



Annual report Belgacom

2014

proximus



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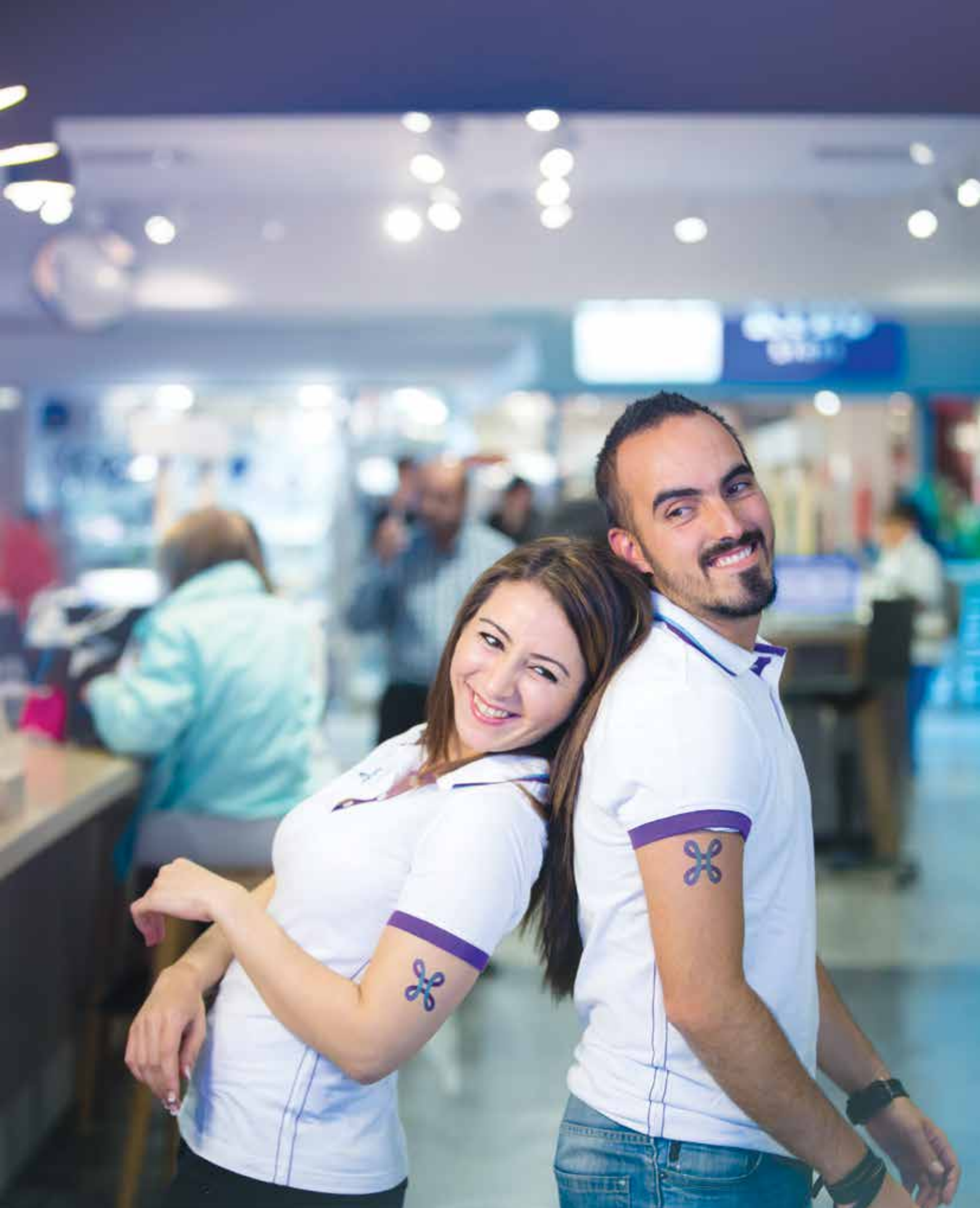
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At a  
glance





# Our profile

Belgacom is a telecommunications company operating in the Belgian and international market. We are the leading national provider of telephony, internet, television and network-based ICT services. Our high-quality interconnected fixed and mobile networks offer access anywhere and anytime to digital

services and data, as well as to a broad offering of multimedia content. We are investing in future-proof networks and innovative solutions, creating the foundations for sustainable growth.

We put the customer at the heart of everything we do. Our aim

is to deliver the best customer experience and to simplify the customer journey by offering accessible and easy to use solutions.

We contribute to the economic, social and environmental development of the society in which we operate.

## Our sense of purpose

We constantly keep people in touch with the world so they can live better and work smarter.

## Our promise

Over the last decade the digital landscape has evolved beyond imagination, and today's consumers expect to be able to access a wide array of information, services, digital media and content almost instantly. Proximus pledges to satisfy this evolving consumer demand with our brand promise: *To bring people instantly close to what matters by putting them at the heart of everything we do, offering them the best quality and service.*

## Always Close

Proximus brings customers instantly close to what matters with :

### 1. Network

Fully integrated networks providing seamless customer experience, independent from the technology.

### 2. Accessibility

The widest distribution network in Belgium supported by highly accessible contact centers and online services.

### 3. Easy-to-use solutions

Simplicity, transparency and user-friendly solutions.

### 4. Pro-active advice

Pro-active expert advice to ensure the customer always gets the best solution.



*BB In a highly competitive market we achieved our 2014 revenue and EBITDA guidance. Moreover, we realised a strong set of operationals strengthened by our continued efforts to improve the overall customer experience, combined with our great position to offer attractive convergent solutions. DD*

Dominique Leroy  
CEO

**proximus**

## Our brands

Our complementary brands meet the demands of a wide range of customers.



**Watch the video**

<http://annualreport.belgacom.com/ataglance>



**Proximus**, best quality and service with a full choice of features – bringing customers instantly close to what matters.

**Scarlet**, the no-frills offering for customers looking for the best prices.



**Tango**, the largest alternative telecom operator in Luxembourg, offering fixed and mobile products and convergent services.



**Telindus International**, ICT solutions in the Netherlands and Luxembourg for corporate and institutional customers.



**BICS**, best-in-class international wholesale solutions for voice and mobile data service providers worldwide.

## Our contribution to the digital economy

Proximus plays a critical role in the general digital economy by investing massively in fixed and mobile networks & ICT, creating a substantial contribution to the overall Belgian economy.

Our innovative solutions (Smart Cities, Cyber Security, Internet of Things, Big Data analytics, ...) are key enablers of economic and societal development.



# 2014, an eventful year

2014 marked a turning point in the company's history: a new CEO, new growth strategy, new services and a new brand... in short, a transformation that's intended to return us to sustainable growth and ensure a profitable future.

The following are just some of the year's highlights:

## Our new 'Fit for Growth' strategy

In 2014 our ambitious strategy to revive growth by 2016 started with the launch of an in-depth process aimed at transforming our corporate culture throughout the organisation.

## 4G for Everyone

We pioneered innovative 4G technology in Belgium, starting at the Belgian coast, rolling out to the main cities including Brussels. With an outdoor coverage of 85% of the population by the end of the year, Proximus continues to deliver the best mobile speeds in Belgium.

## Scarlet strengthens its position

With its spicy new subscriptions - Red, Hot and Chili - Scarlet reinforced its appeal to price-sensitive customers during 2014, allowing them cheaper calls, whatever their budget.

## Flemish government's ICT services provider

The Flemish government awarded Proximus and HP the "Operation of ICT services" framework contract, which will offer network, workplace and data-center services in a comprehensive "IT as a service" business model.

## Proximus teams up with Apple

Proximus further strengthened its customer offer by signing an agreement with Apple, activating the iPhone for the Proximus 4G network, and putting the iPhone 5 and 6 on sale in all Proximus centers.

## Putting customers first

We launched a new dedicated Customer Operations Business Unit in May to enhance quality, efficiency, simplicity and customer experience in after-sales services and key customer processes.

## Jupiler Pro League and Champions League on Proximus TV

Proximus expanded its football offer with rights to broadcast all the matches of the Jupiler Pro League for the next three seasons.

## A new, improved TV experience

Proximus launched TV Replay, added more channels and extended availability to PC and mobile screens. Customers can now replay their favourite programmes of the previous 36 hours on television, PC, smartphones and tablets.

## Mobile phone recycling success

In collaboration with Good Planet Belgium and Recupel, the mobile phone collection campaign in schools in Flanders was a big success with 21,500 mobile phones collected during the school year 2013-2014.

## Proximus as one single commercial brand

End September, all Belgacom and Proximus solutions were grouped under the single brand and logo, Proximus. As fundamental part of our growth strategy, this change simplifies our public perception and communicates our desire to put customers at the heart of everything we do.

### **Fiber open for business**

Proximus connected 80% of Belgium's industrial zonings to its fiber network, enabling ultra-fast data transfer for business customers.

### **Tango at 4G speed**

In Luxembourg, Tango increased postpaid customers by 7,7 % over the year. The company tripled its 4G users and launched 4G+ in December.

### **Cyber Security Coalition**

In October, Proximus launched the Cyber Security Coalition together with partners from the government, the academic and business worlds. The initiative is intended to exchange knowledge, raise awareness and improve cyber security policies.

### **Telindus Luxembourg praised by CIOs**

In December, Telindus Luxembourg was elected one of 2014 "Great Company to Work With" by a jury of 50 CIOs from diverse sectors, specifically for its excellent customer relationship and the quality of its services.

### **BICS pioneers interoperability technologies**

Throughout the year, BICS pursued its market penetration and portfolio expansion in the international connectivity and interoperability market, with the new 4G roaming services and value added services such as SMART (big data roaming monitoring tool) gaining significant traction.

### **Netflix exclusively available on Proximus TV**

Since end 2014, Proximus is the only Belgian operator to offer Netflix on its latest decoders, giving customers easy access to an increasing amount of content from the leading on-demand provider.



# Key figures

## Group financials

### Revenue and EBITDA evolution on track to return to growth in 2016

-0.2% YoY underlying core revenue (excl BICS)

EUR 1,653 million underlying EBITDA;  
EUR 1,755 million reported EBITDA

Underlying Group EBITDA

**-2.5%**

YoY (vs -8.7% in 2013 on comparable basis)

EUR 994 million investments in 2014, incl. additional spectrum

**EUR 711 million**

million free cash flow

### Sound financial position:

EUR 1.8 billion net financial debt, down EUR 15 million versus end 2015

EUR 1.50 gross-dividend per share for 2014, subject to approval by General Shareholder Meeting

Share price +40% in 2014

### Solid operational Mobile performance

5.7 million mobile customers (+ 193,000)

40.8% mobile market share

Over 80% mobile customers on new mobile tariff plans

431 MB average Mobile data usage per user and per month, which is a 81% increase YoY

**50%**

Proximus smartphone penetration

### Strong trend improvement mobile service revenue :

-3% YoY v.s. -13% in 2013 (on comparable basis)

### Higher penetration for Proximus TV and Internet

1.74 million Proximus Internet clients; +63,000

**1.59 million**

Proximus TV clients; +128,000

### Good progress in convergence strategy

**40%**

Proximus households are 3- or 4-play

Average revenue per household at EUR 54; +4% YoY

52% of households have Fixed and Mobile

### High-quality & innovative

**85%**

4G outdoor population coverage at end 2014

### networks

22 Mbps average speed on 4G device

More than 1 million Wi-Fi Hotspots in Belgium, 13.2 million abroad

90% coverage Fiber to the Street

40 Mbps average VDSL2 speed

(source : Proximus)









# Market dynamics

# Market trends

## General market recovery supported by new revenue sources

Belgium's telecom market has shown some recovery in mobile over 2014 while declining revenues and margins in traditional areas such as voice and messaging have been increasingly offset by revenues from new types of usage

such as data traffic. Growth areas such as entertainment, internet applications, IT and security are all expected to provide new sources of revenue, while the impact from regulatory measures is lessening.

## Mobile decline halted by 4G and smartphone penetration

2012 and 2013 were difficult years for Proximus mobile. The new telecom law of October 2012 made it easier for customers to switch operators and this, together with aggressive competition from cable operators on mobile price, resulted in lower average revenues per user and higher market volatility during the period. These lower prices

in the retail sector also affected pricing levels in the business sector. In 2014, however, the decreasing trend in mobile revenues and margins has bottomed out thanks to a significant uptake in mobile data, with increasing smartphone penetration and the fast rollout of Belgian 4G networks as the main driving factors.



47%

smartphone penetration  
in Belgium

112%

mobile penetration  
in Belgium

## Television growth slowing

With digital TV penetration rising to 81% nationally in 2014, growth has slowed as digital has become the service of choice for the majority of consumers.



81%

digital TV penetration  
in Belgium



80%

internet penetration  
in Belgium

(source : Proximus market research)

## Fixed voice stable and internet growing modestly while convergence gains ground

Fixed internet grew moderately to a market penetration of nearly 80% at the end of 2014, supported by a trend of buying it as part of bundled multi-play offers. Fixed voice, also mainly bought as part of a bundle for convenience and quality, stabilised over the year. In the business sector, fixed services reached maturity some time ago, remaining stable at high penetration levels.

However, bundles including mobile gained ground during the year. These bundles, known as convergent, have benefited from the blurring boundaries between fixed and mobile, voice and data, communication and content, telecom and IT. Proximus has been a frontrunner in convergence since 2007 and continues to innovate in convergent services with attractive offers, both for private and business customers.



# 71%

of Belgian households  
have a fixed voice line



# Regulatory impacts

## Regulatory framework

Proximus operates in a highly regulated sector and is confronted by a vast body of national and European regulation, with often complex and overly detailed rules that have an enduring impact on both the company's operations and its financials. For example, the continued pressure on international roaming continues to impact revenues and EBITDA. Current discussions at European level indicate further regulatory pressure in the context of the Telecom Single Market, both on roaming and net neutrality.

Proximus advocates regulatory reforms that better balance regulation with the need to continue investment in new digital infrastructure and services in Europe. In that respect, there is clear call upon the European institutions to work – in the upcoming Digital Single Market review of the regulatory framework – towards a lighter regulatory regime with less complex and more to the point rules, thus incentivising and rewarding investment and innovation in digital infrastructure and services. In this context, Proximus also advocates a level playing field, with equal rules applying to all actors providing equal services to end users.

## Mobile Termination Rates

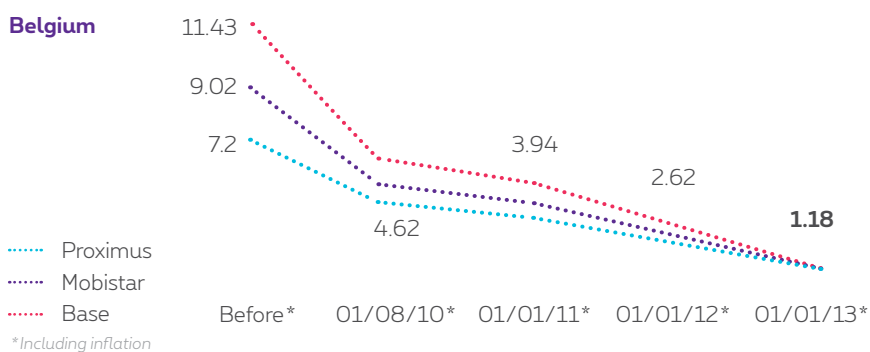
The Mobile Termination Rates (MTR) are the fees that fixed and mobile operators pay to other mobile operators to terminate a call on their network.

In Belgium the last MTR cut, based on Belgian Institute for Postal services and Telecommunications' decision of June 2010, was applied on 1 January 2013. The BIPT is developing a new cost model to set future MTR.

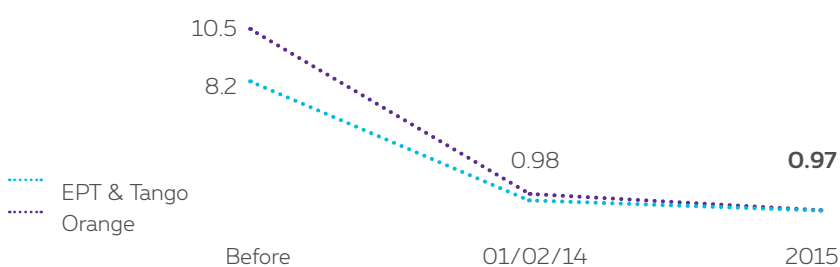
In Luxembourg, final MTR have been set by the regulator at 0.97 €cts/min as from 1 April 2015. The MTR had already been set provisionally at 0.98 €cts/min by a decision of 6 January 2014. In the meantime however this decision has been annulled by the Luxembourg Administrative Court following to an appeal launched by Tango. ILR (the Luxembourg regulator) can still appeal this ruling.

### MTR-glidepath in €ct

#### Belgium



#### Luxembourg



(source : Proximus)



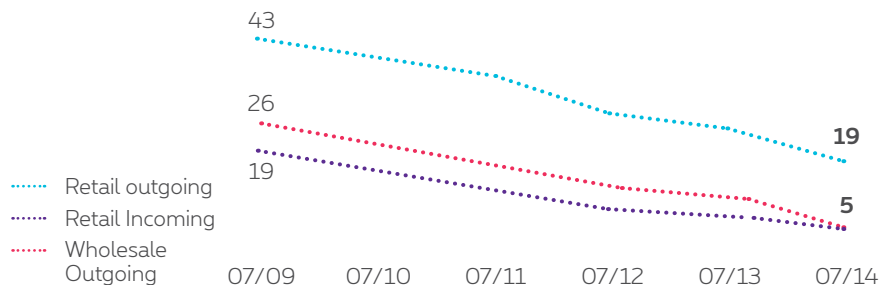
# Roaming

The latest reduction in roaming rates under the Roaming III Regulation of 2012, as well as the separate selling of roaming services from domestic mobile services, entered into force on 1 July 2014. This regulation will expire in principle on 30 June 2022. In the meantime, however, proposals that are under discussion among EU authorities (Commission, Parliament and Council) include an alignment of domestic and roaming rates ("Roam-like-at home"). The timing and conditions of such alignment is as yet unclear.

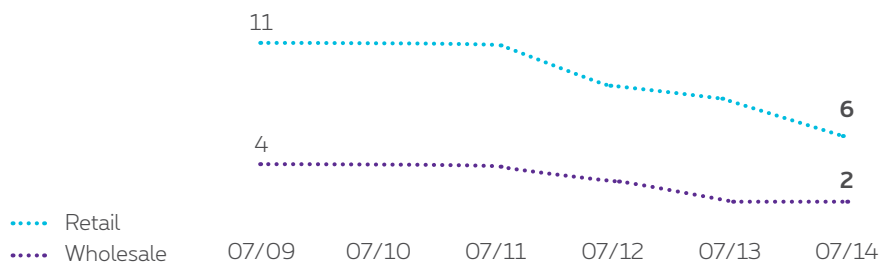
## Towards a level playing field

In 2014, an important decision by the Brussels Court of Appeal set the path towards a level playing field with cable when, on 12 November, the Court confirmed the 2011 regulatory decision to open up Telenet's cable network to competitors for both television (analogue/digital) and broadband resale. In addition, the Court ruled that in 2011 the regulators erroneously excluded Proximus from wholesale access to digital TV and broadband resale on Telenet's cable network. Proximus now has the right to request the full access to the Telenet network. Proximus continues to support a level playing field with less complex rules, applied equally to all comparable services.

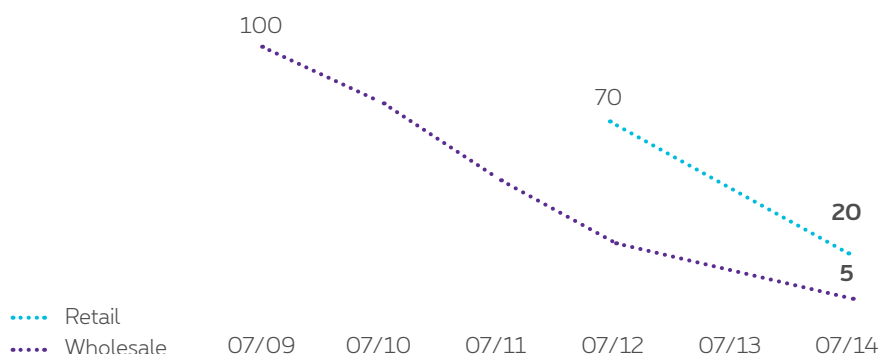
Voice roaming in €ct per minute



SMS roaming in €ct per sms



Data roaming in €ct per Mb



### Regulatory Framework

Read more details in annex PDF

(source : Proximus)



## Belgium's competitive landscape

### Fixed– Competing with highly penetrated regional cable operators

Proximus is the sole Belgian operator that offers nationwide fixed services. It competes with a number of cable operators, each with a high level of penetration in their specific regions. Telenet dominates the fixed market in Flanders and parts of Brussels, while Proximus remains market leader in Wallonia, competing mainly with cable provider VOO. Added to this, a third cable

operator, Numericable, providing services in a number of Brussels municipalities and in part of the province of Hainaut.

