division thanks to an increasing customer base by around 5,000 customers and a growth of smartphone subscriptions generating a higher ARPU, up by 5.6%. This success follows the launch of offers dedicated to the needs of cross-border workers. TV, Internet and Fixed voice also contributed to the positive trend of 2015, more specifically with the revamp of Tango's TV offer.

Tango revenue (in m€) & YoY variance



Tango customers (in '000) & YoY variance



+3.1% Direct Margin

Direct Margin (in m€)

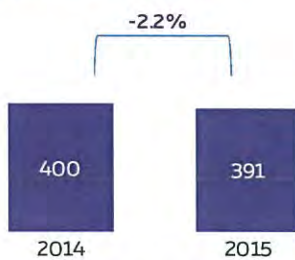


CBU grew its underlying Direct Margin by EUR 65 million

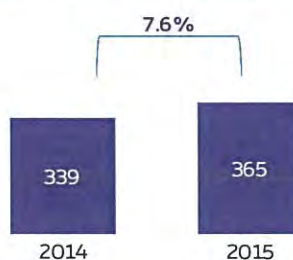
The solid underlying revenue growth for both Fixed and Mobile services resulted in a positive Direct Margin evolution compared with the year before. For 2015, CBU posted EUR 65 million Direct Margin, 3.1% up from the previous year.

CBU underlying operating expenses

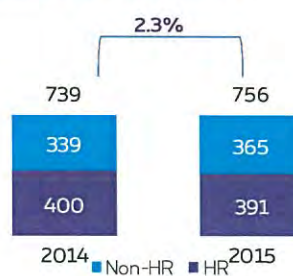
HR expenses (in m€)



Non-HR expenses (in m€)



Total expenses (in m€)



Over the year 2015, CBU's total expenses were EUR 756 million, 2.3% higher than for 2014. HR-related expenses ended 2.2% lower year-on-year, benefitting from a lower personnel base following natural attrition. Non-HR expenses however were up by 7.6% in 2015, including higher volume driven expenses, and a negative impact from bad debt and litigation provisions.

CBU Segment results and contribution margin⁷

Segment result (in m€) & margin



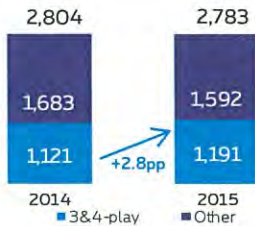
CBU's underlying segment results for 2015 amounted to EUR 1,440, 3.5% up from the previous year. The segment margin as percent of revenue was 49.8%.

⁷ Note that Proximus does not apply a full cost allocation, meaning that the segment result does not take all costs into account

CBU's financials reflect its successful multi-play strategy

The progress on Proximus' long-term convergence and value strategy is measured through household-based reporting. In contrast to traditional reporting per product group, X-play Household and Small Offices (HH/SO) reporting focuses on operational and financial metrics in terms of Households and Small Offices serviced by Proximus and the number of Plays and RGU[®]s offered.

CBU Households and Small Offices per X-play Q4'15 (in 000's)



End-2015, CBU serviced 2,783,000 Households/Small Offices (HH/SO).

1,191,000, or 43% of the total took 3 or 4 services ("Plays") of Proximus. This is a 2.8pp improvement from one year ago.

Within the household mix, Proximus' convergence success was especially apparent in the continued progress it made in the number of households that take 3 or 4 Plays. In 2015, Proximus' household mix improved, its 3-play customer base growing by 21,000 households and 4-play customer base by 49,000. As such, Proximus ended the year with 662,000 3-play households (+3.2 %) and 529,000 4-play households (+10.2%). As a consequence, Proximus strengthened its customer base with households having typically a lower churn rate, i.e. a full churn rate of 9.6% for 3-play households and 3.1% for 4-play households.

The average RGU continued to show some progress throughout 2015, with the average across all X-play households rising to 2.58 RGU in the fourth quarter 2015, up 3.6% year-on year, with the increase coming from 4-play (to 4.84 RGUs), mainly driven by Mobile postpaid family offers. Furthermore, the number of households having both Proximus Fixed and Mobile services, i.e. convergent households, grew to 55.9%, 2.6 p.p. more than a year ago.

An important enabler for CBU to increase the number of multi-play households and the number of Plays per household is selling Plays in a Pack. The success of bundling Plays in a Pack, giving customers attractive pricing and value for money, was also strengthened in 2015. CBU added 99,000 households with Packs; as such, the number of households with at least one Pack totaled 1,411,000 end-2015.

[®] Revenue Generating Units

CBU Households/Small Offices per Play & Net adds of the Year

Variance YoY

HH/SO in ('000)	FY 2014					FY 2015					FY 2015		
	Fixed Voice	Fixed Internet	TV	Mobile Post-paid	Sum #HH/SO	Fixed Voice	Fixed Internet	TV	Mobile Postpaid	Sum #HH/SO	Average #RGUs/HH SO	Annualized full churn rate of HH/SO (**)	% Fixed + Mobile Postpaid (***)
1-Play	479	77	N/A(*)	665	1,221	415	86	N/A(*)	653	1,154	1.23	19.9%	
	-78	7		-14	-85	-63	9		-12	-67	0.01	-1.3p.p.	
2-Play					462					438	2.22	11.2%	24.3%
					-36					-24	0.00	0.5p.p.	0.6p.p.
3-Play					641					662	3.38	9.6%	41.5%
					6					21	0.00	2.2p.p.	1.9p.p.
4-Play					480					529	4.84	3.1%	100.0%
					59					49	0.02	0.7p.p.	
Total					2,804					2,783	2.58	13.0%	55.9%
					-56					-21	0.09	-0.3p.p.	2.6p.p.

(*) TV is not sold standalone, only in combination with Fixed Internet and/or Fixed Voice

(**) Cancellation is only taken into account when the household/small office cancels all its plays

(***) % multi-play HH that have at least one Mobile component; i.e. a convergent household/small office

In 2015, the Consumer Business Unit generated EUR 2,889 million underlying revenue, of which EUR 2,188 million or 76% came from X-play households.

The revenue from 4-play households showed continued growth, ending 2015 with EUR 705 million, up by 12.8% from the prior year. This resulted from the combined favorable evolution of the number of 4-play households together with the average revenue per 4-play household (ARPH) increasing to EUR 115.9, up by 0.2% compared to 2014.

The 3-Play revenue increased as well, up by 3.0% compared to 2014 due to a better product mix and increased RGU.

Revenues (*) per x-play in EUR million

	FY		YoY change	
	2014	2015	€ million	%
Total	2119	2188	69	3.3%
1-Play	520	510	-10	-2.0%
2-Play	336	316	-20	-6.0%
3-Play	638	657	19	3.0%
4-Play	625	705	80	12.8%

Average revenue in EUR per x-play (EUR)

	FY		YoY change	
	2014	2015	€	%
Total	62.4	65.5	3.1	4.9%
1-Play	34.3	36.0	1.8	5.2%
2-Play	58.3	58.7	0.4	0.7%
3-Play	83.7	84.1	0.4	0.4%
4-Play	115.7	115.9	0.2	0.2%

(*) unaudited revenue, might be subject to small changes

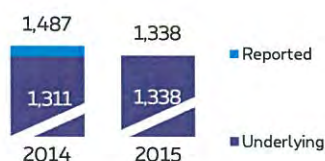
Enterprise Business Unit – EBU

- Revenue for 2015 up by 2.1% from the prior year
- Mobile Services revenue trend turned positive again early 2015, supported by larger customer base and favorable ARPU trend
- ICT revenue up by 2.3% compared to 2014 in spite of termination of large contracts early 2015
- Direct Margin up by 0.7%, growth from Mobile Services partly offset by ICT revenue mix

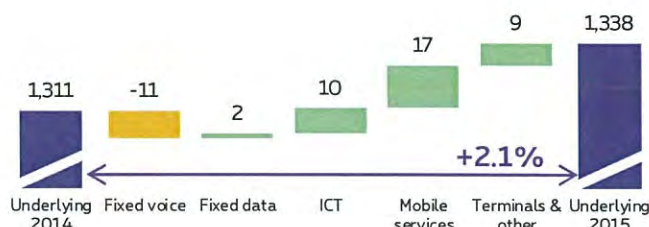
Revenue

For 2015, the Enterprise business unit posted total underlying revenue of EUR 1,338 million, or an improvement of 2.1% compared to 2014. This was for a large part driven by Mobile Services revenue, for which the trend turned positive again as of early 2015. Benefitting from a larger Mobile customer base, and higher revenue from national data usage and roaming, EBU's revenue from Mobile services increased by 5.6% in 2015. Within the Fixed universe, higher revenue from ICT and Fixed Data more than compensated for the lower Fixed Voice revenue.