In the business sector, competition for Proximus is more fragmented and includes cable operators, niche players, IT providers offering telecom services and internationally oriented competitors focusing on multinational customers. Proximus

maintains its leader position in this sector thanks to an extensive convergent offer (fixed and mobile, telecom and IT) and strong Service Level Agreements.

In 2014 Proximus performed well in the fixed market, increasing market share in both digital TV and fixed internet by 0.9% to 32.6% and 0.4% to 44.4% respectively

## Mobile – 3 main network operators and around 40 virtual network operators

Proximus owns a nation-wide mobile network, competing with two other network operators in Belgium – Mobistar, an Orange affiliate, and BASE, a KPN affiliate. Cable operators Telenet and Voo also offer mobile services via commercial agreements with Mobistar, mainly restricted to their service regions. In addition, there are around 40 mobile virtual network operators active in the market. Despite competitive pressure, Proximus has increased its overall market share by 0.2%, bringing it to 40.8% at the end of 2014.




## Global players – 'over-the-top' increasing in presence

Apart from traditional fixed and mobile competitors, the mainly global 'over-the-top' (OTT) players are also becoming increasingly present, providing communication, messaging and internet-content services via consumers' existing internet and mobile data connections.

In the business sector global player competition includes international telecom players (KPN, Orange, Liberty, BT, COLT) and network and system integrators (Dimension Data, HP, Getronics) who play a significant role in specific market areas.



### Group volume market shares end 2014 versus competition

Mobile 	Digital TV 	Fixed Internet 
Proximus ..... 40.8%	Proximus ..... 32.6%	Proximus ..... 44.4%
Mobistar ..... 29.0%	Telenet ..... 43.2%	Telenet ..... 39.1%
Base ..... 22.6%	VOO ..... 18.0%	VOO ..... 10.4%
Telenet ..... 7.1%	Other ..... 6.2%	Other ..... 6.1%
VOO ..... 0.5%		

(source : Proximus market research (and external sources))







# Our assets

Proprietary convergent networks, extensive retail infrastructure and 14,000 passionate and committed employees!

## The best convergent networks

Proximus is the only national operator in Belgium that fully owns its fixed and mobile networks. This means that not only we benefit from a higher margin on revenues, but also we have the technology and the breadth of services to allow our customers a seamless, transparent experience across a wide range of convergent services. Coupled with our continuous investments in technology this allows us to offer customers the most advanced network services available, such as EAP-SIM, a system that allows mobile users to switch seamlessly between mobile networks and Proximus Wi-Fi networks.

## A comprehensive retail engine

Our extended distribution network (retail points, customer service, partners, customer advisors, interactive tools) allows best-in-class access for customers, either in person, by phone or online. The optimal use of our controlled distribution allows us to deliver a unique service and to control our costs.

## Committed and talented employees

Our 14,000 committed employees are our biggest asset - a huge pool of talent, amongst others internal experts in network and IT - that make us ready for any challenge. For example, in 2014 we were the first to successfully launch 4G thanks to the quality of our internal expertise and the efficiency of our work with suppliers.

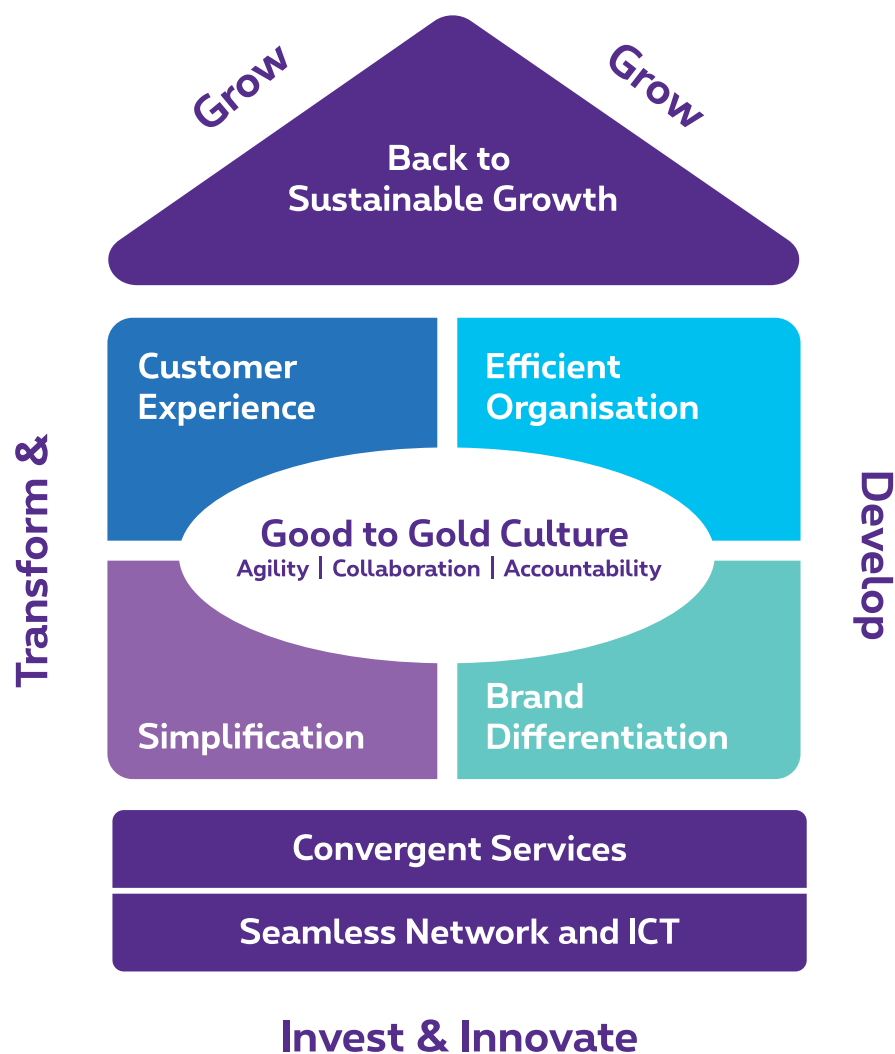




# Fit for Growth strategy

# Fit for Growth strategic house

We constantly keep people in touch  
with the world so they can live  
better and work smarter





Our aim is to go back to sustainable growth as from 2016 by offering our customers a superior experience and by transforming the company in a more agile and efficient organisation to face the rapid changes of the telcom market.

## Getting back to growth

The quality of our integrated fixed and mobile networks makes Proximus the leading provider of telephony, internet, television and ICT services in Belgium. Our substantial investments in our network and infrastructure have consolidated our leadership position, but have not yet translated into growth. Our trend of decreasing revenues and profits is set against increasing costs while the need to invest in infrastructure and networks remains. It is clear that the company needs a catalyst for growth in order to secure its future – our primary objective therefore, is to get back to growth by 2016.

## Fit for Growth strategy

Our Fit for Growth strategy, developed in 2014, changes us from a technology-based player to a company focusing on the full customer experience. Our new culture, which puts customers and their needs at the heart of everything we do, is the starting and central point of this new strategy.

## Our sense of purpose

Our sense of purpose is to constantly keep people connected to the world so they can live better and work smarter. This is our reason for existence. We can only be meaningful to our customers if we offer them solutions that make their life easier and that enable them to work in a more efficient and effective way.

## Our brand promise - Always Close

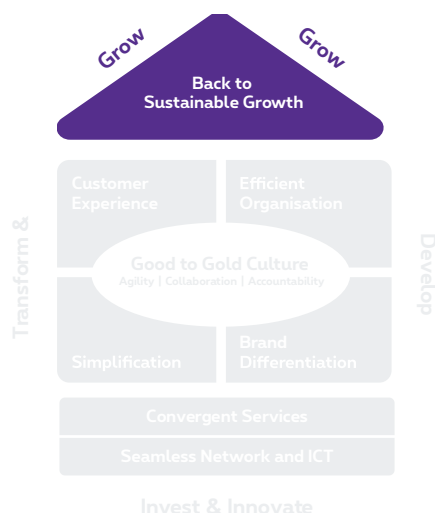
We translated this sense of purpose into our brand promise “Proximus brings you instantly close to what matters”, an attractive and easily understandable statement of what we offer to customers. We deliver this brand promise by providing excellent quality and service to the customer in everything we do.

## A new corporate culture

In 2014 we launched the new Proximus, grouping all our activities under one brand, defining a clear and simplified profile to the market. This important step was the first in a radical transformation process that is aimed at transforming the company's culture from top to bottom. This new winning, high-performance collaborative culture is the central focus of our Fit for Growth strategy, and it is this new culture that will ensure our future success. Because our people will make the difference.

# Grow

## Firmly on our way to growth



Our over-riding strategic decision in 2014 was to reverse the trend of the last few years and put in place the culture and the tools that will enable us to secure the future of the company and contribute to the economy by returning to growth by 2016. We will do this by making the company more customer-oriented, agile and efficient with the following objectives in mind:

- **Generate** revenue and EBITDA growth by 2016.
- **Increase** our market shares and strengthen our position on the market by offering
  - > the best mobile customer experience with a high 4G coverage and an improved broadband experience (through vectoring and roll-out of fiber in industrial zones)
  - > an improved customer experience

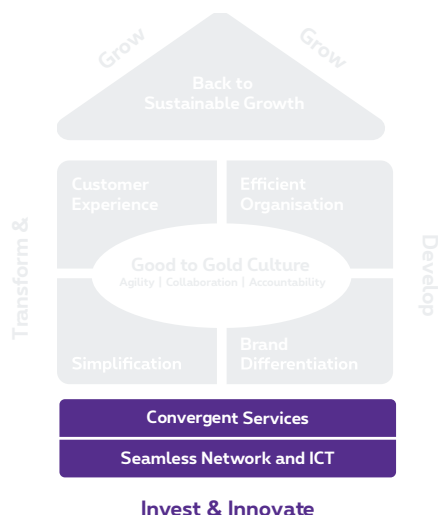
- **Continue** to invest in our networks and ICT and the development of innovative convergent services. Our “all-in” packs allow our customers to access all the services they need at a competitive price, and quadruple play customers are loyal customers. Thanks to our convergent solutions, customers have access to their content on any device whenever and wherever they want.

- **Achieve** additional cost savings through simplification and a more efficient organisation.

In 2014 we improved considerably on our EBITDA's declining trend, posting results of -2.5% year-on-year, substantially better than the -8.7% posted for 2013. Correspondingly, we revised our market guidance to 'stable to slightly positive' for 2015.



# Invest & Innovate



## Investment and Innovation as growth drivers

Achieving our key strategic priorities of improving customer experience, reducing costs and becoming more efficient requires investment in key areas such as our networks, improvements in IT and in convergent services. These investments will enable us to increase market share and create growth by delivering innovative solutions and the best quality service. The driver behind every investment is the customer.

In 2014, we increased our total investments to €994 million, covering areas such as the further development of our fixed and mobile networks, improved services, better IT and increased content, for example the rights for the Jupiler Pro League football. We also invested in additional spectrum in the 900Mhz/1800 Mhz band to further increase our customer's mobile experience.

## Investments in networks

Our network investment is aimed at ensuring our position as the best convergent end-to-end service operator, enabling us to offer customers the best experience with the latest available technology. To achieve this key differentiation, our investment focus is in future proof and agile networks.

**Mobile:** over the year we accelerated our 4G deployment to achieve an 85% outdoor coverage of the population and 22 Mbps average speed by end 2014.

**Fixed:** in 2014, we started the multi-year roll-out of vectoring, a technology that allows us to push our legacy copper network to the maximal capacity. At the same time, we pursued the roll-out of fiber for the business segment and gradually introduced fiber for the home segment in greenfield sites.

## Investments in IT

We continue to listen to our customer needs and offer customized solutions but by simplifying the processes behind it, projects are easier to implement, and more cost efficient.

- Simplification of our legacy IT
- Building a future-proof IT infrastructure (renew selling and ordering chain) and improve systems stability and (cyber) security
- Push digital (e-sales, e-services)
- Support end-to-end processes.

# Convergent Services in 2014

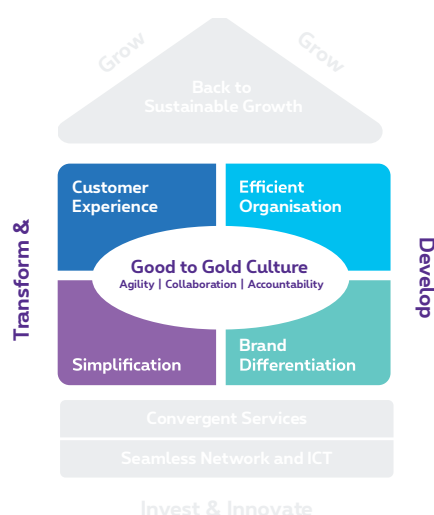
Delivering on our brand promise – to enable our customers to live better and work smarter – we also invest in innovative added-value content and services.

- **Jupiler Pro League** content offer that allows customers to watch football on any device at any time.
- **Netflix** content integrated on our decoder with a gradual roll-out to customers already ongoing.
- **Personal Cloud** accessible on Proximus TV, a world première
- ICT convergence with Telco for business
- First operator to launch **TV Replay**, which allows customers to recuperate content shown in the last 36h on most watched linear TV channels.
- A **New Way of Working** (Vlaamse Overheid) is a collaboration concept adapted to new needs of companies
- **Improved Wi-Fi Hotspots** **user experience** with automatic access provided by the EAP-SIM technology

# Innovation

- **Big Data** uses the data generated by our networks and systems for analytical purpose. We launched a successful business analytics project for Westtoer.
- **IoT** or Internet of Things, for example our involvement in the road user charging project Viapass or for the LoRa Alliance.
- Opening of telco assets to partners to support and enable their value propositions to their own customers (carrier billing etc.)

# Transform & Develop



## Transformation – comprehensive approach

In line with our Fit for Growth strategy, aimed at becoming more efficient, agile and customer-centric, we identified four strategic transformation pillars: Customer Experience, Simplification, Efficient Organisation and Brand Differentiation. Together, these pillars form a comprehensive approach to our transformation process, allowing us to concentrate

our initiatives in the areas where they will be most effective in realising our strategy for future growth.



## Customer Experience

Concentrating on the end-to-end customer journey to deliver a best-in-class experience means being close to the customer in all areas: finding information, buying our solutions, getting the products & services installed and activated, using our solutions, receiving a simple invoice and having easy access to effective customer support. At every contact, we aim to ensure that customers feel they have our full attention.

business unit for all customer operations which is intended to increase end-to-end accountability, improve operational excellence and synergies, to foster innovation and growth and to help manage our workforce number levels. Overall, our simpler, leaner organisation will concentrate on a policy of having the right people in the right place, allowing for faster decision-making as well as optimisation of our processes and costs through insourcing and more efficient task management.

## Good to Gold Culture for everyone

People make the difference in a successful, growing company. Our team leaders' development is an essential part of the new Good-to-Gold corporate culture, introducing new corporate values of Collaboration, Accountability and Agility. An ongoing programme that will evolve regularly according to the changing needs in the upcoming years.

## Simplification

We're moving toward a simplified solutions portfolio, slimming down our legacy catalogue and offering pro-active pack migrations to future-proof, easy-to-use solutions that offer more advantages for business and retail customers. In the future, we will implement new methods, such as our simplification stamp, to ensure that we maintain this simplified approach and avoid a return to complexity. This is supported by the acceleration of digital transformation tools such as e-billing e-care, etc.

## Brand Differentiation

The new commercial brand Proximus allows us to deliver a strong brand promise 'Always Close to what matters'. With this promise, we commit to bringing our customers closer to what is important to them, enabling them to stay in permanent contact with the world so they can live better and work smarter. This is what makes the Proximus brand different - a service guarantee backed up by the best quality network, and offering best-in-class, easy-to-use solutions. Our frontline employees' revised attitudes (positive and friendly, accountable, keep it simple, proactive advice) will provide the brand experience that will carry our brand promise across to our customers.

## Efficient Organisation

Our restructuring of the organisation is designed to make us more customer centric. In 2014 we created a new dedicated

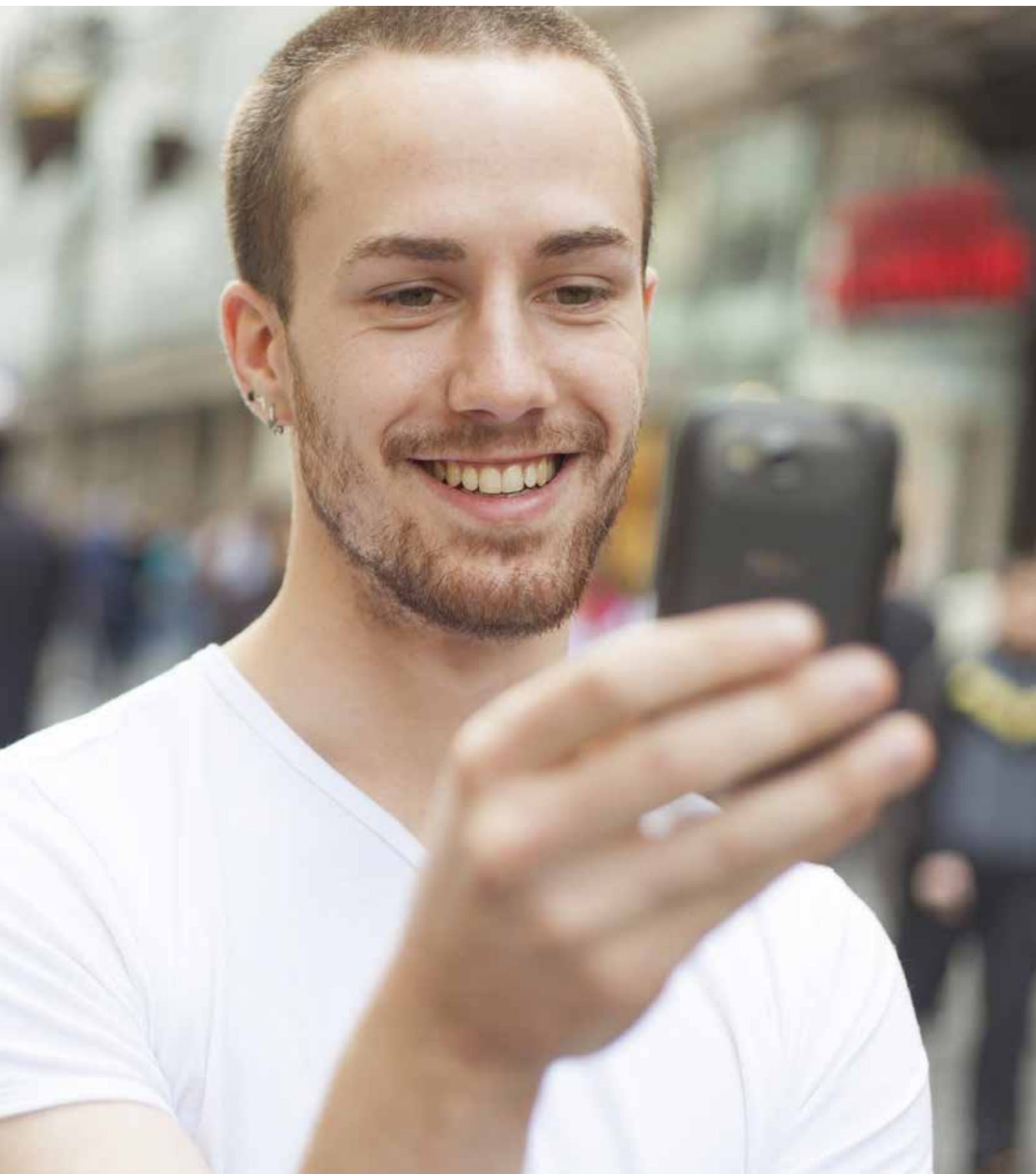
Besides the Proximus brand that stands for quality and service, we continue the further development of Scarlet as cost-conscious brand.





High  
quality &  
innovative  
network  
& ICT







# Future-proof networks that deliver a best-in-class customer experience

## More connected than ever

Consumer habits are changing. Now more connected than ever, consumers use tablets, smartphones, one or more TVs, and they expect to be able to access and share any content at any time, any place and on any device.

Becoming the best convergent end-to-end service operator, offering our customers the best experience on the latest available technology and differentiating on what matters for the customer, is the mission of our Technology department.

To do this, we invest in future-proof and agile networks and platforms that are capable of delivering on our brand promise "*Always Close to what matters*".



## A fixed network fit for every purpose

To provide our customers with the best experience, we need to ensure they have access to the latest technology. Fast broadband Internet is the future. Data traffic is increasing year after year. More and more devices are connected to the internet and the net is increasingly used to exchange large volumes of data. We continued to transform our network according to the expected bandwidth & capacity needs by massively deploying Fiber to the Street and both pushing copper to its limits and starting the deployment of Fiber to the Home.

### Widespread Fiber to the Street

With Proximus VDSL 2 technology, optical fiber to the street cabinet is available for 90% of the population. This way, we can push the speed on copper between the street cabinet and the customer premises to its limits.

### Push copper to its limits

In 2014, Proximus started the multi-year roll-out of vectoring, providing vectoring customers who were connected during the year with a dedicated download speed of 70 Mbps. By the end of 2014, customers having a VDSL2 line with either Dynamic Line Management (DLM) or vectoring attained an average download speed of 46Mbps, while the average download speed for all VDSL2 lines was 40 Mbps.

### Fiber standard in new residential connections

With 80% of industrial zonings in Belgium directly connected to fiber (Fiber To The Business), in 2014 Proximus took the next step, preparing the roll-out of fiber service for residential customers. As from 2015, we will start deploying new residential zoning projects directly with Fiber to the Home instead of copper.

*DLM is a scalable system developed in-house, which, thanks to monitoring the quality of the copper lines, makes it possible to maximize VDSL2 Internet speeds and in this way reach a download speed of up to 70 Mbps and an upload speed of up to 10 Mbps.*

## The best mobile customer experience as top priority

At the beginning of 2014, Proximus was the first operator offering 4G access to everyone, activating it first on the Belgian coast and in major cities including Brussels.

Over the year we focused on bringing the best overall network experience across 2G, 3G and 4G technologies. Now customers can count on average speeds of 10 Mbps\* on a 3G device and 22 Mbps on a 4G device. This undisputed speed leadership combined with a 4G outdoor population coverage of 85% has allowed Proximus to provide best quality mobile customer experience in Belgium.

\* Speed is measured by CommSquare, an independent agency, through national drive tests at the end of the fourth quarter of 2014. Measurements are done with devices in free mode, meaning the device itself selects the available network speed, 2G, 3G or 4G.

## Towards seamless connectivity everywhere

Three years after the the initial roll-out of the largest Wi-Fi Hotspots network in Belgium, Proximus "Internet Everywhere" and "Office&Go" customers can now access over one million Wi-Fi Hotspots in Belgium and 14 million worldwide, at no extra cost. Since November 2014, the Wi-Fi Hotspot user experience has been improved considerably with automatic access provided by the EAP-SIM technology, and increased bandwidth resulting in a faster and more stable connection.

## Convergent service platforms

To ensure an integrated user experience for entertainment and communication cross networks & devices, we introduced initiatives such as integrating Netflix on our TV platform and launching TV Replay, Proximus Cloud and Workplace As A Service.

## More efficient IT

Efficient IT is the key to achieving leaner operations while maintaining stability. Our transformation program is intended to reduce costs and improve time-to-market for new solutions. In 2014 we achieved faster order introductions, more efficient field interventions and better in-depth testing of IT releases.

## Network simplification

Our Mantra project aims to simplify and strengthen our network by migrating our customers and internal lines to a new IP platform. Apart from vastly improving our network by delivering future-proof IP services, ultimately this will also lower maintenance and electricity costs. More than 1 million PSTN lines have already been moved to a new IP platform over the last two years.

By end 2014, 4 buildings were phased out and more than 162 switches were made ready to be switched off.

In total, more than 1000 switches will be made redundant, 24 buildings will be emptied and made ready to be sold.

# Cyber Security Carrier & Wholesale department

We are continuously improving Cyber Security awareness and reinforcing our IT and Network environments. 2014 has been an important year in this aspect. We launched an investment plan of €46 million over 4 years, of which €11 million have been invested in 2014. Furthermore, we continuously monitor security alerts and take preventive actions with the Proximus Cyber Defence Centre. We founded the Belgian Cyber Security Coalition of 50 key players across the academic, public and private sector to fight cybercrime. Our first Proximus Cyber Security Symposium was attended by 250 of our largest customers, during which experts in the Cyber Security domain shared their insights for a secure connected world.

With its Carrier & Wholesale Solutions division, Proximus provides telecom solutions to operators in Belgium, including connectivity services and high-speed access (DSL) among others. The wholesale business contributes €180 million to the Group revenues, allowing for a higher return on network and platform investments.

## **A volatile wholesale market dynamic**

The wholesale market dynamics remained volatile in 2014: Base decided to withdraw its triple-play SNOW offer after a two-year trial. Mobistar announced its intention to launch fixed connectivity services following a Belgian ruling on the opening up of the cable market.

## **Expanding wholesale market horizons**

Beyond 2014, Proximus Carrier & Wholesale's outlook goes beyond the current business models. During the year, the division has taken the first steps to a wider utilisation of assets with some key achievements realised, for example, big capacity deals for mobile backhauling, the Belgian Football connectivity contract for transmission of HD images, the international roll-out of a 4G roaming network in more than 50 countries and the launch of carrier billing.









A photograph of a person sitting on a red beanbag chair, holding a smartphone. The person is wearing red pants and white sneakers. In the background, there are several cardboard boxes, suggesting a warehouse or a storage area. The text "Simplification to improve customer experience" is overlaid on the right side of the image.

Simplification  
to improve  
customer  
experience





# Simplification to improve customer experience

## Customer experience

Our residential and professional clients are in regular contact with us. They interact with us to find and buy our solutions we then install and activate solutions so they can get started and use them. They get a bill for their use and if they have concerns or problems, they ask for support. That's what we call the "customer journey". Improving customer experience means being constantly attentive to their needs, remain accessible via our website, our contact centers and retail outlets, or via email and social media. Which also requires taking a closer look at the full customer journey and carrying out initiatives to make each step smoother, resulting in minimum effort and maximum satisfaction. .

### Find & buy

Our customers should be able to find information they're looking for easily and with a personal touch. To this end, we enable them to experience a unified approach through all our channels. For example, our commercial website [www.proximus.be](http://www.proximus.be) offers users the chance to interact directly with a Proximus employee via either call-back or chat during opening hours.

### Getting started

Our promise includes ensuring the installation of solutions in a minimum amount of time and with the highest level of quality.

### Use

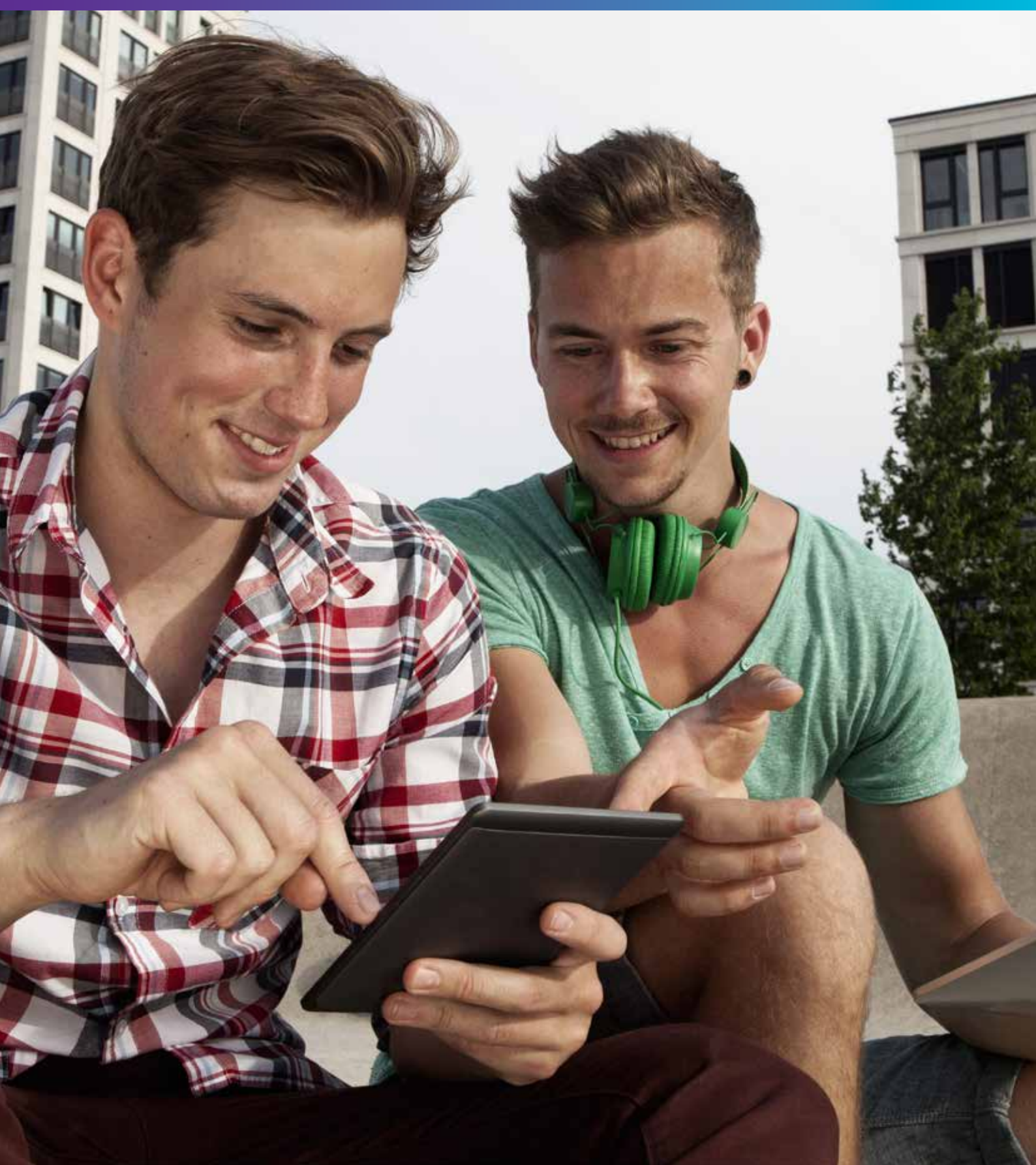
We aim to improve our solutions' ease-of-use, by being pro-active in offering our latest and best solutions. For example, if a customer has a VDSL line, we'll offer the latest modem and decoder to ensure the best possible surf experience. Our massive investments in our networks are designed to improve home connectivity and TV experience, and to make our products work on all our networks, platforms and screens, anytime and anywhere.

### Billing

Our billing process is being constantly optimised to ensure our invoices are clear, comprehensive, transparent and environmentally responsible.

### Support

Our investment in self-support tools is intended to improve remote and in-the-field support. Our ultimate goal is to be able to act even before the customer sees the problem. We also plan to have more unified maintenance and proactive IT monitoring for our professional customers in order to improve their experience.



# What we did in 2014 to improve customer experience

In 2014, we spared no effort to improve our services and became closer to our customers. We made substantial progress in accessibility and staff friendliness, resulting in higher customer satisfaction. We also improved our communications, focusing on the Right First Time principle to reduce customer effort and improve internal efficiency. These achievements are the result of strong cross-divisional collaboration.

## Gaining time during buying



The roll out of the new ordering system Salto, finalised end September 2014, made ordering new solutions faster and more efficient for customers. And for our sales force, it means a more user-friendly tool and a more stable system.

## Next day delivery via our webshop



Customers ordering mobiles or smartphones without subscriptions or SIM card can order through [www.proximus.be](http://www.proximus.be) and get next-day delivery to their chosen Kiala-point, or by Taxipost to their home or office.

## Monthly bill for fixed product customers



Customers now receive their bill every month instead of every two months making our bills more clear and transparent.

## Same Day Repair for Office & Go customers



Thanks to our Same Day Repair guarantee, professional customers are assured of minimum business interruption in case of incidents which means better business continuity and real peace of mind.

## New website, new App



Our new commercial website [www.proximus.be](http://www.proximus.be) now automatically adapts to all types of screens, regardless of their size and resolution. We have also launched MyProximus, in both website and app version, offering clients a range of useful services including managing their own consumption, subscriptions, as well as requesting technical support or receive customised recommendations.

## Decoder replaced at home



**Defective decoder?**  
Customers can make an appointment with the Customer Help Center to replace the decoder at home, from Monday to Saturday between 8:00 and 22:00. And if the customer calls before 17:00, the replacement can be made the same day.

## Improved in-home experience with the Wi-Fi Extender



Since September 2014, a pilot project around Wi-Fi coverage has started. Our technicians pro-actively check the Wi-Fi coverage at the customers' premises. Where coverage is insufficient, Wi-Fi Extenders are installed. With this service, we communicate to our customers we are close with a solution whenever they need it. This pilot project will be evaluated at the end of 2015.

## #proximushelp



A brand new "hashtag"! Our customers can now contact us via #proximushelp and receive a response from Monday to Saturday between 8:00 and 22:00 hours, personally signed by the operator.





## Simplification

Simplification is a key pillar of our transformation strategy. Simplifying our networks, IT systems and solutions portfolio makes us more agile and efficient. It is also simpler for the customer, and enables us to make structural cost savings on our structural costs. These savings will allow us to make new investments and further advance our path to sustainable growth. Simplification requires a real engagement, a change in mindset and behaviour across the organisation..

### Simple solutions

We continue with the substantial simplification of our solutions portfolio, started in 2014, including the migration from old products to the latest packs. This way, we intend to evolve from scattered, stand-alone products and services to an integrated catalogue of simple solutions. Business customers will benefit from our customised solutions thanks to a more uniform ICT

portfolio, which in turn will stimulate the profitable growth of our ICT business.

### Digital Proximus

Increasing digitalisation is paramount for better identification and understanding of our customers' needs across all channels. This allows us to help them in a personalised and relevant way. Among e-services improvements, the new MyProximus allows more and more customers to manage their own products and customer data, leading to a faster, more flexible and more efficient service. This digital transformation will further stimulate the adoption of innovative online services and solutions, thus decreasing internal workload.

### Network Simplification

Mantra - our outphasing project - is focused on legacy network equipment and migrating customers from old technology to new high-performance technologies. It is a

key driver to improving customer experience and at the same time enabling substantial savings as well as reducing our environmental footprint.

### An agile company

In order to simplify our business, we aim to create an environment and processes conducive to developing and implementing initiatives to reduce internal workload. This will improve our time-to-market, making us more competitive. To achieve this, we plan to optimise our use of resources in line with the company's priorities, to eliminate unnecessary work and to reduce overall workload. This will be achieved through workload automation and enabled by the simplification of product portfolios, networks and systems. The internal governance related to resource allocation will further evolve to enable faster decision making and improved return on investment.



# What we did in 2014 to simplify our business

## Simplification of our offers



We started an important portfolio streamlining exercise, rationalising legacy products with excellent results :

# 50%

reduction in fixed and convergent catalogue references

# 60%

reduction of catalogue mobile options & pricing plans (2011-2014)

## Simplification of our networks



Simultaneously managing multiple generation networks is a challenge and a major cost. To simplify the network, legacy technology solutions are migrated towards future proof technology. The ambition of the Mantra and Mantra+ projects is to structurally reduce costs related to networks and buildings, to improve customer experience and to further increase value-added services. For instance, 4 buildings have been phased out since 2012.

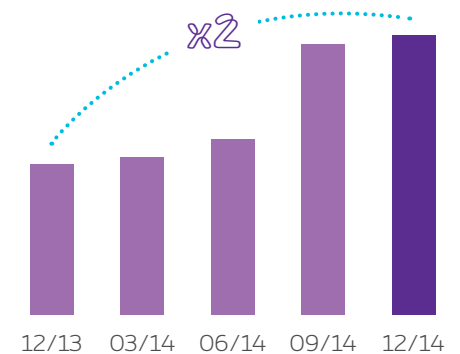
## New ordering system



Our new selling and ordering system, Salto, was launched across all sales channels and made available to all sales representatives, with positive feedback in terms of efficiency and usage experience.

Aimed at significantly improving selling and ordering system performance, Salto makes order entry by sales agents as smooth and fast as possible, thus avoiding extra workload.

Orders handled by new selling & ordering system Salto doubled over the last 12 months



# 1 million

PSTN lines migrated over the last two years.

# 20%

increase in the usage of e-services

(source : Proximus)  
\*PSTN: Public Switched Telephone Network





Customers  
at the heart of  
what we do

# Our consumers

## 2014 was a year of convergence

Consumer habits are changing. Now more connected than ever, consumers use more and more smartphones and tablets and they have one or more TVs. The use of mobile data has significantly increased and our customers watch TV Everywhere on different devices. To respond to this growing trend, we offer our customers the best experience and the latest available technology, putting more and more convergent offers on the market. This convergence strategy continues to pay off.

More than half the households we service use 2 or more Proximus products. Our packs are an important driver here, offering more value for money by allowing customers access to multiple services at a competitive price. In 2014, we saw a significant increase in the number of 4-play households (fixed internet, a fixed phone line, one or more mobile subscriptions and Proximus TV). Together with 3-play households, they are by far our most loyal customers.

## Content anywhere any time

Our aim is to provide our customers access to their favourite content on any device, anywhere and anytime, on either fixed or mobile. Our customers not only watch their favourite programmes on linear channels, where they're broadcast within a programme schedule, they also want to watch it at the time that is most convenient for them. TV Replay allows them to replay programmes up to 36 hours after broadcast.

But what if they want to watch content that isn't scheduled, such as films and series? We have a large Video On Demand offer and in 2014, we also launched the Movies & Series Pass. Thanks to our agreement with Netflix, we are able to offer our customers an even wider choice of series and films.







## Bringing customers close to what matters

Our ambition on the consumer market is to grow market leadership through mobile led convergence, superior customer experience and brand preference. Put simply, we want to enable our customers to be instantly close to what matters. This has been translated into a number of concrete features that already allow our customers to live better and work smarter:

- **TV Replay** – allows customers to go back up to 36h on most watched linear Belgian TV channels. In 2014, we added more channels and extended availability to PC and mobile screens..
- **Movies & Series Pass** – allows customers to watch unlimited movies and series at a fixed monthly rate.
- **Netflix** – thanks to our partnership, customers will be able to also watch Netflix series and films directly via Proximus TV. Since end-2014, Proximus is the only operator in Belgium to offer the Netflix application on the latest decoders.
- **Extended football coverage** after securing non-exclusive rights to broadcast all the matches of the Jupiler Pro League for the next three seasons. Thanks to this deal and the agreement with the UEFA Champions League, our customers can now watch the best of Belgian and international football on TV, PC, smartphone or tablet on the Proximus 11 and 11+ channels.
- **Personal Cloud** – allows customers to store their documents securely, with access to all their content via PC, laptop, tablet, smartphone or Proximus TV, and sharing options with family, friends and social media.
- **4G for everyone** – introduced at the beginning of the year. This service uses speed tiering to differentiate customer experience according to different price plans.
- **Internet Everywhere and Bizz packs** – 430.000 customers have been pro-actively migrated to an Internet Everywhere or Bizz pack, which offers more advantages.
- **The latest devices** – thanks to new partnerships such as Apple, and exclusive deals like for the Samsung S5.
- **Daily Travel Passport** – launched end March 2014, allowing customers to stay in touch abroad without worries or surprises when the bill arrives. 20 minutes calling, 20 minutes being called, 20 SMS and 20 MB surfing at a fixed price per day in the EU or in major holiday destinations outside EU.
- **MyProximus** – a merge of the Hello app and the online eServices into a single interactive solution that allows customers to easily manage their mobile and fixed solutions & subscriptions, as well as monitor usage and get proactive personal advice.