Revenue (in m€)



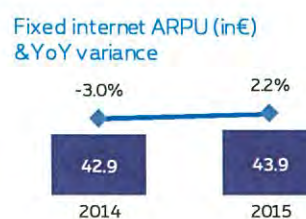
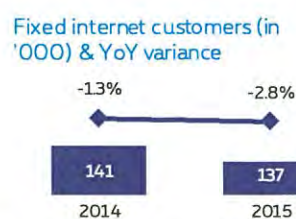
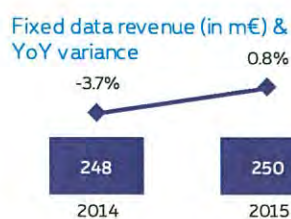
Underlying Revenue evolution by product group (in m€)



Revenue from Fixed Data supported by Data connectivity services

The 2015 revenue from Fixed Data, consisting of Fixed Internet and Data Connectivity revenue, totaled EUR 250 million. Over the quarters of 2015, the revenue trend showed improvement, with revenue 0.8% above that of 2014 by the end of the year. The favorable evolution was driven by Data Connectivity services following the roll-out of a number of large customer projects on the Proximus Explore⁹ platform. Revenue from Fixed Internet remained fairly stable year-on-year. End-2015 EBU counted 137,000 Fixed Internet lines, 2.8% less than one year ago. This was however largely compensated for by the ARPU of EUR 43.9, 2.2% up from last year following the upward price changes on 1 July 2015.

⁹ Explore is Proximus' fast, reliable and secure virtual private network offer.



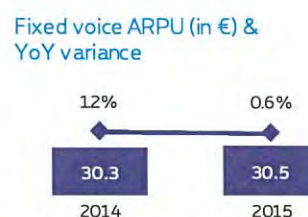
+2.3% ICT revenue growth

Underlying ICT revenue grew by 2.3%

For full-year 2015 EBU posted EUR 455 million underlying ICT revenue. This is 2.3% more compared with 2014, in spite of the termination of some significant ICT contracts early 2015. EBU was able to more than compensate for this loss by landing new major deals.

Revenue from Fixed Voice remains impacted by Fixed Line erosion

For 2015, EBU posted EUR 248 million revenue from Fixed Voice lines, which is 4.2% less than for 2014. This resulted from continued Fixed Voice line erosion triggered by companies rationalizing on Fixed line connections and the move to VoIP. In the course of 2015, the line erosion equaled 35,000 bringing the total Fixed line base to 660,000, i.e. a year-on-year lines loss of 5%. The 2015 Fixed Voice ARPU of EUR 30.5 was 0.6% higher than for 2014, strengthened by the upward price revision since 1 July 2015.



+5.6% Mobile Services revenue

For full-year 2015, EBU posted Mobile Services revenue of EUR 324 million, or 5.6% more than for 2014. The revenue from Mobile Services turned positive again in early 2015, and accelerated its positive trend from then on. As the regulated roaming rate cuts annualized on 1 July 2015, EBU has fully benefitted from its growing mobile customer base since mid-2015. Machine-to-machine (M2M) and free data cards excluded, EBU grew its mobile cards by 3.6% over a one-year period, to a total of 894,000. With the roll-out of the Road User Charging project¹⁰ the number of M2M cards activated in the second half of 2015 was boosted. EBU added a total of 277,000 M2M cards in 2015. All combined, EBU counted 1,470,000 mobile cards by end-2015, 26.7% more than one year ago.

Besides the growing customer base, the Mobile Services revenue also continued to benefit from an improved tiering in the Medium Enterprise segment, high-end prices plans gaining traction, and increased data usage. This resulted from a greater smartphone penetration and a growing number

¹⁰ Road User Charging is a project in which Proximus acts as a subcontractor for "Satellic", offering data center, M2M and Explore services to implement distance-based road charging in Flanders, Wallonia and Brussels for trucks as from April 2016.

of 4G users. These beneficial usage evolutions, and the fading of the roaming impact, had a favorable effect on ARPU. As of the third quarter 2015, the Mobile ARPU showed a year-on-year growth for the first time in a long while. The full-year 2015 ARPU totaled EUR 29.7, up by 0.5% from the previous year.

Mobile services revenue (in m€) & YoY variance



Mobile customers (in '000) & YoY variance



Mobile blended ARPU (in €) & YoY variance



EBU Direct Margin

+0.7%
Direct Margin

EBU grew its underlying Direct Margin by 0.7%

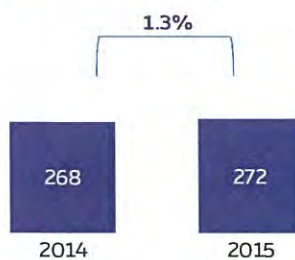
The solid revenue growth for Mobile Services resulted in a positive Direct Margin evolution compared with the year before. For 2015, EBU posted EUR 950 million Direct Margin, 0.7% up from the previous year.

Direct Margin (in m€)



EBU underlying operating expenses

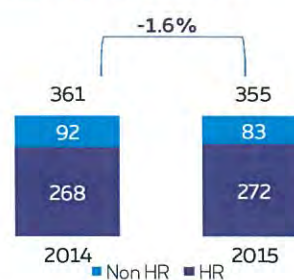
HR expenses (in m€)



Non-HR expenses (in m€)



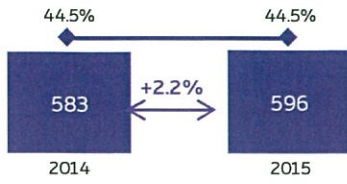
Total expenses (in m€)



Over the year 2015, **EBU's total expenses were EUR 355 million, 1.6% lower than for 2014.** HR-related expenses ended 1.3% higher year-on-year, in a people intensive ICT business. Non-HR expenses were down by 10% in 2015, including the impact from some efficiency gains and a positive bad debt impact.

EBU Segment result and contribution margin

Segment result (in m€) & margin



EBU's underlying segment results for 2015 amounted to EUR 596 million, a 2.2% increase compared to 2014.

Technology & Wholesale – TEC&W

Underlying Revenue¹¹ (in m€)



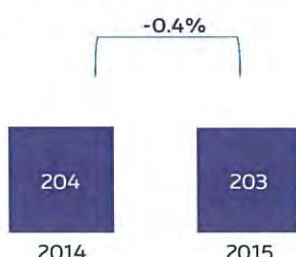
Revenue within the TEC&W segment relates mainly to Proximus' wholesale activities. Over the full-year 2015, **TEC&W posted EUR 220 million revenue, or 8.9% less than for 2014.** The wholesale revenue showed a decline in 2015 due to the impact from the outphasing of Snow customers following Base's decision to stop its Fixed triple-play offer. However, the reduction in wholesale lines was largely compensated for through the Proximus retail offer as the larger part of the former Snow customers opted for Proximus' low-cost brand Scarlet. Furthermore, the wholesale revenue was pressured by the decline in traditional wholesale business.