## New customers through complementary brands

### SCARLET

Scarlet staked out a clear and growing position in the price-conscious consumer segment.

- **Scarlet Red, Hot and Chili**, launched at the beginning of 2014, the new mobile postpaid packs offer customers the most competitive rates, regardless of their budget.
- **Scarlet Trio**, the triple play pack that combines a no-frills TV, Internet and fixed line service for budget-conscious consumers, was boosted with a marketing campaign.
- **Scarlet Ketch-Up**, the new Scarlet prepaid cards for cheaper calls.

### TANGO

Tango has increased the number of mobile postpaid subscriptions in Luxembourg by 7.7% over the year.

Tango was the first operator to launch 4G in Luxembourg. In 2014, the company tripled its 4G users and consolidated its position by launching 4G+ in December.

#### Launch of the Family discount in 2014

Families grouping their mobile subscriptions in Tango's 3- and 4-play packs can access an attractive family discount. By the end of 2014, 20% of these customers had received a Family discount.

Tango's future strategy is to position itself as the challenger in the TV, internet and mobile telephony markets, offering smart and competitive solutions.

## Major sponsoring deals

Since the beginning of 2014 Proximus has been a sponsor of Flanders Classics, an umbrella organisation for classic cycle races in Flanders. A meeting of similar values, both Proximus and Flanders Classics stand for quality, camaraderie and shared emotions. Through this partnership, Proximus can share with customers the emotions and experiences in and around cycling competition, a major spectator sport in Belgium. Besides sponsoring elite cyclists, our partnership with Flanders Classics aims to share the experience of professional riders with amateur cyclists through our own Proximus Cycling Challenge.

Proximus is also sponsor of the Red Devils, the Belgian national football team. Proximus helped bring fans an unforgettable football experience during the World Cup in Brazil.



## Outlook for 2015

**We will continue our strategy to grow market leadership by:**

- › Building the Proximus brand and consolidating Scarlet's position in the price seeker segment
- › Capitalising on our Proximus TV success
- › Developing new revenue streams through service innovations
- › Implementing a multi-channel strategy for meeting customers' expectations
- › Providing a unique online experience
- › Reducing costs and optimising investments





## Business

### 2014, continuity in business strategy

In 2014, our strategy for the business market built consistently on that of 2013, focusing on leveraging convergence and excelling in customer experience. As market leader in the telecom market, we continue to improve our position, and aim for new growth in network based ICT solutions such as Security, Cloud and Unified Communications.

### Leader in the traditional telecom market and still growing

In 2014, we grew as leader in the traditional telecom market with 183.000 new mobile cards.

We have improved the average revenue per user (ARPU) trend, and carried out successful actions to retain business customers.

Thanks to excellent account management – “Always Close” –, good account servicing and competitive prices, we regained some important corporate accounts, such as ING, Carrefour and BNP Paribas Fortis, for both fixed and mobile.

Fiber to the Business, our optic fiber network, now covers 80% of industrial zonings across the country. This allows us to improve customer experience with Explore, our managed wide area network. With fiber, we can offer customers a secure foundation for unified communications and cloud services.



## Network-based ICT business growth

We increased BENELUX network-based ICT revenues by 5,6% thanks to the win of several important service centric ICT outsourcing contracts. Some examples: Astrid (centralisation, virtualisation and disaster recovery plan of the regional control rooms), the National Lottery (point of sales WAN connections, datacentre services and service desk) and IS4F (telecom, LAN, IPtel and storage to the former Dexia Group). These ICT outsourcing contracts are being managed by a formal Service Governance structure and are based on comprehensive Service Level Agreements.

## Successful development of new growth areas

Besides our traditional Telco and IT portfolio, we continuously focus on innovation in developing new, innovative solutions to meet our customers' other needs. Notable innovation successes include:

Big Data projects allow us to use the data generated by our networks and systems for analytical purposes. This helps our customers with strategic planning such as identifying numbers of visitors at public events. For Westtoer, Proximus carried out a successful business analytics project tracking the attendance of tourism at the Belgian coast.

New Way of Working is an umbrella under which we bundle both Cloud and Network solutions that allow customers to remotely access

their applications and data. We are implementing these workplace services that are available anytime, anywhere for the Flemish Government.

Internet of Things (IoT) is another area in which we support our customers in the development of their IoT projects by applying our convergent networks and expertise. Our role is to enable the Internet of Things upon which our customers build new innovative services. For instance, we will provide connectivity for the Belgian road-toll project, where we will enable half a million connected in-truck automatic payment systems by means of our Machine-to-Machine cards.



### Outlook for 2015

#### Focus on growth

In 2015, we will continue our strategy to return to sustainable growth in telecom leadership and in network-based ICT solutions through convergence and customer service.

We will also focus on growing our business through innovation supported by a customer-centric culture, as well as organisation and process simplification and value-based management.

# International operators

## An international player

Headquartered in Brussels, BICS is our international wholesale solutions division, with regional offices in Berne, Dubai, New York and Singapore, and satellite offices in Beijing and San Francisco, as well as local representation in Accra, Cape Town, Miami, Montevideo, Nairobi and Toronto.

BICS delivers best-in-class international wholesale solutions to communication service providers worldwide. Through its mosaic portfolio, a comprehensive, flexible and innovative suite of solutions designed to be used individually or collectively, BICS meets current and future requirements in the global telecoms sector.

In 2014 BICS achieved market penetration and portfolio expansion in the international connectivity and interoperability market.

## Leading provider of 4G roaming services

BICS has been at the forefront of 4G roaming, achieving a number of industry firsts in this domain. New 4G roaming services and value-added services such as SMART (big data roaming monitoring tool) have gained significant traction, adding to our position as market leader in 4G roaming interoperability.



## Substantial growth in messaging

In messaging, the surge of A2P (application to person) traffic has fuelled growth, while the P2P (person to person) traffic has remained steady. In P2P, BICS is in the world's top 3, with a customer base of more than 370 mobile network operators and Mobile Virtual Network Operators (MVNOs) as well as a reach that covers over 1.000 networks.

Since 2011, BICS has developed its A2P product with a strong focus on high quality delivery and direct routing to mobile network operators. OTTs are a big contributor to the SMS A2P growth.



(source : BICS)

## Leadership maintained in international voice

In 2014, BICS carried more than 27 billion minutes over its network. Non-voice revenue also continued to grow, up by 1.2%.



## Substantial growth results within OTT and MVNO markets

The OTT business has grown by more than 300%, driven by market penetration and the sale of additional services to existing customers. BICS has entered into discussion for future cooperation with large OTT players, while also opening an office in San Francisco to respond faster and be closer to its customers' needs.

BICS offers a whole set of international solutions for MVNOs from connectivity to messaging,

voice, roaming and other value-added services. Since 2010, BICS has served more than 29 MVNOs worldwide on its international network. BICS is the only provider to offer complete one-stop-solution packages, which gives it a significant competitive edge on the carrier market.



### A promising outlook

In 2015 we will continue to reinforce business with our existing customers, and we will develop new business within key focus segments and regions (OTT, MVNO, Americas and Asia). Our service strategy is centred around building on our full-suite services by adding features, enhancing existing services with value-added additions, and addressing the needs of the changing ecosystem.







Employees  
making  
the difference

# Efficient Organisation

## A new, more efficient, organisation

### A new Business Unit Customer Operations

Our path to growth is marked by two beacons - efficiency and simplicity. Efficiency in our working methods and customer approach, and simplicity in our solutions and customer experience. Adhering to these principles is key to ensuring growth in a highly competitive environment.

The talent our employees represent cannot be underestimated. To harness and leverage that talent, we need an efficient organisation and an optimal working environment that promotes collaboration and guarantees a best-in-class, end-to-end customer experience.

To this end, we created a single Customer Operations Business Unit in 2014. This new Business Unit regrouped all operational after-sales activities in order to increase the end-to-end responsibility of our key customer processes and to improve cost-effectiveness.



100.000  
customers contacts



5.000  
employees  
in Customer Operations

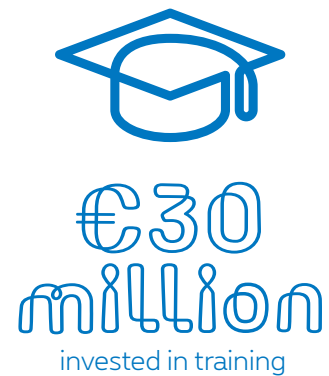


## Workforce costs flat

In order to continue investing for the future and return to sustainable growth, we need to keep our total workforce cost under control. This will require clear choices and a focused execution. Together with our social partners, we are currently looking at different ways to achieve the desired savings:

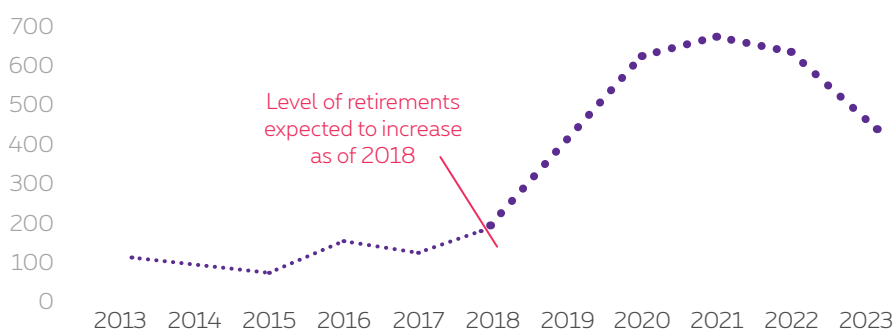
- Our simplification programme aims to substantially simplify our solutions portfolio, IT systems, networks and organisation. The goal is also to increase digital interaction and improve our efficiency through automation. This will allow us to reduce the internal workload and prepare the phase of employee retirements forecasted between 2018 and 2023.

- Our simplified structures will help us to evolve towards a high performance organisation.
- We constantly look for optimisation and insourcing opportunities by orienting employees towards taking on new activities, or those currently being performed by external partners. If necessary, we organise appropriate training courses.



## Estimation of employees retiring

44yr = Average age



(source : Proximus)

# Good to Gold

## Making progress together – changing our cultural mindset to bring us from Good to Gold.

Competition in the Belgian telecom market is tougher than ever and, although we are market leader, we need to ensure sustainable growth in order to secure our company for the future. But in a saturated market. But growth does not come from doing the things in the same way as before. At Proximus, we already have the talent, the innovation and the infrastructure to succeed – what we need is the glue that will hold this together, the mindset shift that will create

a winning culture and catalyse a concerted effort and belief in our growth throughout the organisation, from top to bottom. This binding cultural change is already underway, bringing us together and making us much more than the sum of our parts.

Our new Fit for Growth culture is transforming the company's cultural mindset by focusing our efforts around our values: Collaboration, Agility and Accountability.

Adhering to these three values allows us to concentrate on differentiating ourselves by really placing the customer at the heart of our business, thus promoting us to fulfil ever-higher customer expectations. Being good is not enough, we have to be gold to progress. With this Good to Gold principle in mind, we made significant progress, working as a single team and building a winning culture which stimulates us to move forward together.



# Good to Gold focus areas in 2014

**Shift thinking and behaviour  
of leaders, trained by internal  
facilitators.**

## 1. Diagnose and define

With the results of a cultural survey, clear direction and focus on the desired culture has been defined.

## 2. Unfreeze

Then, we started organising unfreezing sessions in order to create a common language shared and understood by all leaders to shift thinking and behaviours.

## 3. Reinforce

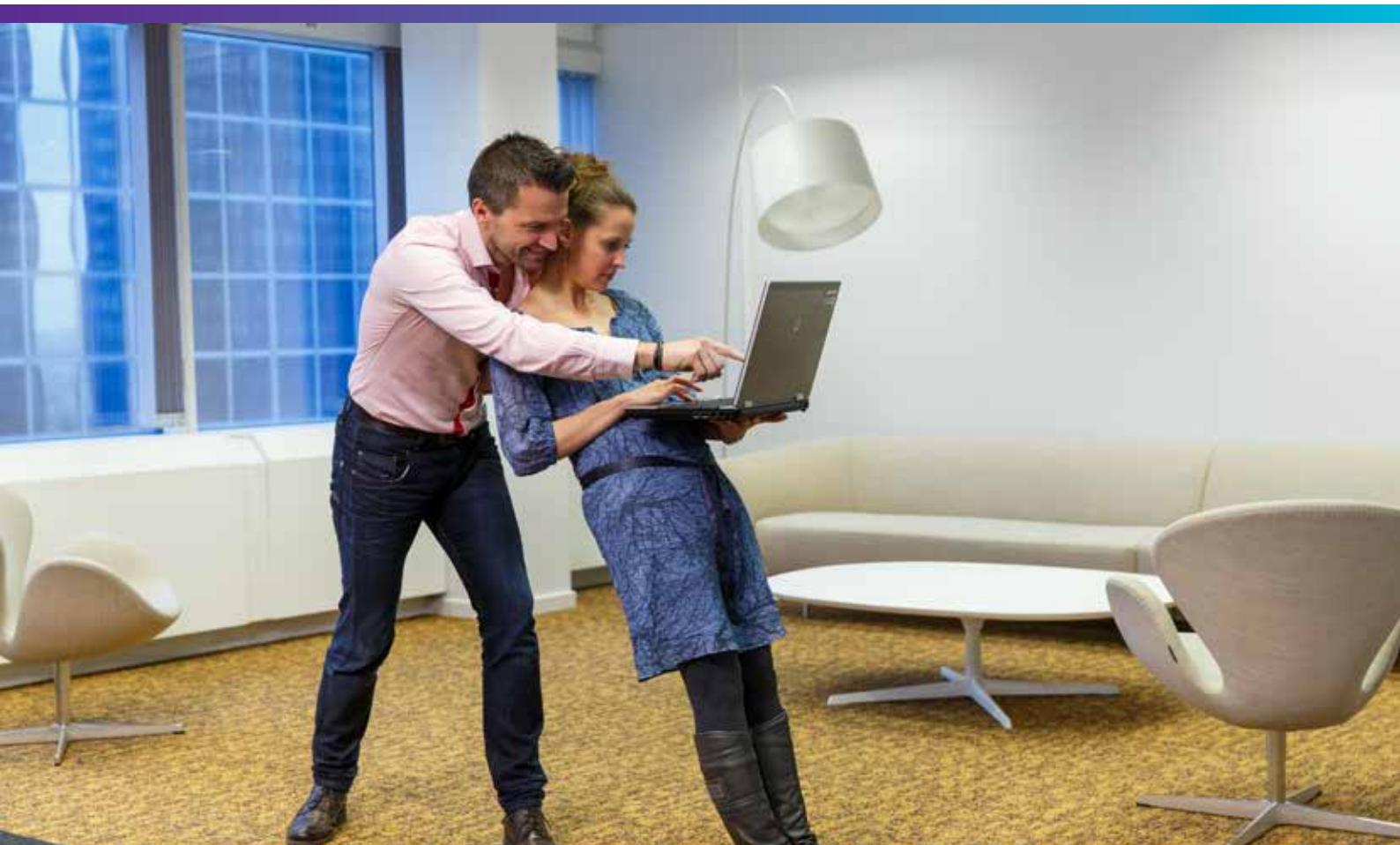
The reinforcement session is a 1-day follow-up session to sustain the change and ensure the desired culture is “in use” long-term.

## 4. Apply

To achieve business results, we have ‘champions’ who ensure the application of the culture within each division. Our ‘leader led’ process includes a monthly review for leaders on the Good to Gold concept

## 5. Measure

Monitoring progress by comparing the results of a second cultural impact survey with the initial survey before the start of the process.



### Champions and leader-led process to bring about cultural change

Our internally appointed cultural change ‘champions’ will ensure the application of the new culture within each division. We also have a ‘leader led’ process, which reminds the leaders on a monthly basis about the concepts of Good to Gold. Team leaders then discuss the theme/video of the month with their team members in meetings, asking every employee to apply the new cultural principles.

### Selection, training and accreditation of internal facilitators

Our own leaders were trained to carry out the Unfreeze and Reinforce modules. It’s the first time that Proximus trained internal facilitators to effect a cultural mindset shift. Selected by directors and high potentials in the Proximus Group, facilitators are nominated by their director before going through an extensive preparation phase and accreditation by an external partner.



## Three values underlying our Good to Gold culture

Our values demonstrate the way we will work with each other and with our customers to return the company to growth.

We will demonstrate **Collaboration** across our organisation to succeed at common goals to the benefit of our customers. We will both give and seek support in a spirit of transparency and openness. We will have clarity within roles and responsibilities and be aligned in the pursuit of agreed outcomes. We will be persistent together and committed to each other’s success as one team so that we achieve more together.

We will have the **Agility** to react with a fresh view to changing contexts and be adaptive, creative and ready to learn. Our growth mindset and internal diversity will be a source of flexibility and innovation. We will take an external view of customers and markets so that we can harness our ability to anticipate change and challenge. This will allow us to make the most effective decisions to increase our pace to market, and consequently our success.

We will be role models of **Accountability**. We will take ownership of situations, solution and the route to success. We will constantly ask ourselves and others what more we can do to achieve the best outcome for customers and stakeholders alike. We will become excellent in our ability to deliver the right result at the right time for the right people.



**Good to Gold  
perspective  
for 2015**

Once the Good to Gold - Fit for Growth one-day sessions are completed, we will focus on the Good to Gold concept, with coaching and feedback to increase our performance.

# 2014 Employee survey

Our 2014 Employee Survey helped us identify areas of improvement within the context of our move to change the company's cultural mindset, go for growth, and ensure that we put the customer at the heart of everything we do. The participation rate was 74% of all employees, slightly higher than the previous year.

## Higher than average in key areas...

	2013		2014
Engagement	76	»	76
Strategic Alignment	68	»	77
Agility	60	»	68

**Strategic alignment** and **agility** rose sharply, while **engagement** remained constant. The satisfaction score of each of these three key indicators is higher than the average for the telecom sector.

## ...but still room for improvement

	2013		2014
Customer Orientation	67	»	74
Lead	47	»	57

The results above highlight the need to continue improving our **customer focus** and further supporting team managers in their role as **team leader**.

## Priority areas identified

### Agility

#### Agile organisation

- Maintaining focus on streamlining our processes and our ways of working
- Evolve from fixing issues reactively to becoming more pro-active by identifying and analysing the root causes.

### Development

#### Personal development

- Leadership skills at all levels of the company need constant development and reinforcement
- Maintaining a high-performance culture relies on coaching, feedback, transparency and collaboration.

### Customer orientation

#### Customer orientation

- Being fully customer-centric is vital for our growth. We need to continuously improve our customer focus to deliver the best customer experience.







# Corporate Social Responsibility

# CSR governance

Our internal Corporate Social Responsibility (CSR) governance and reporting structure comprises of three entities: the Executive Committee, the CSR team and representatives in each business unit responsible for implementing action plans.

Given its close links with our consumers, the CSR team is now part of the Marketing & Communication division of the Consumer Business Unit, while also maintaining a transversal role across the organisation. The CSR Manager reports regularly to the Management Committee via the Chief Corporate Affairs Officer.

Our mission, our corporate values of Collaboration, Agility and Accountability, our Corporate Governance Charter, our Code of Conduct and our Compliance Office and policies all underpin our commitment to responsible business and to Corporate Social Responsibility.



## Three areas of CSR activity

Our CSR strategy is based on three pillars: Education, Communities and Green. As a company committed to the integrity of its CSR principles, we make point of ensuring that our suppliers and subcontractors also apply CSR standards in their own activities.

### Education

Inclusive, safe and responsible internet use for all

### Communities

Keeping sick kids in contact with school, devices for the disabled and help for the homeless

### Green

Reducing our carbon footprint, recycling and eco-efficiency



## Education

### Inclusive, safe and responsible internet use for all

Belgium is one of the most connected countries in Europe, with ICT technologies in regular, everyday use among the majority of people. In 2014, however, just over 12% of the Belgian population remained unconnected. Given that ICT is an important element in social inclusion, it is our aim to reduce the digital gap in society, and ensure that every group can access ICT technology in a safe way, whether they are children, seniors, unemployed or otherwise disadvantaged.

### Education on responsible use of the internet

Nowadays, children's awareness and use of the internet starts at an early age. Both parents and teachers are keenly aware of the potential risks of unmonitored internet use, and consider education on responsible usage at all times as a priority. Proximus runs a programme which sends our volunteers, trained by Child Focus, to train 5th and 6th class primary school children twice a year on safe use of the internet.

43.000  
children trained since 2011

500+  
Proximus volunteers.



## Giving young people the tools to teach the older generation

Web Experts is an online initiative which encourages young people to share their knowledge of the internet with the older generation. The Web Experts website reaches out to school-aged kids, encouraging them to submit their individual and group projects designed to educate the older generation on the internet, safe use, social media platforms, navigation and communication apps etc. The site offers kids downloadable training kits. Each month, the best individual and group projects receive a prize.

## Free training on getting the most out of ICT

Whether it's getting the most out of your smartphone or learning how to keep an eye on your home or loved ones from a distance, Proximus offers a wide range of relevant and useful training courses, completely free and open to everyone, in the Proximus centers. People of the public who are interested in our courses can check subjects, locations and schedules on our website.

## Supporting technology training and employment placement

ICT technologies are not just part of our everyday life, they are also skill-sets that are highly relevant to today's economy and as such, are powerful levers for employment. In partnership with Technobel, a competence centre approved by the Walloon Region, Proximus supports specific and specialised training in these sectors, thus contributing to jobseekers' skills and chances of gaining employment.

985

students and

277

job seekers attended the Technobel trainings in 2014

70%

of participants find employment within 6 months after qualifying training.

488

elderly trained by young people

2989

persons trained in our Smart Cafés

## Technobel

Technobel and studio Fishing Cactus's 'Algobot', a game-based learning system designed to introduce the basic logic of software development, won second place in the Serious Game Award 2013 during the "Games and Learning Alliance" conference in July 2014.

(source : Proximus)



# Environment

## Reducing our carbon footprint, recycling and eco-efficiency

As a forward-thinking telecommunications provider, Proximus embraces the opportunity to play a major role in environmental protection, specifically in the move towards a low-carbon society. We are committed to drastically reducing our environmental footprint, to helping our customers reduce theirs and to generating awareness among our wide range of stakeholders.



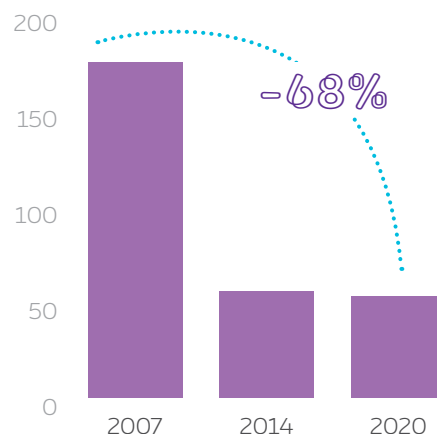
reduction in electricity consumption in our buildings, networks and datacentres

## Towards a low-carbon society

In 2014, we reduced our CO<sub>2</sub> emissions by 13% compared to the previous year, bringing us to a total reduction of 68% since 2007. Energy savings across our fleet, strong promotion of public transport among our employees, the use of renewable energy and a policy of improving energy efficiency in our buildings, our networks and our datacentres have all contributed to reducing our carbon footprint.

CO<sub>2</sub> emissions decreased with 68% versus 2007\*

\*Belgian activities



## Recycling of mobile phones

In collaboration with GoodPlanet Belgium and Recupel, our mobile phone collection campaign in Flemish schools was a great success in 2013, and was extended to 2014. The participating schools received a recognition award of equipment such as 'second-life' recycled tablets or computers

## Eco-efficient Proximus TV-decoders

In recent years, we have taken several measures to reduce the energy consumption of our Proximus TV decoder. Our two latest models are ranked among the most energy-efficient on the market. We also signed the EU Code of Conduct on energy efficiency and the EU's voluntary agreement on ecodesign.



51,800

mobile phones collected

(source : Proximus)

# Communities

## Keeping sick kids in contact with school, devices for the disabled and help for the homeless

Proximus applies its resources and solutions to helping the communities where it is present in order to improve daily life for those who most need help.

90%+

of connected children succeed in their studies each year

## Connecting long-term sick children with classmates and class

We offer free connectivity to partner associations Bednet and Take Off, to provide videoconference services for long-term sick children. This enables children not only to keep up social contacts with classmates, but also to continue with their schooling despite not being able to attend class.

325+

connected children in 2014.

## A warm gesture for the homeless

During the winter 2013-2014 we made a building available in Brussels to give the homeless overnight shelter, a warm place to sleep and sanitary facilities. We also collaborate with our partner Samusocial, which provides breakfast and a warm evening meal. This winter, the building was open to the homeless from 5 December 2014 until 5 February 2015.

2500

overnights, a total of 50 people during 50 nights

## Accessible devices for disabled people

According to recent figures, some 12-16% of the Belgian population live with a disability. Proximus understands the importance of ensuring that those people have equal access to its ICT solutions. For the last 3 years, we have tested

the accessibility of our devices (smartphones, tablets, phones) with an independent panel of people with various disabilities in order to ensure the devices answer to their specific needs. Accessible devices are identified by dedicated

pictograms in our sales channels, and our online catalogue contains information on which devices are suitable for use for those living with disabilities.





# Perspectives and KPI

## Outlook – a broader CSR scope for the future

In the coming years, our CSR activities will follow a similar strategy to 2014, but with even broader perspectives.

In Education, the Proximus Foundation will develop projects for job seekers.

In Communities, our connectivity partners Bednet and Take off have extended their goal to help even more sick children by connecting them to their classmates and classrooms. Synchronous Online Learning has meanwhile become a civil right in Flanders, and so our

commitment to these projects will increase.

Our policy of accessibility for people with disabilities will no longer be limited to our solutions catalogue. We will also make our Proximus Centers easier to access, with particular attention to vendor reception.

Finally, in Green, we will continue our efforts in the fight against climate change through the continued reduction of our own carbon emissions, the promotion of an ever-wider range of environmen-

tally sustainable solutions for our customers, continued recycling awareness, and ongoing encouragement of our employees, suppliers and stakeholders to adhere to sustainable business practices.



### Find KPIs'

details in the CSR report. Download it on <http://annualreport.belgacom.com>









# Governance



Watch  
the video

[http://annualreport.  
belgacom.com/ata glance](http://annualreport.belgacom.com/ata glance)



*Our governance principle is to apply best practices and transparency in the management and control of our business. This is intended to inspire strong and lasting trust relationships among all our stakeholders.*

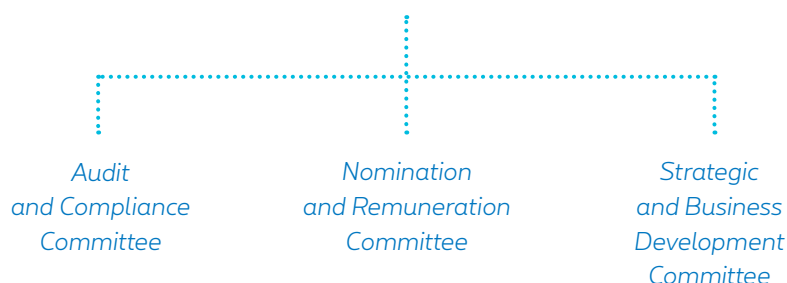


Stefaan de Clerck  
Chairman

## Our governance model

We are a limited liability company under public law, governed by the law of 21 March 1991 on autonomous public sector enterprises. For matters not otherwise explicitly regulated, Belgacom is governed by Belgian corporate law. The Board of Directors defines the company's general policy and strategy, supervises operational management and ensures compliance with best practices. Other advisory committees have also been developed to advise and assist the Board of Directors.

### Board of Directors





# The Board of Directors



## Governance statement

Read more details  
in annex PDF

## Presentation of the Board of Directors

As provided for in the 1991 law, the Board of Directors is composed of members appointed by the Belgian State in proportion to its shareholding, with the remaining seats appointed by a separate vote among the other shareholders.



**Stefaan De Clerck** (63)

Chairman

Appointed by the Belgian State

Term: 2013 – 2019



**Dominique Leroy** (50)

Chief Executive Officer

Appointed by the Belgian State

Term: 2014 – 2020 (Appointed on 13/01/14)



**Theo Dilissen** (60)

Director

Appointed by the Belgian State

Term: 2004 – 2015



**Martine Durez** (63)

Director

Appointed by the Belgian State

Term: 1994 – 2019



**Laurent Levaux** (59)

Director

Appointed by the Belgian State

Term: 2013 – 2019



**Isabelle Santens** (55)  
*Director*  
 Appointed by the Belgian State  
 Term: 2013 – 2019



**Paul Van de Perre** (61)  
*Director*  
 Appointed by the Belgian State  
 Term: 1994 – 2019



**Jozef Cornu** (70)  
*Independent Director*  
 Appointed by the general shareholders' meeting  
 Term: 2009 – 2015



**Pierre Demuelenaere** (56)  
*Independent Director*  
 Appointed by the general shareholders' meeting  
 Term: 2011 – 2017



**Guido J.M. Demuynek** (64)  
*Independent Director*  
 Appointed by the general shareholders' meeting  
 Term: 2007 – 2019



**Carine Doutrelepont** (54)  
*Independent Director*  
 Appointed by the general shareholders' meeting  
 Term: 2004 – 2016



**Agnès Touraine** (60)  
*Independent Director*  
 Appointed by the general shareholders' meeting  
 Term: 2014 – 2018 (Appointed on 16 April 2014)



**Lutgart Van den Berghe** (63)  
*Independent Director*  
 Appointed by the general shareholders' meeting  
 Term: 2004 – 2016



**Catherine Vandendorpe** (44)  
*Independent Director*  
 Appointed by the general shareholders' meeting  
 Term: 2014 – 2018 (Appointed on 16 April 2014)

# Directors' remuneration in 2014

## Principles of the Directors' remuneration policy

The principles governing the remuneration policy of the Directors were established by the General Shareholders' Meeting of 2004.

	Chairman of the Board of Directors	CEO	Members
Annual fixed compensation	50,000	0	25,000
Attendance fee per attended meeting of the Board of Directors	10,000	0	5,000
Indemnity for communication costs	4,000	0	2,000
	Chairman of the advisory committee	CEO	Members of the advisory committee
Attendance fee per attended meeting of the advisory committees	5,000	0	2,500

## Overview of the Directors' remuneration in 2014

A year ago, the members of the Board of Directors gave a clear indication that they wished to share in the efforts asked of the company's management and staff, and they thus applied a reduction of 10% to their own remuneration for 2014. Their individual remuneration for the fiscal year 2014, including this reduction, is based on their activities and attendance at Board and Committee meetings.

Name	Board (total 8)	Audit and Compliance Committee (total 6) (ACC)	Nomination and Remuneration Committee (total 7) (NRC)	Strategic and Business Development Committee (total 3) (SBDC)	Total remuneration, (telecom advantage included)
Stefaan De Clerck	8/8		7/7	3/3	166,000 €
Dominique Leroy <sup>(1)</sup>	7/7			3/3	0 €
Jozef Cornu	7/8		7/7	3/3	78,500 €
Pierre Demuelenaere <sup>(2)</sup>	7/8		2/2		60,500 €
Guido Demuyndt <sup>(3)</sup>	7/8	6/6		1/1	83,000 €
Pierre-Alain De Smedt <sup>(4)</sup>	3/3	1/1	2/4		29,646 €
Theo Dilissen	8/8			2/3	65,000 €
Carine Doutrelepont	8/8			2/3	65,000 €
Martine Durez	8/8		7/7		76,250 €
Laurent Levaux	3/8				38,000 €
Isabelle Santens	7/8				56,000 €
Oren G. Shaffer <sup>(4)</sup>	3/3	1/1			22,896 €
Agnès Touraine <sup>(5)</sup>	4/5			2/2	39,854 €
Paul Van de Perre	8/8	6/6			74,000 €
Lutgart Van den Berghe	8/8		7/7		76,250 €
Catherine Vandenborre <sup>(6)</sup>	4/5	4/5			44,354 €

<sup>(1)</sup> Mandate as of 13 January 2014

<sup>(2)</sup> Member of the NRC as of 8 May 2014

<sup>(3)</sup> From member to chairman of the ACC and not member anymore of the SBDC, both on 8 May 2014

<sup>(4)</sup> Mandate ended on 16 April 2014

<sup>(5)</sup> Mandate as of 16 April 2014 and member of the SBDC as of 8 May 2014

<sup>(6)</sup> Mandate as of 16 April 2014 and member of the ACC as of 8 May 2014

# The Executive Committee

## Presentation of the Executive Committee

The Executive Committee's role is to assist the Chief Executive Officer in the exercise of her duties, responsibility and ownership of operational management (including, but not limited to, day-to-day management). Its members are appointed and discharged by the Board of Directors on proposal of the Chief Executive Officer, after consultation of the Nomination and Remuneration Committee.



**Dominique Leroy** (50)  
Chief Executive Officer  
Appointed by the Belgian State  
Term: 2014 – 2020 (Appointed on 13/01/14)



**Michel Georgis** (62)  
Chief Human Resources Officer



**Dirk Lybaert** (54)  
Chief Corporate Affairs Officer  
(since 24 January 2014)



**Geert Standaert** (45)  
Chief Technology Officer





**Ray Stewart** (66)  
Chief Financial Officer  
(until 1 April 2015)



**Sandrine Dufour\*** (48)  
Chief Financial Officer  
(as of 1 April 2015)



**Renaud Tilmans** (46)  
Chief Customer Operations Officer  
(as of 25 May 2014)



**Bart Van Den Meersche** (57)  
Chief Enterprise Market Officer



**Phillip Vandervoort** (53)  
Chief Consumer Market Officer  
(as of 1 April 2014)

\*Sandrine Dufour joined the Group on 1 January 2015, succeeding Ray Stewart as Chief Financial Officer on 1 April.

# Remuneration of the Executive Committee

## Principles of the Executive Committee members' remuneration policy

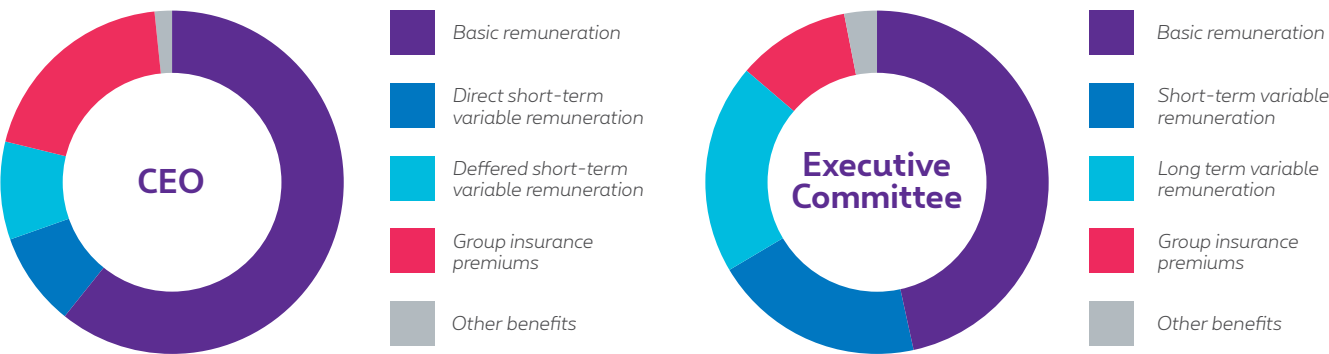
The Nomination & Remuneration Committee sets the remuneration policy for top executives and decides on the individual packages for the CEO and for the other members of the Executive Committee. In the context of the nomination of Dominique Leroy in January 2014, a number of changes have been made to the remuneration structure of the CEO role, resulting in a sharp overall reduction in on-target remuneration relative to her predecessor. With her nomination, a new remuneration cap has also been defined, which is taken into consideration for every new member entering the Executive Committee.

### The Executive Committee members' remuneration structure is based the following elements:

- Fixed elements including basic remuneration, retirement and post-employment benefits as well as other benefits
- Variable elements, consisting on the one hand in variable remuneration at short term driven by performance indicators at Group and individual level, and on the other hand in variable remuneration at long term by means of a Performance Value Plan.

A significant proportion of the total remuneration is variable and performance related, driven by the company's objectives in terms of performance and growth. This way, the company wants to encourage its executives to deliver a long-term, sustainable profitable growth, in line with its strategy and the expectations of its shareholders.

Relative importance of the different components of the on-target remuneration before employer's social contribution :



## Overview of the Executive Committee members' remuneration in 2014

The former CEO left the Group in November 2013 and the current CEO started in January 2014.

Since her nomination as CEO in January 2014, Dominique Leroy has accelerated the in-depth transformation the company initiated in 2013.

One of pillars of this transformation consists of a review of the Proximus organisation, starting with the composition and the roles & responsibilities of the Executive Committee. These changes, which include the change of CEO, have clearly impacted the remuneration allocated in 2014 and are reflected in the chart below.

In addition, the Executive Committee took a range of measures in 2014 aimed at reducing HR costs. One of these measures was a voluntary reduction of 10% of its members' short-term variable remuneration linked to performance in 2013.

Remuneration	CEO		Other members of the Executive Committee	
	2013	2014	2013	2014
Basic remuneration	1,026,727	483,696	2,751,044	2,665,045
Short-term variable remuneration	581,115	0	1,190,971	1,384,979
Long-term Share-based variable remuneration (stock options)	0	0	0	0
Long-Term Performance Value based variable remuneration	0	0	1,188,272	1,049,439
Retirement and post-employment benefits	97,804	162,068	755,028	641,374
Other benefits	11,607	11,494	120,204	164,294
<b>SUBTOTAL (excl. employer's social contribution)</b>	<b>1,717,253</b>	<b>657,258</b>	<b>6,005,519</b>	<b>5,905,131</b>
Termination benefits	0	0	0	1,081,849
TOTAL (excl. employer's social contribution)	1,717,253	657,258	6,005,519	6,986,980
Employer's social contribution	365,967	14,360	1,673,311	1,998,844
<b>TOTAL (incl. employer's social contribution)</b>	<b>2,083,220</b>	<b>671,618</b>	<b>7,678,830</b>	<b>8,985,824</b>



### Remuneration report

Read more details in annex PDF







# Financial information

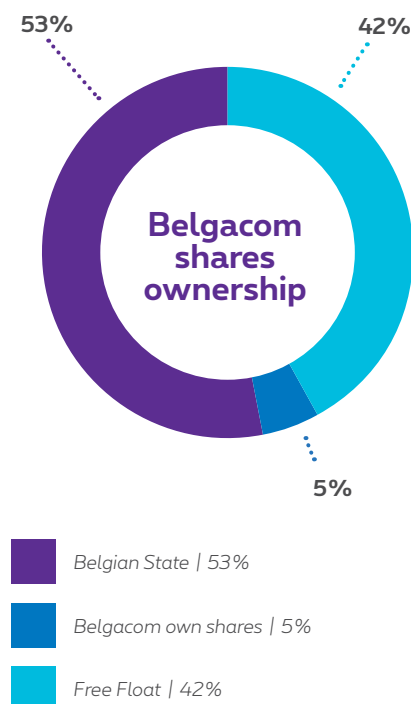
# The Belgacom share

The following chapter is an overview of our shareholder structure, our share performance over 2014 and our dividend policy for shareholders.

## Our share ownership

Belgacom's majority shareholder is the Belgian State, owning 53.51% of the shares. 41.52% of the shares are "free-float", i.e. traded on the stock market. The remaining 4.97% of the shares are own shares, held by Belgacom.

Of the free float, around 80% of the shares are held by institutional shareholders – located mainly in the United States, the United Kingdom, Belgium and Germany – and about 20% by individual shareholders.