Decline in Wholesale revenue partly compensated for through retail offers.

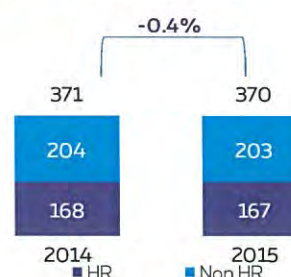
HR expenses (in m€)



Non-HR expenses (in m€)



Total expenses (in m€)

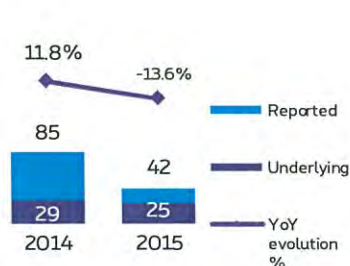


TEC&W posted EUR 370 million expenses, or a slight decrease versus the prior year. The lower non-HR expenses following the cost optimization projects were partly offset by higher tax provisions. HR-expenses for 2015 were slightly down by 0.5% due to a lower headcount following natural attrition.

¹¹ No impact from the reported incidentals

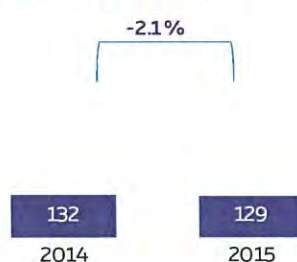
Staff & Support – S&S

Revenue (in m€)

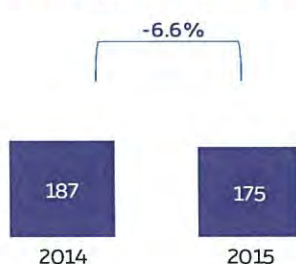


Total S&S revenue includes capital gains from building sales which were higher in 2014 than in 2015.

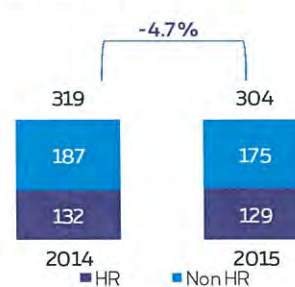
HR expenses (in m€)



Non-HR expenses (in m€)



Total expenses (in m€)



The total S&S expenses for 2015 amounted to EUR 304 million, 4.7% less than for 2014. The **HR expenses** of EUR 129 million recorded for 2015 were 2.1% below those of 2014 mainly as a result of a lower personnel base. The **non-HR expenses** for 2015 totaled EUR 175 million, a 6.6% decrease compared to the prior year. The decrease was mainly attributable to non-HR-related provision updates in 2015, a high comparable base in 2014 that included a EUR 4 million negative impact from the re-measurement to fair value of financial instruments related to commodities, and some efficiency gains.

International Carrier Services – BICS

- Firm revenue growth of 2.5% to EUR 1,616 million
- Voice Direct Margin benefitted from favorable yet volatile market conditions
- Non-Voice Direct Margin up 15% following volume effect and positive currency impact
- BICS posted record segment result of EUR 160 million

Revenue and volumes

BICS maintained its grip on its leadership position in the international communications market in 2015, posting total revenue of EUR 1.616 million, i.e. 2.5% more than for 2014. This resulted from a solid growth in non-voice revenue, up year-on-year by 15.4%, driven by a steep volume increase (+26.9%). In line with market trends, the volume of Voice minutes lessened with BICS handling 26,313 million minutes, -3.1% compared to the previous year. This was however compensated for by a positive currency impact in 2015, leading to a fairly stable Voice revenue.

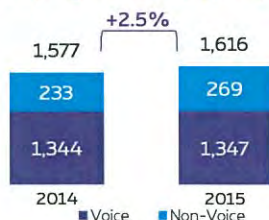
Revenue (in m€)



Volumes (in million)



Underlying Revenue split (in m€)



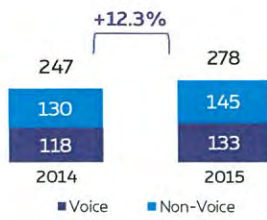
Direct Margin (in m€)



BICS posted for 2015 a total Direct Margin of EUR 278 million, a 12.3% increase from the prior year. This resulted from the favorable variance for both Voice, for which the Direct Margin increased by 12.8% as a result of favorable, yet volatile market conditions, and for non-Voice, for which the Direct Margin increased by 11.9% following the volume growth, and a favorable USD impact.

BICS' Direct Margin increased by 12.3%

Underlying Direct Margin split (in m€)



Segment result (in m€) & margin



BICS's segment result for full-year 2015 totaled EUR 160 million, a 19.1% increase from 2014, on an underlying basis. The Direct Margin growth was only in a limited way offset by higher HR expenses, mainly driven by higher headcount to support investments in growing segments and performance related incentives.

Underlying segment result (in m€)



From reported to underlying Revenue and EBITDA

(EUR million)	Revenue		EBITDA	
	2014	2015	2014	2015
Reported	6,112	6,012	1,755	1,646
Underlying	5,864	5,994	1,653	1,733
Incidentals - Total	248	17	102	-87
Non Recurring Items	62	0	34	2
Other incidentals	187	17	67	-90
Non-recurring items:	62	0	34	2
Gain/losses from disposals Telindus - BICS	62	0	27	0
Other : mainly resulting from a partial settlement of a post-employment benefit plan.	0	0	7	2
Other incidentals:	187	17	67	-90
Impact from disposed companies	141	0	3	-1
- CBU: Scarlet Netherlands (March 2014) and Sahara Net (May 2014)	7	0	0	0
- EBU: Divesture of Telindus FR (May 2014) and UK (December 2014)	134	0	3	-1
Network related dispute	0	0	22	10
Comp. payment Pension transfer	0	0	10	0
Stock Options	0	0	-14	0
Capital gains on building sales	46	17	46	17
Transformation & Rebranding	0	0	-16	0
Settlement agreement on mobile tariff related litigation	0	0	0	-116
Others	0	0	16	0

Quarterly results

Group – Financials

(EUR million)	Q114	Q214	Q314	Q414	2014	Q115	Q215	Q315	Q415	2015
REPORTED										
Revenues	1480	1631	1486	1515	6,112	1,482	1,511	1,509	1,509	6,012
EBITDA	405	559	435	356	1,755	425	456	344	421	1,646
UNDERLYING										
Revenues per Business Unit	1,403	1,483	1,472	1,506	5,864	1,479	1,505	1,509	1,502	5,994
Core underlying revenue	1,046	1,068	1,062	1,111	4,287	1,080	1,094	1,088	1,117	4,379
Consumer	675	699	705	724	2,803	711	726	720	732	2,889
Enterprise	322	327	317	345	1,311	329	327	332	350	1,338
Technology & Wholesale	64	60	60	58	242	55	58	55	52	220
Staff & Support	7	8	7	8	29	8	5	5	7	25
Inter-segment eliminations	-23	-25	-26	-25	-98	-23	-23	-23	-24	-93
International Carrier Services	357	415	410	395	1,577	399	411	420	385	1,616
Costs of materials and charges to revenues (*)	-529	-593	-581	-627	-2,330	-590	-590	-592	-605	-2,377
Direct Margin	874	889	891	879	3,533	890	915	917	896	3,617
Direct Margin %	62.3%	60.0%	60.5%	58.4%	60.3%	60.1%	60.8%	60.8%	59.7%	60.3%
Total expenses before D&A	-466	-458	-458	-498	-1,880	-467	-465	-470	-482	-1,884
Personnel expenses and pensions (**)	-255	-258	-258	-243	-1,014	-251	-254	-266	-241	-1,011
Other operating expenses (***)	-211	-201	-200	-255	-867	-216	-212	-204	-242	-873
EBITDA	408	431	433	382	1,653	423	450	447	414	1,733
Segment EBITDA margin %	29.1%	29.1%	29.4%	25.3%	28.2%	28.6%	29.9%	29.6%	27.6%	28.9%