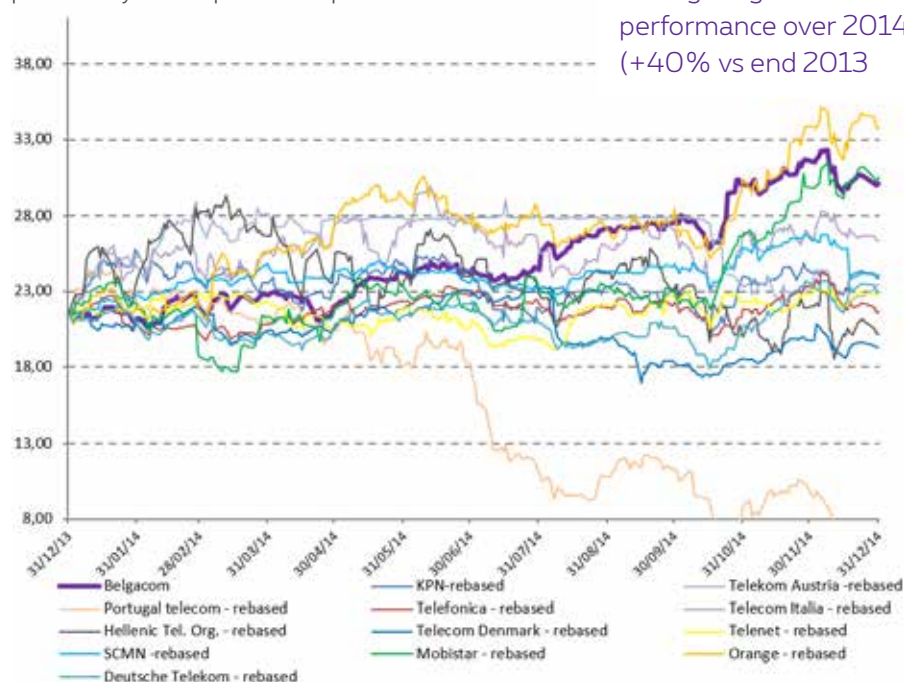


## Strong performance in 2014

Overall, the European Telecom Sector continued to perform well throughout 2014, building on an already impressive 2013. While in the first half of the year the sector underperformed, this was more than compensated for by an over-performance in the second half, with an exceptionally strong fourth quarter. Overall the Telecom sector (SXXP) delivered about twice the return of the wider European index (SXXP), supported by mergers & acquisitions and a somewhat higher dividend yield than for the wider European market. Furthermore, the sector showed some easing of the previously fierce price competition.

For Belgian Telecom companies, and not least for Belgacom, the more stable pricing environment was an important driver for a very good stock performance. Our shares closed the year at EUR 30.1, some 40% higher than the previous close, putting us in the top 3 performing European Telecom stocks during 2014. This 40% increase compares favourably to the SXXP's 7.5% increase, the SXXP's 4.4% increase, and a 12.4% gain for the BEL-20 index.

Strong Belgacom share performance over 2014 (+40% vs end 2013)



## An attractive and sustainable dividend

We offer an attractive shareholder remuneration policy by returning, in principle, most of our annual free cash flow. This return of free cash flow is reviewed on an annual basis in order to keep strategic financial flexibility for future growth. The policy is based on a number of assumptions regarding future business and market evolution, and may be subject to change in the event of unforeseen risks or other factors beyond the company's control.

### Shareholder return for 2014

On 26 February 2015, Belgacom's Board of Directors approved to propose to the Annual Shareholder meeting to return over the result of 2014 a total gross dividend of EUR 1.50 per share, of which EUR 0.50 interim dividend was paid in December 2014. After approval by the Annual Shareholder Meeting, the normal dividend will be paid on 24 April 2015, with record date on 23 April 2015 and ex-dividend date on 22 April 2015.

This brings the 2014 total shareholder return over the results 2014 to EUR 502 million, including the interim dividend.

### The outlook for the coming years

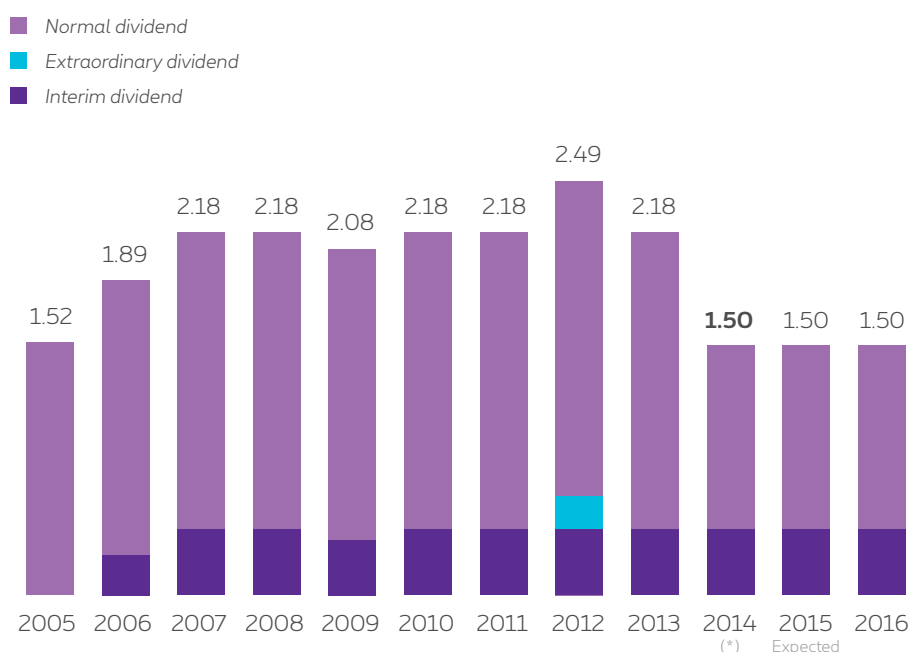
The Board of Directors intends to continue to award shareholders with an attractive and sustainable dividend, and has reaffirmed its intention to pay out a stable yearly dividend of EUR 1.50 per share (interim dividend of EUR 0.50 and ordinary dividend of EUR 1.00) for the next 2 years, provided the Group's financial performance is in line with current expectations.



### Belgacom share

This chapter is an overview of our shareholder structure, our share performance over 2014 and our dividend policy for shareholders. Read more details in annex PDF

### Dividend per share (over the results of the year)



\*Subject to approval by General Shareholder Meeting

# Key financial events 2014 - 2004

## 2014

- New strategy is launched to bring the company on a track to growth
- Investments in rebranding to Proximus and in company transformation
- Higher investments in the Mobile and Fixed network, IT, content and Cyber Security
- Mobile market returning to stability is reflected in improving financials
- Proximus launches “4G for all”
- Belgacom divests Telindus France shares and Telindus UK activities
- Network simplification program continued, leading to capital gains on buildings sold
- In April 2014 a 10-year bond of EUR 600 million was issued

## 2013

- 2013 Financials impacted by mobile market disruption, though first signs of Mobile recovery appearing
- Launch of new attractive Proximus Mobile pricing plans
- Mobile network leadership supporting Postpaid customer base growth
- Capital gains realised on buildings sold in network simplification program
- Spectrum acquired in the 800 MHz band

## 2012

- End 2012 new Mobile pricing launched including more voice minutes and mobile data
- Introduction of the new telecom law in Belgium and aggressive competitive pricing triggers increased Mobile market volatility
- Acquisition of The Phone House chain of stores

## 2011

- Telindus France acquires Eudasys
- Divestment of Telindus Spain
- 4G license acquired
- 7-year senior unsecured institutional bond issued for EUR 500 million
- Successful early bond buy-back operation, followed by cash redemption of the remaining balance of November 2011 EUR 775 million notes

## 2010

- Integration of Belgacom and some of its subsidiaries into a single legal entity – impacting some segments but neutral on Group level
- BICS fully consolidated, effective as from 1 January 2010
- Belgacom concludes strategic partnerships with OnLive (gaming), Jinni (search engine) and In3Dept Systems (3D-gesture recognition)



## 2009

- BICS and MTN combine their International Carrier Services
- Activities of WIN SA sold

## 2008

- Divestment of all non-core entities of Telindus International
- Acquisition of Scarlet, Tango and Mobile-for
- Exclusive broadcasting rights renewed for Belgian football

## 2007

- Remaining stake in Mobistar (acquired via Telindus group transaction) sold
- Acquisition of Dutch storage specialist ISIT

## 2006

- Acquisition of Telindus Group
- Sale of stake in Neuf Cégétel
- Launch of EUR 1.65 billion bond
- Acquisition of Vodafone's 25% share in Proximus

## 2005

- Launch of Belgacom TV
- Exclusive broadcasting rights obtained for Belgian football
- Disposal of shares in Eutelsat
- Belgacom ICS concludes Joint Venture with Swisscom ICS, proportionally consolidated
- Belgacom sells Belgacom Directory Services, Expercom and liquidates Infosources

## 2004

- Belgacom listed on stock markets
- Extensive launch Broadway project (Fibre & VDSL)



### More details

- > Management discussion
- > Risk management
- > Consolidated financial statement

Download the financial report on <http://annualreport.belgacom.com>

# Corporate name and legal form

The autonomous public-sector company Belgacom is a Société anonyme de droit public/Naamloze vennootschap van publiek recht (limited liability company under public law) as defined by the Law of 21 March 1991 on the reform of certain public-sector commercial undertakings and organized under the laws of Belgium.

The Company is subject to the statutory and regulatory provisions of commercial law applicable to companies limited by shares in all matters not expressly determined by (or by virtue of) the Law of 21 March 1991 or specific legislation of any kind.

## Registered Office

Belgacom SA under public law  
Bd. du Roi Albert II 27  
B - 1030 Brussels  
VAT BE 0202.239.951  
Brussels Register of Legal Entities

## Consultation of the issuer's documents

The public documents concerning the issuer can be consulted at the registered office.

## Date of constitution

The company was established as an autonomous public sector company, governed by the Law of 19 July 1930 setting up the Belgian National Telephone and Telegraph Company, the RTT (Régie des Téléphones et Télégraphes/Regie van Telegraaf en -Telefoon).

The transformation of Belgacom into a SA of public law was implemented by the Royal Decree of 16 December 1994, which was published in the Belgian Official Gazette on 22 December 1994, and went into effect on the same day.

## Editor-in-chief

### Dirk Lybaert

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## Disclaimer

This communication contains forward-looking statements, including statements about the Company's beliefs and expectations. These statements are based on the Company's current plans, estimates and projections, as well as its expectations of external conditions and events. Forward-looking statements involve inherent risks and uncertainties and speak only as of the date they are made. The Company undertakes no duty to and will not necessarily update any of them in light of new information or future events, except to the extent required by Belgian law. The Company cautions investors that a number of important factors could cause actual results or outcomes to differ materially from those expressed in any forward-looking statements.

# The regulatory framework

## Mobile termination rates (MTR)

In application of the BIPT decision of 29 June 2010, MTR in Belgium have been set at a rate of 1.18 eurocent/min (incl. inflation) for the three mobile operators since 1 January 2013.

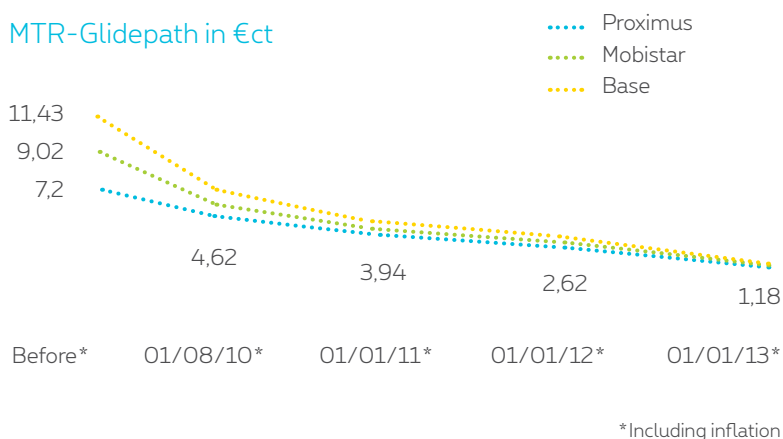
### BIPT decision of 29 June 2010 on MTR

€ct (including inflation)	Before	01-Aug-10	01-Jan-11	01-Jan-12	01-Jan-13
Proximus	7,20	4,62	3,94	2,62	1,18
Mobistar	9,02	5,05	4,29	2,79	1,18
Base	11,43	5,81	4,90	3,11	1,18

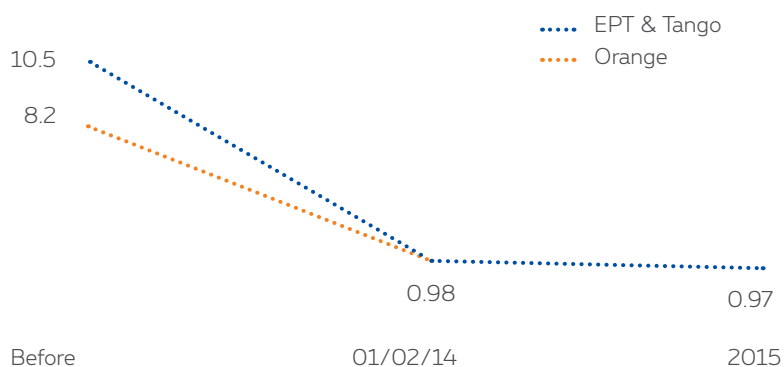
The BIPT is currently developing a new cost model to determine future MTR tariffs. Final prices are expected for end 2015.

On 14 July 2010, Mobistar and KPN/BASE each filed a separate appeal before the Brussels Appeal Court against the BIPT decision of June. On 24 September 2014, the Court eventually decided to annul this decision whilst maintaining its effects until 30 June 2015. The current MTR remain in place until this date. As a decision on the new MTR is expected only for end 2015, the BIPT has announced its intention to take, during the first quarter of 2015, a decision “repairing” the 2010 decision in order to ensure the continuity of the MTR.

MTR-Glidepath in €ct



In December 2014, the *Luxembourg regulator*, ILR, consulted the market on the new MTR defined based on a pure bottom-up long run incremental cost (LRIC) cost model. ILR has proposed to set the MTR of the three mobile operators (EPT, Tango and Orange) at 0.97 eurocent/min as from the entry into force of their final decision (expected in 2015). The MTR had already been set provisionally at 0.98 eurocent/min by a decision of 6 January 2014 (based on a benchmarking). Tango has appealed this decision that was annulled by the Administrative Court on 11 March 2015. Before January 2014, the MTR were at 8.2 eurocents for EPT and Tango and 10.5 eurocents for Orange.





# International roaming

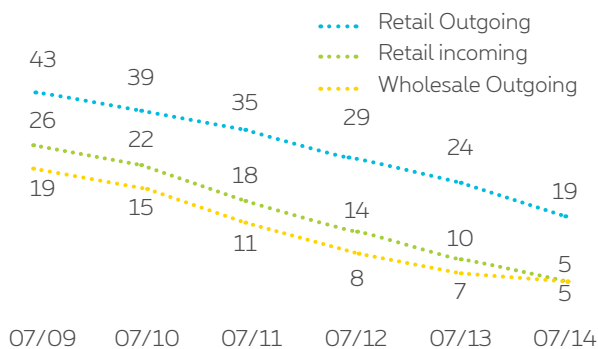
The first Roaming Regulation of 2007 introduced caps on retail and wholesale voice roaming prices. In July 2009, the EU authorities adopted revised rules (Roaming II Regulation) that cut roaming charges further for voice, SMS and wholesale data roaming in 2010 and 2011.

The Roaming III Regulation that entered into force on 1 July 2012,

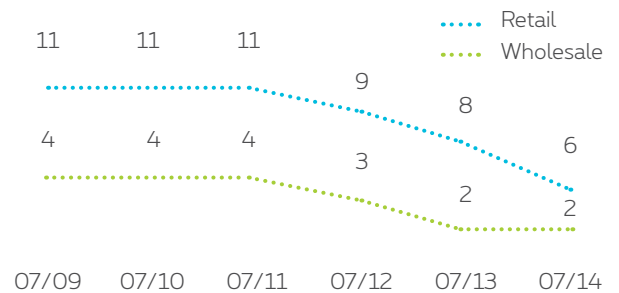
introduced two so-called “structural measures” to encourage competition: (i) MVNO wholesale access from 1 July 2012 and (ii) decoupling, i.e. separate selling of roaming services from domestic mobile services, from 1 July 2014. The Regulation also lays down rules aimed at increasing price transparency and improving the provision of information on charges to roaming customers.

Awaiting the full effects of the structural measures, the Regulation has imposed a further lowering of the existing regulated retail and wholesale price caps. The last decrease entered into force on 1 July 2014. Since this date, the retail outgoing calls have been set at 19 eurocents/minute, the retail SMS at 6 eurocents and the retail data at 20 eurocents.

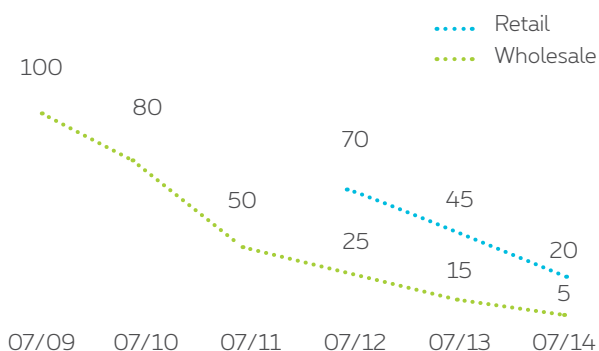
## Voice Roaming (€ct per minute)



## SMS Roaming (€ct per sms)



## Data Roaming (€ct per Mb)



The Roaming III Regulation will expire in principle on 30 June 2022. However, in the meantime, the EU Commission has proposed, in its package of measures to address the fragmentation of the EU telecom sector, referred to as “Connected Continent”, to impose additional measures to abolish roaming surcharges in the coming years. The proposals that are currently being discussed by the EU authorities (Council and Parliament) all include an alignment of the domestic and roaming rates (“Roam-like-at home”). The timing and conditions of such alignment is however still uncertain as there are diverging views among the networks.

# Spectrum

After a first extension covering the period 2010-2015, the current 2G licenses will be tacitly renewed for a second period from 8 April 2015 until 15 March 2021. As from 27 November 2015, the 900 MHz spectrum holdings of each operator will be reduced from 12 MHz to 10 MHz duplex.

However, following the Telenet Tecteo Bidco (TTB) decision to renounce to their option to acquire spectrum in the 900/1800 MHz band (4.8 MHz duplex in the 900 MHz band and 15 MHz duplex in the 1800 MHz band), Proximus, Mobistar and KPN/BASE have been able to acquire additional spectrum in these bands effective as from 27 November 2015 (BIPT decision dated 15

December 2014). This *additional spectrum* will also be granted until 15 March 2021.

The results of this allocation procedure combined with the renewal of the 900 MHz spectrum give the following total spectrum holdings per operator in the 900 MHz band:

900 MHz duplex	1/1/15 – 26/11/15	27/11/2015 – 15/3/21
Proximus	12	10+2.4=12.4
Mobistar	12	10+1.6=11.6
KPN/BASE	10	10+0.2=10.2

Concerning the 1800MHz spectrum, the BIPT decided to proceed with the redistribution of the returned spectrum by allowing each of the existing operators to increase their 1800 MHz spectrum to 117 channels

(23.4MHz duplex) as from 22 July 2014 at no additional costs except the usage fee.

Moreover, following the results of the redistribution procedure,

each operator acquired additional spectrum in the 1800MHz band up to a total of 124 channels (25MHz duplex) as from 27 November 2015.

1800 MHz duplex	1/1/14 – 21/7/14	22/7/14 – 26/11/15	27/11/15 – 15/3/21
Proximus	20	23.4	20+5=25
Mobistar	20	23.4	20+5=25
KPN/BASE	20	23.4	20+5=25

This latest repartition will be possible only after Mobistar has reshuffled its spectrum. The BIPT is expected to

take a decision concerning the 1800 MHz reshuffling around June 2015.

Curent	Proximus (104)	14	Mobistar (104)	42	Base (110)	374 channels
as from 22/07/14	Proximus (117)	1	Mobistar (117)	22	Base (117)	374 channels
as from 27/11/15	Proximus (124)	1	Mobistar (124)	1	Base (124)	374 channels

For the first extension of the 900 MHz licence (2010-2015), Proximus paid EUR 74 million. The unique fee for the second renewal (8 April 2015- 15 March 2021) will cost EUR 75.1 million (12 MHz duplex from 8 April 2015 till 26 November 2015 and 10MHz duplex from 27 November 2015 till 15 March 2021). The unique fee for the additional spectrum acquired in the 900MHz (2.4 MHz duplex) will cost EUR 15.8 million. For these payments, the operators will have the possibility to opt for a one-shot payment or yearly payments. The related 1800 MHz spectrum will only generate an usage opex fee as soon as it is put into service.