(*) referred to as "Cost of sales" in the document

(**) referred to as "HR costs" in the document

(***) referred to as "Non-HR costs" in the document

CBU – Financials

(EUR million)	Q114	Q214	Q314	Q414	2014	Q115	Q215	Q315	Q415	2015
REPORTED										
Revenues	680	701	705	724	2,810	711	726	720	732	2,889
Segment Result	342	357	360	335	1,394	354	368	371	345	1,438
UNDERLYING										
Revenues	675	699	705	724	2,803	711	726	720	732	2,889
From Fixed	353	355	357	364	1,430	366	369	376	379	1,490
Voice	144	143	142	143	572	139	137	139	137	552
Data (Internet & Data Connectivity)	127	130	130	132	520	135	137	142	144	558
TV	68	69	72	76	286	79	82	83	85	328
Terminals (excl. TV)	6	5	6	6	22	6	6	6	6	23
ICT	8	7	7	7	29	7	7	7	8	30
From Mobile	268	298	289	298	1,142	288	295	283	287	1,154
Mobile Services	243	253	252	252	1,000	248	255	256	251	1,010
Terminals	25	35	36	46	143	40	40	27	37	144
Subsidiaries	28	28	30	31	117	31	31	33	35	130
Tango	28	28	30	31	117	31	31	33	35	130
Other	26	28	30	31	114	27	30	28	30	114
Of which Installation & Activation	5	5	6	5	21	6	5	5	4	20
Costs of materials & charges to revenues	-152	-163	-162	-196	-672	-171	-174	-160	-187	-692
Direct Margin	524	535	544	528	2,131	541	552	559	544	2,196
Direct Margin %	77.6%	76.6%	77.1%	72.9%	76.0%	76.0%	76.0%	77.7%	74.4%	76.0%
Total expenses before D&A	-181	-183	-183	-192	-739	-186	-183	-188	-199	-756
Personnel expenses and pensions	-102	-102	-102	-95	-400	-99	-99	-101	-92	-391
Other operating expenses	-80	-81	-81	-97	-339	-87	-84	-87	-107	-365
Segment result	342	353	361	336	1,392	354	369	371	346	1,440
Segment contribution margin %	50.7%	50.5%	51.2%	46.4%	49.6%	49.8%	50.8%	51.6%	47.2%	49.8%

CBU – Operationals

	Q114	Q214	Q314	Q414	2014	Q115	Q215	Q315	Q415	2015
From Fixed										
Number of access channels (thousands)	3,722	3,716	3,713	3,724	3,724	3,789	3,810	3,811	3,830	3,830
Voice	2,172	2,153	2,137	2,126	2,126	2,140	2,136	2,121	2,112	2,112
Broadband	1,550	1,563	1,576	1,598	1,598	1,649	1,674	1,690	1,718	1,718
TV (thousands)	1,495	1,525	1,558	1,593	1,593	1,657	1,692	1,716	1,759	1,759
Unique Customers	1,225	1,244	1,264	1,288	1,288	1,340	1,365	1,384	1,414	1,414
of which multiple settop boxes	269	281	294	304	304	317	327	332	345	345
ARPU (EUR)										
ARPU Voice	22.0	22.0	22.1	22.3	22.1	21.8	21.4	21.7	21.6	21.6
ARPU broadband	27.5	27.8	27.8	27.7	27.7	27.6	27.5	28.2	28.0	27.9
ARPU TV	18.8	18.7	19.3	19.9	19.2	19.9	20.2	20.0	20.1	20.1
From Mobile										
Number of active customers (thousands)	4,173	4,195	4,198	4,232	4,232	4,230	4,229	4,236	4,246	4,246
Prepaid	1,580	1,535	1,495	1,467	1,457	1,416	1,376	1,341	1,307	1,307
Postpaid	2,593	2,660	2,702	2,775	2,775	2,815	2,853	2,895	2,939	2,939
Among Which Paying cards	2,199	2,240	2,256	2,306	2,306	2,333	2,359	2,393	2,430	2,430
Among Which Internet Everywhere cards	394	421	446	469	469	482	494	502	509	509
Annualized churn rate (blended)										
Prepaid	32.5%	33.6%	35.3%	32.8%	33.4%	33.7%	32.7%	35.0%	35.4%	34.2%
Postpaid	15.2%	14.3%	16.3%	18.3%	16.1%	15.4%	13.4%	13.8%	15.6%	14.5%
Blended	22.8%	22.6%	24.2%	24.3%	23.4%	22.7%	20.9%	21.9%	23.0%	22.1%
Net ARPU (EUR)										
Prepaid	11.8	12.6	11.7	11.7	11.9	10.7	11.2	10.4	10.0	10.5
Postpaid	28.4	29.2	29.5	29.3	29.1	29.0	29.6	30.0	29.1	29.4
Blended	21.3	22.3	22.3	22.3	22.1	22.0	22.7	22.8	22.3	22.5
Average Mobile data usage/user/month (Mb)										
4G	642	789	841	826		855	851	920	945	
Blended	253	309	357	396		474	511	581	627	

CBU – X-Play reporting

	Q114	Q214	Q314	Q414	2014	Q115	Q215	Q315	Q415	2015
Households/Small Offices per Play - Total (thousands)	2,851	2,831	2,806	2,804	2,804	2,799	2,786	2,777	2,783	2,783
1 - Play	1,293	1,265	1,232	1,221	1,221	1,198	1,177	1,163	1,154	1,154
Fixed Voice	534	516	497	479	479	459	444	430	415	415
Fixed Internet	73	73	75	77	77	80	82	84	86	86
TV	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Mobile Postpaid	686	675	660	655	665	659	650	648	653	653
2 - Play	487	481	472	462	462	454	449	443	438	438
3 - Play	634	633	637	641	641	649	652	654	662	662
4 - Play	436	451	465	480	480	498	509	517	529	529
Revenues per x - play (EUR million)	515	529	537	539	2,119	538	544	555	551	2,188
1 - Play	128	131	132	130	520	128	126	129	126	510
2 - Play	85	85	84	83	336	80	79	80	78	316
3 - Play	156	159	161	162	638	161	164	166	166	657
4 - Play	146	154	160	165	625	169	175	180	181	705
Average revenue x - play (in EUR)	60.1 €	62.0 €	63.5 €	64.1 €	62.4 €	64.1 €	65.1 €	66.6 €	66.0 €	65.5 €
1 - Play	32.7 €	34.1 €	35.1 €	35.2 €	34.3 €	35.3 €	35.7 €	36.9 €	36.3 €	36.0 €
2 - Play	57.7 €	58.1 €	58.6 €	59.0 €	58.3 €	58.2 €	58.1 €	59.5 €	59.2 €	58.7 €
3 - Play	82.1 €	83.7 €	84.6 €	84.5 €	83.7 €	83.4 €	83.9 €	84.9 €	84.0 €	84.1 €
4 - Play	113.4 €	115.8 €	116.9 €	116.5 €	115.7 €	115.0 €	116.0 €	117.2 €	115.3 €	115.9 €
Average #RGUs per household/Small Office - Total	2.41	2.44	2.47	2.50	2.50	2.52	2.55	2.57	2.58	2.58
1 - Play	1.21	1.21	1.22	1.22	1.22	1.22	1.22	1.23	1.23	1.23
2 - Play	2.23	2.22	2.22	2.23	2.23	2.23	2.22	2.22	2.22	2.22
3 - Play	3.36	3.37	3.37	3.38	3.38	3.38	3.38	3.38	3.38	3.38
4 - Play	4.78	4.80	4.80	4.81	4.81	4.82	4.83	4.83	4.84	4.84
Annualized full churn rate (household/Small Office level) - Total	12.9%	12.0%	14.1%	14.4%	13.3%	14.7%	12.0%	12.8%	12.6%	13.0%
1 - Play	20.9%	19.3%	22.1%	22.6%	21.2%	22.4%	18.2%	19.0%	20.0%	19.9%
2 - Play	9.3%	9.3%	12.5%	11.8%	10.7%	12.2%	10.3%	11.8%	10.4%	11.2%
3 - Play	6.7%	6.1%	7.8%	8.8%	7.4%	10.5%	8.7%	10.1%	9.0%	9.6%
4 - Play	2.1%	2.0%	2.6%	2.9%	2.4%	3.7%	2.9%	3.1%	2.7%	3.1%
% Convergent HH / SO - Total	50.7%	51.7%	52.5%	53.3%	53.3%	54.1%	54.7%	55.3%	55.9%	55.9%
<small>(i.e. % of HH/SO having Mobile + Fixed component)</small>										
1 - Play										
2 - Play	23.3%	23.2%	23.5%	23.7%	23.7%	23.9%	24.0%	24.1%	24.3%	24.3%
3 - Play	37.7%	38.8%	39.4%	39.7%	39.7%	39.9%	40.5%	41.1%	41.5%	41.5%
4 - Play	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

EBU - Financials

(EUR million)	Q114	Q214	Q314	Q414	2014	Q115	Q215	Q315	Q415	2015
REPORTED										
Revenues	395	407	330	355	1,487	329	327	332	350	1,338
Segment Result	142	194	143	115	594	147	146	148	153	594
UNDERLYING										
Revenues	322	327	317	345	1,311	329	327	332	350	1,338
From Fixed	239	241	233	257	971	238	236	242	256	971
Voice	67	65	63	64	259	64	62	61	61	248
Data (Internet & Data Connectivity)	63	62	61	62	248	62	62	63	63	250
TV	0	0	0	0	0	0	0	0	0	0
Terminals (excl. TV)	5	5	5	5	20	5	5	5	5	19
ICT	105	109	104	127	444	107	107	113	127	455
From Mobile	79	83	81	83	326	85	84	85	89	342
Mobile Services	76	79	77	75	307	79	80	82	83	324
Terminals	3	4	4	9	19	6	3	3	6	18
Other	3	3	3	5	14	6	7	5	6	24
Of which Installation & Activation	1	1	1	1	4	1	1	1	1	3
Costs of materials and charges to revenues	-87	-89	-85	-107	-368	-93	-90	-95	-109	-388
Direct Margin	235	238	231	239	943	236	236	237	241	950
<i>Direct Margin %</i>	<i>73.0%</i>	<i>72.9%</i>	<i>73.1%</i>	<i>69.1%</i>	<i>72.0%</i>	<i>71.7%</i>	<i>72.3%</i>	<i>71.4%</i>	<i>68.9%</i>	<i>71.0%</i>
Total expenses before D&A	-90	-91	-89	-91	-361	-88	-90	-89	-88	-355
Personnel expenses and pensions	-67	-69	-67	-65	-268	-67	-68	-72	-65	-272
Other operating expenses	-23	-23	-21	-26	-92	-21	-22	-17	-23	-83
Segment result	146	147	143	148	583	148	146	148	153	596
<i>Segment contribution margin</i>	<i>45.2%</i>	<i>44.9%</i>	<i>45.1%</i>	<i>42.8%</i>	<i>44.5%</i>	<i>45.0%</i>	<i>44.7%</i>	<i>44.7%</i>	<i>43.8%</i>	<i>44.5%</i>

EBU - Operational

	Q114	Q214	Q314	Q414	2014	Q115	Q215	Q315	Q415	2015
From Fixed										
Number of access channels (thousands)	862	854	845	837	837	825	815	808	798	798
Voice	720	712	704	695	695	686	677	670	660	660
Broadband	143	142	141	141	141	139	138	137	137	137
ARPU (EUR)										
ARPU Voice	30.7	30.4	29.8	30.3	30.3	30.8	30.1	30.3	30.7	30.5
ARPU Broadband	43.9	43.2	42.7	41.9	42.9	43.5	43.8	44.5	43.7	43.9
From Mobile										
Number of active customers (thousands)	1,069	1,095	1,121	1,161	1,161	1,179	1,200	1,338	1,470	1,470
Among which voice and data cards	827	844	854	863	863	869	879	885	894	894
Among which M2M	234	243	258	289	289	301	311	443	566	566
Among which Internet Everywhere Cards	8	8	9	9	9	10	10	10	10	10
Annualized churn rate (blended)	10.3%	10.1%	8.4%	10.0%	9.8%	11.3%	10.0%	8.9%	10.3%	10.1%
Net ARPU (EUR)										
Postpaid	30.1	30.5	29.4	28.2	29.5	29.3	29.7	30.0	30.0	29.7
Average Mobile data usage/user/month (Mb)										
4G	507	642	652	664		718	752	811	862	
Blended	290	349	387	414		488	529	590	645	

TEC&W - Financials

(EUR million)	Q114	Q214	Q314	Q414	2014	Q115	Q215	Q315	Q415	2015
REPORTED										
Revenues	64	60	60	58	242	55	58	55	52	220
Segment Result	-34	-28	-38	-43	-143	-44	-44	-44	-48	-180
UNDERLYING										
Revenues	64	60	60	58	242	55	58	55	52	220
Costs of materials and charges to revenues	-9	-9	-9	-9	-36	-9	-9	-8	-8	-34
Direct Margin	55	51	51	49	206	46	50	47	44	186
Direct Margin %	85.6%	85.6%	84.6%	84.7%	85.1%	84.1%	85.2%	84.9%	83.8%	84.5%
Total operating expenses before D&A	-89	-87	-89	-107	-371	-90	-94	-94	-91	-370
Personnel expenses and pensions	-41	-42	-44	-40	-168	-41	-41	-45	-40	-167
Other operating expenses	-48	-45	-45	-67	-204	-49	-53	-49	-52	-203
Segment result	-34	-35	-39	-57	-165	-44	-44	-48	-48	-183

TEC&W - Operational

	Q114	Q214	Q314	Q414	2014	Q115	Q215	Q315	Q415	2015
From Fixed										
Number of access channels (thousands)										
Voice (1)	10	10	9	9	9	9	9	9	8	8
Broadband (1)	1	1	1	1	1	1	1	1	1	1
From Mobile										
Number of active Mobile customers (thousands)										
Retail (1)	10	10	10	10	10	11	10	10	10	10
MVNO	6	7	10	11	11	11	11	11	12	12

(1) i.e. Proximus retail products sold via TEC&W (OLO's own usage and reselling)

S&S - Financials

(EUR million)	Q114	Q214	Q314	Q414	2014	Q115	Q215	Q315	Q415	2015
REPORTED										
Revenues	7	64	7	8	85	11	12	6	14	42
Segment Result	-75	-17	-67	-83	-242	-71	-60	-171	-64	-366
UNDERLYING										
Revenues	7	8	7	8	29	8	5	5	7	25
Costs of materials and charges to revenues	0	0	0	0	0	0	0	0	0	0
Personnel expenses and pensions	-34	-34	-34	-31	-132	-33	-32	-34	-29	-129
Other operating expenses (***)	-49	-41	-44	-53	-187	-50	-41	-36	-48	-175
Segment result	-76	-67	-71	-76	-290	-75	-67	-65	-71	-279

BICS - Financials

(EUR million)	Q114	Q214	Q314	Q414	2014	Q115	Q215	Q315	Q415	2015
REPORTED										
Revenues	357	434	410	395	1,597	399	411	420	385	1,616
Segment Result	30	53	38	32	153	39	47	41	34	160
UNDERLYING										
Revenues	357	415	410	395	1,577	399	411	420	385	1,616
Revenues from Voice	304	357	346	336	1,344	335	347	347	318	1,347
Revenues from non-Voice	53	57	64	59	233	65	64	73	67	269
Costs of materials and charges to revenues	-298	-352	-346	-333	-1,330	-335	-336	-348	-320	-1,338
Direct Margin	58	62	64	62	247	65	75	73	65	278
Direct Margin %	16.2%	14.9%	15.6%	15.7%	15.7%	16.3%	18.2%	17.4%	16.9%	17.2%
Total expenses before D&A	-28	-28	-26	-30	-113	-26	-29	-32	-32	-118
Personnel expenses and pensions	-11	-11	-12	-12	-47	-12	-14	-13	-15	-53
Other operating expenses	-17	-17	-14	-18	-66	-14	-15	-19	-17	-64
Segment result	30	35	39	32	135	39	47	41	34	160
Segment contribution margin %	8.4%	8.4%	9.5%	8.1%	8.6%	9.8%	11.4%	9.7%	8.7%	9.9%

2. Risk Management

This section presents an overview of the Group's Risk Management including a description of its major risks and uncertainties and its main mitigation efforts.