To be noted that TTB has also decided to return to the BIPT its 2.1GHz spectrum (14.8MHz duplex). On 24 September 2014, the BIPT officially withdrew this spectrum.

On 12 November 2013, the BIPT proceeded with the auction of the 800 MHz spectrum (resulting from the digital dividend). Three blocks were sold at the minimum price of EUR 120 million each. Each lot entails national coverage obligations (with a minimum speed of 3Mbps): 30% after 2 years, 70% after 4 years and 98% after 6 years. On 30 November 2013, the authorization was formally notified to Proximus. The license is valid until 29 November 2033. Proximus decided to pay the concession fee in annual instalments.

In November 2014, the BIPT launched a consultation providing a global overview of all possible

new spectrum that could be released in the coming years for electronic communication services (700MHz band, L-band 1452-1492MHz and the 2300-2400 MHz band) together with a list of all existing but unallocated spectrum (2.1GHz and 2.6 GHz bands). The BIPT sought the input of the sector concerning its interest in those frequencies and the optimal timing of such release. For the 700 MHz spectrum, the BIPT proposed an auction around 2020 potentially with the current 2G and 3G spectrum and license duration of 25 years. The BIPT is also consulting on the possibility to review the current spectrum caps which are currently defined per band in the different Royal Decrees and to replace them by two caps for spectrum below and above 1GHz or by an overall spectrum cap including all spectrum owned by an operator. The BIPT intends to launch a consultation on the review of all concerned Royal Decrees.

The norm for electromagnetic fields in Belgium is a regional matter. These norms are different depending on the region. In the Brussels Capital Region, the norm was 3V/m to be shared between all operators and all technologies. The mobile operators had repeatedly criticized this norm which was the most stringent in the world, obliged them to deploy additional sites and seriously hindered the possibility to roll out new mobile technologies in Brussels such as 4G on top of 2G and 3G. Finally, the environmental framework was modified, imposing a global norm of 6 V/m. The modification of the Ordinance was

adopted on 24 January 2014 and the executing decree on the 3 April 2014. The new legal framework entered into force on 15 May 2014.

In December 2013, the Walloon government adopted a decree which imposes a tax on pylons of EUR 8,000 per 'site', applicable to all mobile operators for the 2014 financial year. Under this legislation, all users of 'sites' are jointly liable towards the Walloon region for the tax related to shared sites. Proximus considers the legality of this tax to be questionable. End of June 2014, an annulment request was filed before the Constitutional Court by all three mobile operators. In addition, the Belgian State intervened in the procedure stating that the Walloon Region unlawfully intervened in the (fiscal) competences of the communes. Two new decrees have been adopted by the Walloon Region in December 2014, extending the tax for 2015, without change in scope or in rate. A new annulment request before the Constitutional Court will be filed in due time. Further to the recent developments a.o. the new decrees for 2015, the implementation measures and the assessment notice for 2014 amounting to EUR 13.2 million, Proximus reviewed its position and recorded a liability per 31 December 2014. Proximus intends to further safeguard its legal rights and will not pay the tax as long as legal procedures are pending.

# Cable & broadband regulation

On 12 November 2014, the Brussels Court of Appeal confirmed the 2011 regulatory decision to open up Telenet's cable network to competitors. Back in 2011, Telenet attacked this decision, disagreeing with the obligation that was imposed on it to open up its network to competitors (i) for analogue TV (for all competitors) and (ii) for digital TV and broadband resale for all competitors (e.g. Mobistar), except Proximus. The Court rejected all of Telenet's arguments. This means that Telenet should continue to open up its network for wholesale access (analogue/digital TV and broadband resale). Additionally, in response to Proximus appeal in this case, the Court asserted that, back in 2011, the regulators did erroneously exclude Proximus from wholesale access to digital TV and broadband resale on Telenet's cable network. Proximus has therefore currently the right to request full access to the Telenet network. Decisions for VOO and

Numericable networks are still pending. A review of the television market should be performed in 2015.

In July 2011, the Belgian regulators (CRC – Conférence des régulateurs du secteur des communications électroniques i.e. media regulators and BIPT) adopted a decision to regulate Proximus broadband network. In this decision, the regulators obliged Proximus to offer alternative operators a regulated access to its broadband network. This 2011 decision was appealed by Proximus that challenged the non-inclusion of cable in the analysis. On 3 December 2014, the Brussels Appeal Court annulled the CRC decision of 2011, criticizing the approach towards coaxial cable networks. According to the Court, the regulators did not motivate properly why they did not take account of cable broadband networks in defining the Proximus regulation.

On 18 December 2014, the CRC adopted a « repair » decision. The decision merely adds some motivations and does not modify the conclusion of the market analysis (Proximus as sole dominant) nor the obligations imposed to Proximus. Since the repair decision of 18 December does not answer to the criticism of the Court, Proximus appealed it (2 February 2015). A new analysis of the broadband market (based on more recent market conditions) is being prepared by the regulators and is expected in 2015.

At this point, no formal regulatory obligations rest on Proximus for *Fiber-to-the-home (FTTH)*. The BIPT intends however to address this in its upcoming market review expected in 2015.



# Networks

On 23 May 2014, the directive aiming at a reduction of the cost of roll-out of broadband networks was published. The text aims to achieve this by measures such as promoting sharing of infrastructure, better coordination of civil works, better information about the infrastructure, etc. Civil engineering, such as digging up roads to lay fibre, can account for up to 80% of the costs of deploying high-speed networks and the Commission claims that these measures can save as much as 30% on the cost of rolling out a fibre network. Member States have to transpose the Directive into their national legislations by 1 January 2016 and must apply the new measures by 1 July 2016. As the Directive only sets minimum requirements, Member States may adopt additional measures in this area.

The fixed interconnection prices (BRIO) were set by the BIPT on 26 November 2008 for the period 2008-2010 and no new decision has been adopted so far. The prices set in 2008 remained therefore applicable in 2014. They will be reviewed in 2015. A BIPT consultation is expected in the first or second quarter of 2015 with new rates applicable as from the fourth quarter of 2015.

On 13 January 2015, the BIPT took its final decision concerning the tariffs for the provision of wholesale access products (Ethernet transport for bitstream services and IPTV platform sharing) (applicable as from March). This decision is the first applicable result of the modelling exercise started in 2011 and aims to define new cost oriented regulated tariffs for Proximus "NGN/NGA" fixed network.

On 20 May 2014, the BIPT fined Proximus EUR 403.000 for alleged errors in the technical specifications of its wholesale VDSL reference offer "WBA" (limitations of certain features not accurately described). The BIPT considers that Proximus was in breach of its "transparency obligation" regarding its regulated reference offers. This follows a complaint filed by an alternative operator that claimed that the errors affected their ability to develop services to compete with Proximus. The reference offer was updated in November 2012. Proximus appealed this decision.



# Consumer protection

The BIPT has put a strong focus on transparency about the availability of networks in Belgium and has undertaken three actions in this respect: (i) publication of mobile internet coverage maps; (ii) publication of fixed internet

speed maps and (iii) creation of a tool with real speed information and availability per address. In its “Atlas” project, the BIPT started with the mobile networks for which maps are expected to be published in the first half of 2015.

In parallel, the BIPT has started the data collection regarding the fixed internet speed maps but has not yet communicated on a possible publication date.

# Universal service

After long years during which Proximus was subject to a broad universal service obligation, the law of 10 July 2012 modifying the telecom law of 13 June 2005 initiated a modernization of these services. In 2013, the BIPT decided to lift the payphone obligation and the Government decided that no new obligations must be imposed for the directory enquiry services and the paper and electronic directories.

The notion of functional internet access has been extended by the same law to include broadband provisioning. In this respect, the Royal Decree of 2 April 2014 has set at 1 Mbps (100% coverage for reasonable requests) the minimum speed that Belgian citizens are entitled to. The provision of internet access with this minimum speed will now have to be guaranteed to all. To this end, it may be decided that an open procedure for designation has to be organised. In any case, the BIPT confirmed the idea that a consortium of operators is the best way to guarantee a cost effective technologically neutral nationwide offer of 1Mbps. In its draft operational

plan for 2015, the BIPT also takes into account the possibility that the designation of an operator would not be considered as an adequate answer to the needs of the universal service and considers the possibility to change the legal framework in this respect.

So far, Proximus has never been compensated for providing the Universal service. The former funding system set in 2005 was challenged by competitors before the Courts, which led after several years of legal procedure to a modification of the telecom law in 2012. Mobistar and KPN/BASE jointly filed a request for annulment of the new legal provisions before the Belgian Constitutional Court regarding the inclusion of the social tariffs for mobile voice and internet subscriptions in the universal service obligations compensation system and the possibility to ask a compensation for the net costs related to the offer of social tariffs as from mid 2005. On 19 December 2013, the Constitutional Court rejected the appeal and confirmed the possibility of retroactive funding

since 2005. Proximus renewed its request for compensation immediately after the entering into force of this law. In May 2014, the BIPT started the process for the assessment of a possibility of an unfair burden for the period 2005-2012.

*Concerning the compatibility with the Universal service directive of social tariffs related to internet and mobile voice subscriptions, the Advocate-General (AG) of the European Court indicated, on 29 January 2015, that the inclusion of mobile telephony in the social tariffs is not compatible with the EU directive. The AG specifies that Belgium will be allowed to impose “additional mandatory services” for mobile telephony but that the funding of these services cannot be made through the sectorial universal service fund. This advice is not binding but is generally followed by the Court. Final ruling by the EU Court is expected in the coming months. After this ruling, the case will go back to the Belgian court that will have to take the final decision.*

# Net neutrality

'Net neutrality' represents the idea that equivalent types of traffic shall be treated equally when providing internet access services.

This issue has been debated in the context of the package presented on 12 September 2013 by the European Commission to address the fragmentation of the EU telecom sector. The Commission

proposed to address the issue of 'net neutrality' via a ban on blocking or throttling of competing services and to impose more transparency obligations while allowing explicitly specialized services (i.e. the right to offer higher or guaranteed speeds at an increased price to customers in need of a premium service). In April 2014, the EU Parliament on its side pushed for a more restrictive

approach to specialized services and traffic management. Discussions are still ongoing at the EU Council level. Once Member States in the Council formally agree on a position, they can negotiate with Parliament and the Commission to arrive at a final version.

# Retail services

On 24 September 2014, the BIPT took its final decision concerning the third round analysis of the national retail fixed voice traffic markets (residential and business).

The BIPT decided to de-regulate these markets and to withdraw the obligations imposed by the previous market analysis of November 2008, a.o. the immediate reflection

of 100% of the fixed and mobile termination rates decreases in the retail tariffs.



# Corporate governance statement

Corporate governance aims to define a set of rules and behaviours according to which companies are properly managed and controlled, with the objective of increasing transparency. It is a system of checks and balances between the shareholders, the Board of Directors and the Executive Committee. Belgacom is committed to comply with the legal and regulatory obligations and best practices.

## Belgacom's governance model

At Belgacom, the by-laws are strongly influenced by the specific legal status of the company. As a limited liability company under public law, Belgacom is in the first instance governed by the Law of 21 March 1991 on autonomous public sector enterprises ("the 1991 Law"). For matters not explicitly regulated otherwise by the 1991 Law, Belgacom is governed by the Belgian Company Code. The key features of Belgacom's governance model are:

- a Board of Directors, which defines Belgacom's general policy and strategy and supervises operational management;
- the creation by the Board of Directors within its structure of an Audit and Compliance Committee, a Nomination and Remuneration Committee and a Strategic and Business Development Committee;
- a Chief Executive Officer, who takes primary responsibility and ownership for operational management (including, but not limited to, day-to-day management);
- an Executive Committee, which assists the Chief Executive Officer in the exercise of her duties.



# Designation applicable Code on Corporate Governance

Belgacom designates the 2009 Belgian Code on Corporate Governance as the applicable Code.

## Board of Directors

As provided for in the 1991 Law, the Board of Directors is composed of:

- Directors appointed by the Belgian State in proportion to its shareholding;
- Directors appointed by a separate vote among the other shareholders, for the remaining seats. At least 3 of these Directors must be independent according to the criteria of article 526ter of the Belgian Company Code and the criteria of the Belgian Corporate Governance Code. The Board of Directors is composed of maximum 16 members, including the person appointed as Chief Executive Officer.

Today the Board is composed of 14 members.

### Changes in the composition of the Board of Directors

On 13 January 2014, Mrs Dominique Leroy was appointed Chief Executive Officer for a renewable term of 6 years.

On 16 April 2014, the mandates of Mr Pierre-Alain De Smedt and Mr Oren G. Shaffer came to an end as they reached the age limit of seventy years.

On 16 April 2014, Mrs Agnès Touraine and Mrs Catherine Vandenborre were appointed as independent Directors.

The mandate of Mr Theo Dilissen would normally take an end on 28 February 2015. According to the by-laws of the Company, it is up to the Belgian State to renew this mandate or to replace this member. Awaiting a decision of the Belgian State to renew the mandate or to appoint a new member, the Board of Directors has, based on the principle of continuity, tacitly extended the mandate.

Belgacom is proud of a substantial female representation on its Board of Directors, with a balance of 50% men and 50% women. This composition and the complementary expertise and skills of all directors create a dynamic which benefits the good management of the company.

### Members of the board of directors appointed by the Belgian state

Name	Age	Position	Term
Stefaan De Clerck	63	Chairman	2013 - 2019
Dominique Leroy <sup>(1)</sup>	50	Chief Executive Officer	2014 - 2020
Theo Dilissen	60	Director	2004 - 2015
Martine Durez	63	Director	1994 - 2019
Laurent Levaux	59	Director	2013 - 2019
Isabelle Santens	55	Director	2013 - 2019
Paul Van de Perre	61	Director	1994 - 2019

(1) Appointed on 13 januari 2014

## Members of the board of directors appointed by the Annual General Shareholder's Meeting

Name	Age	Position	Term
Jozef Cornu	70	Independent Director	2009 - 2015
Pierre Demuelenaere	56	Independent Director	2011 - 2017
Guido J.M. Demuynck	64	Independent Director	2007 - 2019
Pierre-Alain De Smedt <sup>(1)</sup>	71	Independent Director	2004 - 2014
Carine Doutrelepon	54	Independent Director	2004 - 2016
Oren G. Shaffer <sup>(1)</sup>	71	Independent Director	2004 - 2014
Agnès Touraine <sup>(2)</sup>	60	Independent Director	2014 - 2018
Lutgart Van den Berghe	63	Independent Director	2004 - 2016
Catherine Vandenborre <sup>(2)</sup>	44	Independent Director	2014 - 2018

(1) Mandate until 16 April 2014

(2) Mandate as of 16 April 2014

## Functioning of the Board of Directors

The Board of Directors meets whenever the interests of the company so require or at the request of at least two Directors. In principle, the Board of Directors meets every year in 5 regularly scheduled meetings.

The Board of Directors must also yearly evaluate the strategic long-term plan in an extra meeting.

In general, the Board's decisions are made by simple majority of the Directors present or represented, although for certain issues a qualified majority is required.

The Board of Directors has adopted a Charter which, together with the charters of the Board Committees, reflects the principles by which the Board of Directors and its Committees operate.

The Board Charter provides, among other things, that important decisions should have broad support, understood as a qualitative concept indicating effective decision-making within the Board of Directors following a constructive dialogue between Directors. Files on important decisions should be prepared by standing or ad hoc Board Committees with significant representation of non-executive, independent Directors within the meaning of Article 526ter of the Belgian Company Code.

The Corporate Governance Charter and the Charter of the Board of Directors have been updated in February 2014 whereby the notion "conflict of interest" received a broader interpretation.



# Committees of the Board of Directors

In accordance with the by-laws, Belgacom has an Audit and Compliance Committee, a Nomination and Remuneration Committee and a Strategic and Business Development Committee.

## Audit and Compliance Committee

The Audit and Compliance Committee (ACC) consists of 3 non-executive Directors, the majority of whom must be independent. In line with its charter, it is chaired by an independent Director.

The Audit and Compliance Committee's role is to assist and advise the Board of Directors in its oversight of:

- the financial reporting process;
- efficiency of the systems for internal control and risk management of the company;
- the company's internal audit function and its efficiency;
- the quality, integrity and legal control of the statutory and the consolidated annual accounts and the financial statements of the company, including the follow-up of questions and recommendations made by the auditors;
- the relationship with the company's auditors and the assessment and monitoring of the independence of the auditors;
- the company's compliance with legal and regulatory requirements;
- compliance within the company with the company's code of conduct and the dealing code.

The Audit and Compliance Committee meets at least once every quarter.

Messrs Pierre-Alain De Smedt (Chairman) and O.G. Shaffer were members of the Audit and Compliance Committee until 16 April 2014. Since 8 May 2014, the Committee is composed of Messrs Guido J.M. Demuynck (Chairman), Paul Van de Perre and Mrs Catherine Vandenborre.

## Nomination and Remuneration Committee

The Nomination and Remuneration Committee (NRC) consists of 5 Directors, the majority of whom must be independent. In line with its charter, this Committee is chaired by the Chairman of the Board of Directors, who is an ex-officio member.

The Nomination and Remuneration Committee's role is to assist and advise the Board of Directors regarding:

- the nomination of candidates for appointment to the Board of Directors and the Board Committees;
- the appointment of the Chief Executive Officer and of the members of the Executive Committee on proposal of the CEO;
- the appointment of the Secretary General;
- the remuneration of the members of the Board of Directors and the Board Committees;
- the remuneration of the Chief Executive Officer and members of

the Executive Committee;

- the review on an annual basis of the remuneration philosophy and strategy for all personnel, and specifically the compensation packages of Top Senior Management;
- the oversight of the decisions of the Chief Executive Officer with respect to the appointment, the dismissal and the compensation of Management;
- the preparation of the remuneration report and the presentation of that report at the Annual General Shareholders meeting;
- corporate governance issues.

The Nomination and Remuneration Committee meets at least 4 times a year.

The first meeting each year reviews the performance, budgets for payout of bonuses and merits, and long-term and short-term incentive plans. At that meeting an annual review of the philosophy and strategy of the remuneration is also discussed. At the second meeting the Nomination and Remuneration Committee fixes the performance measurement targets of the Chief Executive Officer and the members of the Executive Committee through Key Performance Indicators. In addition to these meetings, the Committee organizes a meeting on Human Resources and a meeting on Corporate Governance.

In 2014, Messrs Stefaan De Clerck, Jozef Cornu, Pierre-Alain De Smedt (until 16 April 2014), Pierre Demuelenaere (as of 8 May 2014), Mrs Martine Durez and Mrs Lutgart Van den Berghe were the members of the Nomination and Remuneration Committee.

### Strategic and Business Development Committee

The Strategic and Business Development Committee (SBDC) consists of 6 Directors. In line with its charter, the Chief Executive Officer and the Chairman of the Board of Directors are ex-officio members, and the Committee is chaired by the Chairman of the Board of Directors.

One additional member is chosen among the Directors appointed by the Belgian State. 3 members must be appointed among the Directors appointed by the General Shareholders Meeting.

The Strategic and Business Development Committee's role is to review envisaged acquisitions, mergers and divestments over EUR 100 million and to review large corporate restructuring programs.

If appropriate, the Board of Directors can decide on establishing a special ad hoc Committee, dealing with a specific subject, and composed of members with the appropriate experience.

In 2014, Mr Stefaan De Clerck, Mrs Dominique Leroy (as of 13 January 2014), Mr Jozef Cornu, Mr Theo Dilissen, Mrs Carine Doutrelepon and Mrs Agnès Touraine (as of 8 May 2014) were the members of the Strategic and Business Development Committee.

## Deviation from the 2009 Belgian Corporate Governance Code

Belgacom complies with the 2009 Belgian Corporate Governance Code, except for provisions 4.6. and 4.7.

The independent Board members Mrs Agnès Touraine and Mrs Catherine Vandenborre were appointed in April 2014 for a 4 years mandate until 2018, in line with provision 4.6. of the Corporate Governance Code. However, Board

Directors appointed by the Belgian state have a mandate for 6 years as prescribed by article 18 § 3 of the 1991 Law. In accordance with provision 20 § 2 of the 1991 law, Mrs Dominique Leroy was appointed on 13 January 2014 as CEO and Board member for a renewable mandate of 6 years.