Taking risks is inherent in doing business and successfully managing risks delivers return to Proximus stakeholders. Proximus believes that risk management is fundamental to corporate governance and the development of sustainable business. The Group has adopted a risk philosophy that is aimed at maximizing business success and shareholder value by effectively balancing risk and reward. The objective of risk management is not only to safeguard the Group's assets and financial strength but also to protect Proximus' reputation. A structured risk management process allows management to take risks in a controlled manner. Financial risk management objectives and policies are reported in Note 33 of the consolidated financial statements, published on the Proximus website. Risks related to important ongoing claims and judicial procedures are reported in Note 35 of these statements. The enterprise and financial reporting risks are detailed below, together with the related mitigating factors and control measures. Note that this is not intended to be an exhaustive analysis of all potential risks Proximus might be facing.

2.1. Enterprise wide risks

The Group's Enterprise Risk Management (ERM) covers the spectrum of business risks ("potential adverse events") and uncertainties that Proximus could encounter. Proximus 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. It seeks to maximize value for shareholders by aligning risk management with the corporate strategy, assessing the emerging risk from regulation, new technologies on the market, and developing risk tolerance and mitigating strategies. Proximus ERM has been reviewed and updated every year since 2006. 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. Among the risks identified in the ERM exercise of 2015, the following risk categories were prioritized: Competitive market dynamics, Human Resource cost flexibility, Business model evolution, Long-term ambition vs Short-term return and Company Culture.

Competitive market dynamics

Proximus' business is primarily focused on Belgium, a small country with a few large telecom players, among which Proximus is the incumbent. Proximus is operating in growing (e.g. smartphones, mobile data, M2M, IT), maturing (e.g. Fixed Internet, post-paid mobile), saturated (e.g. fixed voice) or even declining (e.g. prepaid mobile) markets.

The market is in constant evolution, with competitive dynamics at play that might impact market value going-forward. The Telenet-Base merger, the entry of Mobistar into cable, the transfer of Telenet MVNO customers to the BASE network emptying capacity on the network of Mobistar, the acceleration of adoption of OTT applications disrupting the value of voice and messaging are important, non-exhaustive, factors that could lead to further pressure on the market.

Moreover, Proximus' main competitors Mobistar, BASE and Telenet, are subsidiaries of Orange and Liberty

Global respectively, all large international operators able to leverage scale advantages. Nethys and Brut  l   (commercial name VOO) are important local cable competitors in the South of the country.

A stronger combined competition (e.g. Telenet-Base), a new market entrant or radical price competition (e.g. via cable wholesale) could cost Proximus market share or force the company to revise prices downwards, impacting negatively revenue and profit. This happened in 2012 when the entry into force of Belgium's new Telecom Law resulted in significant increase in Mobile customer churn. This, combined with aggressive competitor mobile pricing (in both retail and wholesale), forced Proximus to revise its mobile pricing offer at the end of 2012 and in 2013. Potential consolidation among cable operators is also still possible going forward.

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

Nevertheless, as a result of its long-term strategy and continued network investments (Fiber, VDSL/Vectoring, 4G/4G+, Mobile Coverage Extender, Wi-Fi Extender) Proximus has been consistently improving its multi-play value propositions by putting more customers on the latest technologies, keeping the lead in mobile innovation, structurally improving customer service, partnering with content and OTT players to offer a broad portfolio of content (Sports, Netflix, families & kids, ...) , developing an omnichannel strategy and improving digital customer interfaces, ... Proximus built itself an advantageous competitive position providing the company with other competitive levers than just price, reducing the risk to churn and price disruption exposure.

Cable operators choose for vertical integration of the value chain, by buying content or even participations in broadcast channels. Proximus is responding to these threats through a convergent and bundled approach and by offering new services (e.g. TV Replay, Proximus Cloud, Smart and Safe Living) and opting for an aggregator model, putting at disposal the best content to its customers (e.g. Netflix).

In 2015, Proximus continued to leverage and nurture its single convergent brand, building on its former mobile brand Proximus. The price-sensitive segment is still addressed via its subsidiary Scarlet. The latter offers attractively priced mobile and triple-play products.

In the SME market, besides the competitors also active in the Consumer market, we face competition from niche players in the different product markets. In the large-company market, Proximus faces competition from internationally oriented operators like Orange Business Services, Colt, Verizon Business and BT Belgium, and from integrators such as Dimension Data, Getronics, Cegeka and RealDolmen. The scattered competitive landscape drives price competition, which might further impact revenue and margins. Also Telenet's acquisition of Base could further drive price competition on the Enterprise mobile market.

Here also, Proximus intends to respond to increasing competition by strengthening its voice-data-IT convergence strategy, leveraging unmatched sales reach, broad portfolio and expertise. Addressing customer business needs through solutions combining core assets with innovation like IoT, Cloud, Security and big data will help preserving the value.

Upcoming roaming regulation could also trigger new kinds of competition on the market as from mid-2017.

The international carrier services market continues to be characterized by high volatility within its voice segment. Unit margins for both the legacy voice and data segments continue to be under significant pressure as a result of price competition, consolidation of competitors and the ease with which customers are able to change providers. If these two elements (volatility and unit price pressure) should continue and/or if BICS does not offset price decreases with increased volume on new activities, BICS' growth rate, operating revenue and net profit could come under pressure. In addition, the competitive pressure on the mobile data market continues to increase and therefore affect the growth profile of the International Carrier Services.

Human resources cost flexibility

With Proximus' margin having been under pressure for the past few years, the costs of the company need to be significantly reduced in order to preserve the EBITDA. A significant part of Proximus' expenses is 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 lies clearly above the average of international peers and main competitors.

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

At Proximus Group level, about one in three employees is statutory. The application of HR rules for statutory employees is quite strict and doesn't allow much flexibility. This may restrict Proximus' ability to improve efficiency and increase flexibility to levels comparable to those of its competitors.

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

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 very specific domains like security, digital front-ends, data science, agile IT, ... This shortage could hamper the realization of our convergent and customer-centric strategy and delay some of our ambitions in innovation. This is why the company is focusing so much attention on training programs, internal mobility, and selective hiring of young graduates from relevant fields of knowledge. Proximus' attractive employer brand is definitely helping to attract and retain the right talents.

Early 2016, negotiations are ongoing with the Unions to address the much-needed structural measures to further reduce the workforce. The aim is to enhance employability, to obtain more flexibility to move employees within the organization, to adapt the workforce faster in line with the actual workload, and to align remuneration items with common market practices.

Proximus has recently adapted and simplified the organizational structure in order to evolve towards a high-performance organization.

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

Business model evolution

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

The direct relationship with customers is a source of value and to lose part or all of it to those new entrants could affect revenues, margins, the financial position and the outlook of Proximus classical telecommunications product & services.

Like the other operators, Proximus will continue to experience a decline in traditional services (voice and

access), partly offset by the increase in revenues from innovative services, but the margins delivered by these new services are, on average, lower than the ones from legacy activities.

In response to this competition, Proximus aims to provide an improved answer to the needs of its customers by offering them integrated solutions that are composed of convergent products, including fixed and mobile communications solutions, service level agreements and managed services. Adding meaningful innovation and embracing relevant OTT partners will be instrumental to remain relevant to its customers.

Long term ambitions versus short term returns

Finding the right balance between long-term ambitions and short-term return is always challenging in competitive and transforming businesses. As the industry moves to platform business and Software-driven services, the technology lifecycles are getting shorter putting more stress on return on investments.

In this context, making the necessary new technology investments today is crucial in order to create and secure future revenue streams. But this could sometimes come into conflict with the required short-term cost cuts needed to improve profitability.

The management is clearly committed to deliver the short-term targets while also preparing for the future.

To do so, the company has taken a number of strong decisions:

1. The absolute Capex level of the company has been raised since 2014 to give more oxygen to invest in networks and systems of the future. This increase allows to fund transformational and multi-year programs while maintaining the focus on the short term actions required to remain competitive (mobile leadership, migrations of customer to the latest available technologies, ...).
2. The company focuses on a limited number of strategic investment clusters where the full company means are prioritized to support the top strategy objectives, our 'blue chips'. The company has also launched wide-scope efficiency programs (centered around simplification, digitization and high performance organisation) to gradually decrease costs with an ambition to decrease total Opex by €100M during the period going from 2013 to 2018.
3. Transversal programs have been kicked-off (digitization, IT transformation, ...) aiming at building, in an end-to-end fashion, the right capabilities, flexibility and enablers to deliver on Proximus' ambitious strategy, to respond more quickly to a fast-changing environment, and to capture opportunities. These programs foresee dedication of means in order to secure the delivery of longer term roadmaps.
4. A long term incentive scheme is in place to favour a long-term value creation mind-set among top management while common annual objectives are set at Group level to favour short- and long-term company interests.

Company culture

In current market dynamics, where technology and customer needs evolve always faster, the risk of organisational inertia is real. If Proximus can't adapt fast enough to market evolution, it risks losing its competitive edge.

Agile companies focus on the ability and capacity to anticipate and embrace changes in order to remain relevant to their customers.

Proximus "Good to Gold" culture is the driving force behind the company transformation towards an agile organisation.

This implies:

1. the sharing of common values: Agility, Collaboration and Accountability

Agility: Take an external view of customers and markets so we can harness our ability to anticipate change and challenge ourselves.

Collaboration: Work together in an enthusiastic and respectful way and be aligned to reach an agreed upon common objective.

Accountability: Be empowered; own a problem and then own the solution.

2. the development of a growth mind-set & mentality

It is people in an organization that ensure its success towards its ambitions. At Proximus, it is people with a growth mind-set that will realize our ambition for sustaining growth. Beyond believing in our goals and ambitions, a growth mind-set is a set of convictions we have about our qualities and skills, our ability to develop them further, becoming even better at what we do in a constant growing and learning mode.

A winning environment starts at the top and permeates the entire organization. In this way we create an environment that enables us to perform at our best and give our customers the best results. Therefore the new culture was introduced top-down, starting from the top of the organisation. All leaders in the organization discovered the cultural insights during the Good to Gold training sessions given by our internal facilitators.

Implementing a sustainable cultural change requires all Proximus employees discover and experience insights, supported and inspired by leaders with the necessary competences, to give coaching and feed-back essential to install and anchor a continuous growth mind-set.

In order to foster accountability, we are also providing field teams with a new approach - called Good to Gold teams – allowing them to improve their empowerment and focus their attention on the levers they have in hand.

2.2 Operational risks

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

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

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

Business Continuity

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

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

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

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

Proximus is closely following the Business Continuity Institute (BCI) best practices guidelines. The level of preparedness (relevant KPIs and score cards) is submitted annually to the Audit Committee. In case of a major adverse event, Proximus has put in place and is continuously testing a crisis management process called PERT (Proximus Emergency Response Team).

Cyber Security

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

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

Supply chain

Proximus depends on key suppliers and vendors to provide equipment that it needs to operate its business.

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

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

- Top critical suppliers or their sub-suppliers under constant watch
- Stock management
- Consideration of alternative sourcing arrangements
- Business interruption / contingency plans
- Risk assessments and audits
- Awareness campaigns and training programs

Data privacy protection

Data protection laws exist to strike a balance between the rights of individuals to privacy and the ability of organizations to use data for business purposes.

Considering that Proximus is committed to protecting personal data and privacy, the company has appointed a dedicated Data Protection Officer (DPO) which has for mission to:

1. Verify that customers' personal data are processed reliably and stored securely.
2. Monitor & Control to ensure the security of customer data.
3. Give assurance that Proximus is transparent in terms of the handling customers' and users' data at all stages of our relationship with them.
4. Provide support to our customers and users to help them to protect their privacy and manage their personal data better.
5. Give assurance that Proximus takes proper care of employee and customer data, explaining why and how we collect it and use it, and who can access it.

The Data Protection Officer will also steer a privacy committee gathering the various stakeholders in data management in order to coordinate the privacy action plan across the organisation.

2.3. Risk & Compliance Committee

In 2015, a Risk Management & Compliance Committee was created which reports to the Executive Committee. It oversees the Company's most critical enterprise & operational risks and how management is monitoring and mitigating those risks.

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.

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

2.4. Financial reporting risks

In the area of financial reporting, in addition to the general enterprise risks also impacting the financial reporting (e.g. personnel), the major risks identified include: new transactions and evolving accounting standards, changes in tax law and regulations and the financial statement closing process.

New transactions and evolving accounting standards

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

It is the responsibility of the Corporate Accounting department to follow the evolution in the area of evolving standards (both local General Accepted Accounting Principles (GAAP) and International Financial Reporting Standards (IFRS)). Changes are identified and the impact on the Proximus financial reporting is proactively analyzed.

For every new type of transaction (e.g. new product, new employee benefit, business combination), an in depth analysis from a financial reporting, risk management, treasury and tax point of view is performed. In addition, the development requirements for the financial systems are timely defined and compliance with internal and external standards is systematically analyzed. Emphasis is on the development of preventive controls and setting up reporting tools that enable a posteriori controls.

On a regular base, the Audit & Compliance Committee (A&CC) and the Executive Committee are informed about new upcoming financial reporting standards and their potential impact on the Proximus financials.

Changes in tax law and regulations

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

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

Financial statement closing process

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

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

For Proximus and its major affiliates, a very detailed closing calendar is established, which includes in detail cross-divisional preparatory meetings, deadlines for ending of specific processes, exact dates and hours when IT sub-systems are locked, validation meetings and reporting deliverables.

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

3. 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.

3.1. Control environment

Organization of internal control

In accordance with the bylaws, Proximus has an Audit & Compliance Committee (A&CC). 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 qualitatively reporting.

Policies and procedures

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

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

Roles & responsibilities

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

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

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

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

Skills & expertise

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

Corporate University.

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

3.2. Risk analysis

Major risks and uncertainties are reported in the caption '2. Risk Management'.

3.3. Risk mitigating factors and control measures

Mitigating factors and control measures are reported in the caption '2. Risk Management'.

3.4. Information and communication

Financial reporting IT systems

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

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

Effective Internal communication

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

Reporting and validation of the financial results

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

(absences of) variances to be analyzed and satisfactorily explained.

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

3.5. 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.

4. Other information

4.1. Rights, commitments and contingencies as of 31 December 2015

Disclosures related to rights, commitments and contingencies are reported in note 35 of the consolidated financial statements.

4.2. Use of financial instruments

Disclosures related to the use of financial instruments are reported in note 33 of the consolidated financial statements.

4.3. 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.

4.4. Research and development activities

In 2015, the Research & Development activities of Proximus covered various domains. A number of R&D activities have been started previously, and continued in 2015, whereas others have started new in 2015. R&D in Proximus covers studies and introductions of new technologies and services, and involves as well co-operation with other R&D actors.

To feed those innovation programs and to make sure that the major trends are embedded in the company strategy, blue prints are communicated towards the main stakeholders and the Technology Trends team has been reinforced. The goals are to scan and analyze the long term technical evolutions and disruptions, and to capture major trends in innovation & venturing linked to technology as well as the outcomes from standardization and industry policies.

Study of potential new technologies

Fixed access network

- A study has been started to investigate the potential of deploying fiber closer to the homes, by re-using the last meters of the existing copper pair or existing coax cable for connecting the home (solution based on G.Fast standards).
- A study was launched to investigate the potential of new technologies that would allow to significantly increase the download speed over existing copper pairs on short loops (solution based on 35 MHz standards).

- Proximus invested in the start-up Tessares, a spinoff of UCL, with the objective to develop a solution for a better internet experience by increasing the convergence between fixed and mobile networks. This development is based on the bundling of available capacity on access networks by implementing the Multipath TCP standard. As such, Proximus can combine fixed and mobile networks using existing infrastructure. The customers' benefits are more bandwidth, higher reliability and greater security while combining multiple networks. A successful Proof of Concept has been done on the Proximus network and the co-developed solution was awarded the '2015 Broadband Forum Highly Commented Award for Greatest Advancement in the field of Fixed Mobile Convergence' in October 2015.

Mobile access network

- Proximus started investigations on how to further extend capacity in the mobile network on the long term, by applying other deployment models than those which are based on the traditional large mobile site towers. Those new deployment models also are key for the introduction of 5G later on.

Network simplification

- Proximus continued the studies related to the structural replacement of the Copper by Optical Fiber, with a focus on the connections between the switching locations and the street cabinets. The objectives are (1) to simplify the networks, (2) to provide a higher reliability, (3) to operate in a more efficient way and (4) to reduce the technical buildings, both in number and in size.

Service platforms

- Proximus started studies and preparations towards Proof of Concepts related to the introduction of new concepts in the service development, like Network Function Virtualization (NFV) and Software Defined Networks (SDN). These concepts are aiming at higher agility and lower cost-to-serve by (1) creating network abstraction for automated and fast deployment of services and (2) de-coupling the implementation of customer functionalities from the hardware to use standard equipment.
- Proximus has done a Proof Of Concept in close collaboration with its vendor in order to investigate how triangulated radio network signals can enhance its operational processes and future location insights services. Research was done on the information feed and analytical algorithms to gain insights.
- Together with some major Belgian broadcasters, Proximus is studying and testing via a Proof of Concept how advertising on TV can be done in a smarter and more personalized way, with the aim to offer a better user experience and creating new business models for the advertising sector.

Launch of new technologies or further enhancements of existing technologies

Fixed access network

- Proximus and Alcatel-Lucent continued their partnership on the development of VDSL technology, specifically around vectoring. Vectoring is a technology that enables the cancellation of interferences between copper lines and as such increases substantially the data throughput that can be offered. As a result of this partnership, Proximus was able to deliver downstream speeds of up to 100 Mbps on its network, now already available to more than 1 out of 4 customers. The implementation of the same concept on the upstream direction started at the end of the year and will yield improvements in 2016.

- After having previously conducted 3 pilots in 2015 (in Brecht, Bredene and the Up-Site tower in Brussels), Proximus started using Fiber-To-The-Home as the default deployment technology in new residential zonings.

Mobile access network

- As first operator in Belgium, Proximus rolled out 4G+ (or LTE-Advanced) technology in 20 cities. With a compatible smartphone, 4G+ enables mobile download speeds of up to 225 Mbps.
- Proximus started using new and advanced tools for in-depth analysis of local coverage and quality performance to further improve its mobile coverage and experience inside buildings, on highways, in tunnels and public places.
- To provide a seamless experience to Proximus customers when on the move, a secure Smart Wi-fi solution was released to automatically switch between cellular 3G/4G network and the Proximus WiFi hotspots in Belgium.
- Proximus launched a commercial Internet of Things network based on the LoRa technology. The initial coverage contains 10 cities and logistic centers (harbour, airports) in Belgium and Luxembourg.

Network simplification

- Proximus started the development of the future transport network architecture and supporting technologies, aiming to cope with disruptive traffic growth, higher resiliency, as well as backbone network simplification.

Service platforms

- Proximus further developed the concept of Enabling Company aiming at tailored final end-user products by using the modular assets of Proximus and engaging customers, partners and developers through the use of programmable interfaces (API).
- For its TV service, Proximus introduced a totally new and improved Converged TV experience. For this, the TV user interface was completely re-designed and provides a common look and feel irrespective of the screen, be it TV, tablet or smartphone. The tablet and smartphone can also act as remote control for the TV screen. TV Replay became a standard offering in all packs, allowing to review programs up to 36 hours in the past. The launch of the Swipe Box allows users to easily display pictures and videos, taken with their smartphones and tablets, on the TV screen.

Open-innovation activities co-operating with other R&D actors

Next to these initiatives in the various phases of technology development, Proximus also has re-enforced its open-innovation activities co-operating with other R&D actors.

Proximus collaborates with leading universities, industrial partners and several other bodies, such as iMinds (Flanders' digital research & entrepreneurship hub), where Proximus is Member of its Board of Directors. Collaborations either take the form of partnerships in R&D&Innovation projects, as well as of sponsoring & advisory activities through Proximus' involvement in projects' Industrial Advisory Committees.

In 2015, Proximus started the Shift-TV project, an R&D project realized in partnership with industrial partners and universities to investigate advanced solutions for video streaming, including 4K. The participation to this

project is partly funded by Innoviris (The Brussels Institute for Research and Innovation) under the framework of ICON, the iMinds' Cooperative Research Program.

Proximus also notified its R&D program to BELSPO (the Public Service for Science Policy) for the period 2014-2016. This program was guided by the 2014 strategy of the company focussing on simplification, convergence and targeted innovation. In 2015, activities part of this program concerned the study of the potential of new technologies, the launch of new technologies, as well as further enhancements of new technologies.

4.5. Treasury shares

Disclosures related to treasury shares are reported in note 17 of the consolidated financial statements.

4.6. 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.

The latter was updated by the Proximus Board of Directors of 25 February 2010 and Proximus now commits to return, in principle, most of its annual cash flow before financing activities (or "Free Cash Flow"), to its shareholders. The return of free cash flow either through dividends or share buybacks will be reviewed on an annual basis, in order to keep strategic financial flexibility for future growth, organically or via selective merger and acquisition projects, with a clear focus on value creation. This also includes confirming appropriate levels of distributable reserves.

Furthermore, as approved by the Proximus Board of Directors on 27 February 2014, Proximus' Board of Directors intends to pay out a stable dividend of EUR 1.50 per share (interim dividend of EUR 0.50 and ordinary dividend of EUR 1.00) for the next 3 years to come (2014, 2015 & 2016), provided Proximus' financial performance is in line with its expectations. On 26 February 2015, Proximus' Board of Directors confirmed its intention to return a stable total gross dividend of EUR 1.50 per share over the result of 2015 and 2016.

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

4.7. Post-balance sheet events

Disclosures related to post-balance sheet events are reported in note 40 of the consolidated financial statements.

On behalf of the Board of Directors,
Brussels, February 25, 2016



Dominique Leroy
Chief Executive Officer



Stefaan De Clerck
Chairman of the Board of Directors