Where provision 4.7 of the 2009 Belgian Corporate Governance Code states that the Board appoints its Chairman, article 18 § 5 of the 1991 Law foresees that the Chairman is appointed by the Belgian State by Royal Decree deliberated in the Council of Ministers.



# Transactions between the company and its Board Members and Executive Managers

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

In accordance with article 523 of the Belgian Company Code, Mrs Dominique Leroy, Chief Executive Officer declared, during the Board of Directors of 24 January 2014, to have a conflict of interest in connection with the “CEO Contract”, item on the agenda of this Board meeting.

In accordance with article 523 of the Belgian Company Code, Mrs Dominique Leroy declared, during the Board of Directors of 27

February 2014, to have a conflict of interest in connection with the “Employee incentive plans”, item on the agenda of this Board meeting and more specifically on the determination of the Short & Long Term Incentives granted to her under the Plan 2011.

In accordance with article 523 of the Belgian Company Code, Mr Laurent Levaux declared, during the Board of Directors of 18 December 2014, to have a conflict of interest in connection with the “bpost Contract”, item on the agenda of this Board meeting.

On 24 February 2011, the Board adopted a “related party transactions policy” which governs all transactions or other contractual

relationships between the company and its board members.

Belgacom has contractual relationships and is also a vendor for telephony, internet and/or ICT services for many of the companies in which Board members have an executive or non-executive mandate. These transactions take place in the ordinary course of business and at arm's length. Belgacom is also a Partner of Guberna, the Belgian Institute for Directors (affiliated with Mrs Lutgart Van den Berghe who is Executive Director of Guberna), for which it has paid a fee of EUR 30,250 in 2014.

## Activities Report of the Board and Committee meetings

In 2014, 8 meetings of the Board of Directors were held, 6 meetings of the Audit and Compliance Committee, 7 of the Nomination and Remuneration Committee and 3 of the Strategic and Business Development Committee.

A list with the attendance of the members is included in the Remuneration Report.



# Application of the measures taken by the company in order to comply with legislation on insider trading and market manipulation (market abuse)

In order to comply with legislation on insider trading and market manipulation, Belgacom adopted a dealing code prior to the Initial Public Offering. This code aims to create awareness about possible improper conduct by employees, Officers and Directors and the possible sanctions. This dealing code has been widely communicated and is available to all employees. A list of

key persons is kept, and all Directors and key employees were requested to sign an affidavit that they had read, understood and agreed to comply with the dealing code. Closed periods (including prohibited periods) are defined and any deal must be communicated to and cleared by the Director Group Legal and Compliance before transaction (see “Compliance” section on p. 10).

## Evaluation of the Board

The Board performed a self-evaluation in December 2012 and actions were defined and implemented in 2013. The Board of Directors plans to organize a new self-evaluation in the course of 2015.

## Executive Committee

### Chief Executive Officer

The Chief Executive Officer is appointed by the Belgian State by Royal Decree deliberated in the Council of Ministers.

Appointments are for a renewable 6-year term and can be terminated only by Royal Decree deliberated after discussion in the Council of Ministers. In line with the 1991 Law and the company's by-laws, the Chief Executive Officer is a member of the Board of Directors. The Chief Executive Officer and the Chairman of the Board of Directors must come from different language groups.

The Chief Executive Officer is entrusted with day-to-day management, and reports to the Board of Directors. In addition, in line with the 1991 Law and the company's by-laws, the Board of Directors may,

deciding by a majority of two thirds of its members present or represented, delegate all or part of its powers to the Chief Executive Officer, with the exception of:

- the approval of the Management Contract with the Belgian State and changes to it;
- the establishment of the business plan and general policy of the company;
- the supervision of the Chief Executive Officer;
- other powers explicitly reserved by law to the Board of Directors which include, for example, the establishment of the annual accounts for submission to the General Shareholders' Meeting and the preparation of merger proposals.

The Board of Directors has delegated broad powers to the Chief Executive Officer.

The current Chief Executive Officer is Mrs Dominique Leroy. Her renewable 6-year fixed-term contract started on 13 January 2014.

The members of the Executive Committee are appointed and dismissed by the Board of Directors at the proposal of the Chief Executive Officer, after consultation of the Nomination and Remuneration Committee.

The powers of the Executive Committee are determined by the Chief Executive Officer. The Executive Committee's role is to assist the Chief

Executive Officer in the exercise of her duties.

The Executive Committee aims to decide by consensus, but in the event of disagreement, the view of the Chief Executive Officer will prevail.

The Executive Committee generally meets on a weekly basis.

In 2014, the Executive Committee, in addition to the Chief Executive Officer, was composed of the following members:

Name	Age	Position
Michel GEORGIS	62	Chief Human Resources Officer
Dirk LYBAERT	54	Chief Corporate Affairs Officer
Geert STANDAERT	45	Chief Technology Officer
Ray STEWART	66	Chief Financial Officer
Renaud TILMANS	46	Chief Customer Operations Officer
Bart VAN DEN MEERSCHE	57	Chief Enterprise Market Officer
Phillip VANDERVOORT	53	Chief Consumer Market Officer

Mr Bruno Chauvat, who was the Executive Vice President Strategy & Content, left the company on 24 January 2014.

Mr Dirk Lybaert was appointed as Chief Corporate Affairs Officer on 24 January 2014.

Mr Phillip Vandervoort was appointed as Chief Consumer Market Officer as of 1 April 2014.

Mr Renaud Tilmans was appointed as Chief Customer Operations Officer as of 25 May 2014.

Mrs Sandrine Dufour is the new Chief Financial Officer as of 1 April 2015 as Mr Ray Stewart is retiring on that date.



## Board of Auditors

The Board of Auditors of the company is composed as follows:

- Deloitte Auditors SC sfd SCRL, represented by Mr Geert VERSTRAETEN also Chairman of the Board of Auditors
- Mr Romain LESAGE, Member of the Court of Auditors;
- Mr Pierre RION, Member of the Court of Auditors;
- Luc Callaert SC sfd SPRLU, represented by Mr Luc CALLAERT

Deloitte Auditors SC sfd SCRL, represented by Mr G. Verstraeten and Mr N. Houthaeve, are responsible for the audit of the consolidated financial statements of Belgacom and its subsidiaries.

The other members of the Board of Auditors are, together with Deloitte, entrusted with the audit of the non-consolidated financial statements of Belgacom as parent company.

Mr Lesage's mandate was renewed on 1 July 2014. The mandates of Mr Rion, Deloitte and Callaert will expire at the annual General Shareholders Meeting in 2016.

### Additional fees paid to the auditors

In accordance with the provisions of Article 134§2 of the Belgian Company Code, Belgacom declares the supplementary fees that it granted during the 2014 financial year to two auditors, members of the Joint Auditors: Deloitte Auditors SC sfd SCRL and Luc Callaert SC sfd SPRLU.

The Group spent during the year 2014 an amount of EUR 489,966 for non-mandate fees for Deloitte Auditors SC sfd SCRL, the Group's auditors. This amount is detailed as follows:

(in EUR)	Auditor	Network of auditor
Other mandatory audit missions	44,116	0
Tax advice	0	0
Other missions	73,104	372,746
Total	117,220	372,746

The Group also spent during the year 2014 an amount of EUR 1,606 for non-mandate fees paid to Luc Callaert SC sfd SPRLU.

This amount is detailed as follows:

(in EUR)	Auditor
Other mandatory audit missions	1,606
Tax advice	0
Other missions	0
Total	1,606

# Government Commissioner

On 17 April 2012, Mr Michel Vanden Abeele was appointed Government Commissioner in order to supervise, in conformity with the 1991 Law, the management of Belgacom from an administrative point of view. Mr Amaury Caprasse was appointed Deputy Government Commissioner.

## Compliance

### Role of Compliance at Belgacom

In an increasingly complex legal and regulatory context and a changing business environment, compliance plays an increasingly important role in the business world.

The Belgacom Group Compliance Office is responsible for coordinating compliance activities within the Belgacom Group explaining the applicable rules, providing with the required tools to encourage compliance, and ensuring a consistent approach to compliance within the Group.

Our compliance program is a key building block for our Corporate Social Responsibility strategy (more info available in the CSR section).

All employees must perform their daily activities and their business objectives according to the strictest ethical standards and principles using the Code of conduct “The way we do responsible business”, as reflected in multiple Group and Company policies and procedures as their guide.

Moreover, our new company values aim to inspire our employees in their daily behaviour and attitudes. Ethical behaviour is thus not

limited to the texts of the Code of Conduct and basic guiding policies and procedures, which only reflect a summary of the main basic principles and are thus not exhaustive. The Code of conduct is available on [www.belgacom.com](http://www.belgacom.com) and [www.proximus.be](http://www.proximus.be).

### Organization of compliance activities

The Compliance Office is managed by the Director Group Legal & Compliance, who reports directly to the Chairman of the Audit and Compliance Committee (ACC). The ACC Charter determines the ACC’s responsibility in helping and advising the Board of Directors with respect to monitoring Belgacom’s compliance with the legal and regulatory requirements, as well as internal compliance with the Code of Conduct “The way we do responsible business” and the Group policies and procedures.

### The Compliance Program

Ethical behaviour and respect for the values are part of the compliance approach within the Belgacom Group.

In line with the former years’ actions, the following efforts have been done in 2014 in order to improve the visibility of the Group Compliance strategy:

- Specific measures have been taken in order to improve the knowledge and the importance of compliance matters to new hires (i.e. welcome manual, introduction trainings; etc.)
- A training identification process and training roadmap has been developed together with the Proximus Corporate University. Extra attention has been given to compliance matters in the Summer School.
- In addition, more specific measures concerning the training of employees have been set up, such as the creation of a direct link on the compliance intranet to relevant e-learning; the update of existing and the development of new e-learning with respect to compliance and more specifically concerning competition law, Chinese walls and anti-bribery.
- Particular emphasis has been given to minimum Group compliance principles to be respected by affiliates by means of the development of a “Group affiliates process flow” and



an “Affiliates handbook” that can be used as an instructions manual.

- Our Whistleblowing procedure is available on a Group level.
- An important awareness campaign has been launched towards our staff through the intranet and by posters concerning information security.
- Proximus published in 2013 a new anti-bribery policy, which establishes a zero tolerance principle towards any form of corruption. Special attention was given to this policy by starting with the set-up of a specific company wide e-learning in this respect.
- Re-launch of annual updates of

policies, procedures and trainings given the fast changing business environment.

The compliance domains which were the compliance focus areas for 2014 were:

1. Cyber security
2. The digital workplace program: Document retention; Confidentiality of information; Enterprise social collaboration and Digital Mailroom.
3. Competition law
4. Chinese walls
5. Privacy
6. Due diligence & certification

7. Compliance for new hires
8. Compliance for affiliates



# CV members of the board of directors

## **Dominique LEROY <sup>(1)</sup>**

Chief Executive Officer and Director of Belgacom since 13 January 2014, more info see p.17 Executive Committee.

## **Stefaan DE CLERCK <sup>(2)</sup>**

Mr Stefaan De Clerck is the Chairman of the Belgacom Board of Directors since September 20, 2013. He has been Member of Belgian Parliament from October 1990 until October 2013. From June 1995 until April 1998 and from December 2008 until December 2011, he was the Belgian Minister of Justice. He has been the Mayor of the city of Kortrijk (Belgium) from January 2001 until end of December 2012. Mr De Clerck holds a Master's Degree in Law from the Catholic University of Leuven.

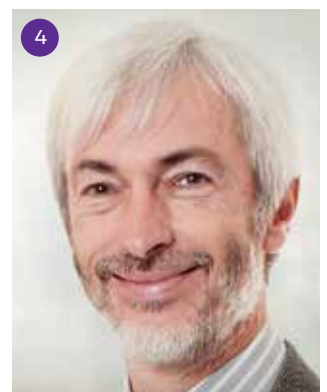
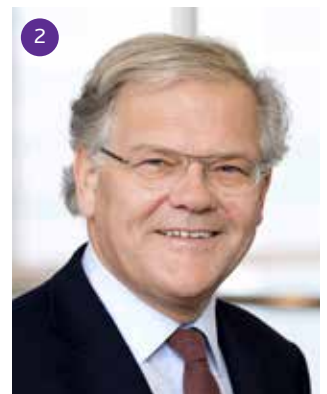
## **Jozef CORNU <sup>(3)</sup>**

Mr Jozef Cornu embarked on his career at the Brown Boveri Research Center (now ABB) in Switzerland in 1970. From 1973 until 1982, he held various positions in Bell Telephone Mfg Co, the Belgian subsidiary of the ITT Group. From 1982 to 1984, he was CEO of Mietec, a start-up semiconductor company. From 1984 to 1987, he was General Manager of Bell Telephone Mfg Co. From 1988 to 1995, he was a member of the Management Board of Alcatel NV, before assuming the

post of General Manager of Alcatel Telecom from 1995 to 1999. From 2000 to 2008, he was a member of the board of Alcatel (and later Alcatel-Lucent) and advisor to the chairman until 2004. From 2006 to 2007, he was chairman of ISTAG (Information Society Technologies Advisory Group) of the European Union. From 2007 to 2008, he was chairman of Medea+, the European Eureka programme for research in Microelectronics. Mr Cornu was CEO of Agfa-Gevaert from December 2007 until end of April 2010 and remains a member of its board of directors. He is also a non-executive director at KBC. Since 13 November 2013, Mr Cornu is the Chief Executive Officer of the NMBS (Belgian Railways). He holds a degree of civil engineer in electrical and mechanical engineering from the Catholic University of Leuven, as well as a Ph.D. in electronics from Carleton University in Ottawa, Canada.

## **Pierre DEMUELENAERE <sup>(4)</sup>**

Mr Pierre Demuelenaere is the co-founder, President & CEO of I.R.I.S. (Image Recognition Integrated Systems), a company created in 1987 to commercialize the results of his PhD. Mr Demuelenaere has more than 30 years of experience in Imaging and Artificial Intelligence. He has accumulated a solid experience in technology company management, R&D management and setting up of international partnerships with US and Asian companies (HP,



Kodak, Adobe, Fujitsu, Samsung, Canon...).

Throughout the years, he has remained very involved in defining the R&D vision of I.R.I.S. and has contributed to the development of new technologies, new products and the filing of a number of patents.

Pierre Demuelenaere received the “2001 Manager of the Year” award and I.R.I.S. the “2002 Company of the year” award. In 2008, Data News elected him as ICT Personality of the Year. He is also member of the board of directors of Pairi Daiza, BSB and Guberna and was a director of the Board of BSB, insurance and banking software company during 7 years.

In 2013, Pierre Demuelenaere has successfully negotiated the acquisition of I.R.I.S. Group by Canon. The company has now become member of Canon Group. Mr Demuelenaere is a civil engineer in Micro-electronics from the Université Catholique de Louvain (UCL) and received his PhD in Applied Sciences in 1987.

#### **Guido J.M. DEMUYNCK <sup>(5)</sup>**

Until December 2010, Mr Demuynck was CEO of Liquavista. Before that, he held various positions within Royal Philips Electronics NV from 1976 until 2002. Amongst others, he was Vice President Marketing Audio in the USA, CEO of Philips in South Korea, General Manager Line of Business Portable Audio in Hong Kong, CEO Group Audio in Hong Kong. In 2000, he became CEO Product Division Consumer Electronics in Amsterdam and

member of the Group Management Committee of Philips. In 2003, Mr Demuynck joined Royal KPN where he became member of the Board of Management and CEO of the Mobile Division (KPN Mobiel Netherlands; Base Belgium, E-Plus Germany). Until July 2008, he was the CEO of Kroymans Corporation BV in the Netherlands. Mr Demuynck is also member of the Supervisory Board of TomTom since June 2005. As from May 2011, he is also a Board member of Teleplan International N.V. As from January 2012, he is also board member of Divitel BV and Aito BV. As from March 2014, he is a board member of WIZZ AIR Holding Plc. He holds a degree in Applied Economics from the University of Antwerp (UFSIA) and a degree in Marketing from the University of Ghent (R.U.G).

#### **Theo DILISSEN <sup>(6)</sup>**

Since January 2014, Mr Dilissen is Chairman of the Board of Directors of Swissport Belgium (Swissport is an international ground handler at airports). Since January 2011, Mr Dilissen is member of the Board of Directors of Eurostar.

Mr Dilissen was Chairman of the Board of Directors of Belgacom from October 2004 until March 2012. From June 2010 until March 2012, he was CEO of Arcadis Belgium. From September 2005 until the end of March 2009, he was CEO and afterwards Chairman of Aviapartner. Previously, Mr Dilissen was CEO, Managing Director and Vice-Chairman of Real Software and from 1989 to 2000, he was COO and member of the Board of ISS (a Danish publicly



listed company). He studied Sociology and holds a Master in Business Administration.

### **Carine DOUTRELEPONT <sup>(7)</sup>**

Mrs Doutrelepont is a lawyer at the Brussels' Bar and member of the Bar of Paris. She is the founding partner of the Belgian law firm Doutrelepont & Partners, which specialises in Information and Communication Technologies, Intellectual property, Media law, Competition matters and European law. She holds a State PhD in European Law from the University of Brussels (ULB). She is a Professor of Media Law, Intellectual Property Law, and European Law at the ULB Faculty of Law, at the Institute for European Studies, as well as in universities in other countries. For years, she has worked as an Expert for the European Commission, at the Belgian Senate and at the Belgian Competition Council. Since 2008, she is a Member of the Royal Academy of Belgium (Technology and Society Section). She is the author of several books and publications. Mrs Doutrelepont is also member of the Board of King Baudouin Foundation and of Belfius Bank.

### **Martine DUREZ <sup>(8)</sup>**

Mrs Durez was the Chief Financial and Accounting Officer at bpost until January 2006, when she became Chairman of the Board of bpost until June 2014. Mrs Durez was also Professor of Financial Management and Analysis at the University of Mons-Hainaut until

2000. She has also served as a member of the High Council of Corporate Auditors and the Committee of Accounting Standards and as a special emissary at the Cabinet for Communication and State Companies. Since 2010, she is a member of the Royal Academy of Belgium (Technology and Society Action). She served as a regent of the National Bank of Belgium. Mrs Durez graduated as a Commercial Engineer and holds a PhD in Applied Economics from the University of Brussels (ULB).

### **Laurent LEVAUX <sup>(9)</sup>**

A 'magna cum laude' graduate in Economics at UCL (Brussels, Belgium), Laurent Levaux began his career at the age of 22 at the head of a small struggling company in Liège, at the time employing some 100 people.

Four years later, the company was turned round, developed and was merged with a large international group.

He next obtained an MBA from the University of Chicago (1985) before going to work for McKinsey & Co, where he spent some 10 years, the last 4 as a partner, undertaking strategic and restructuring assignments throughout Europe. In 1995, he joined the Executive Committee of Belgian steel group Cockerill-Sambre as head of its non-steel subsidiaries, in particular CMI, a loss-making company, where he was CEO. When he left CMI in February 2003, it was a debt-free, growing and profitable engineering and maintenance Group.

In March 2003, Laurent Levaux became CEO of ABX LOGISTICS,





a multinational logistics group, headquartered in Belgium, a company which suffered heavy losses since its creation in 1998. From 2003, the results have been constantly improved to reach a level amongst the best of the industry. In October 2008, ABX LOGISTICS merged with the Danish Group DSV, quoted in Copenhagen. Since October 2008, Laurent Levaux is Chairman and CEO of Aviapartner. Aviapartner, which is headquartered in Brussels, is a leading player in ground-handling services to passengers on the European continent.

#### **Isabelle SANTENS <sup>(10)</sup>**

Isabelle Santens is President and CEO of Andres NV, a Belgian fashion company that designs, produces and distributes the ladies clothing brands XANDRES, XANDRESXLINE and HAMPTON BAYS. After studies at the KUL of Geography and Economics, she joined Andres in 1985, became Director of Design and turned CEO in 2000. She turned the company from a mere production oriented facility to a sales & marketing driven company with focus on building strong brands and opening pilot stores. She is also a board member in several cultural institutions.

#### **Agnès TOURAINE <sup>(11)</sup>**

Agnès Touraine is CEO of Act III Consultants, a management consulting firm dedicated to digital transformation. Previously, Mrs Touraine was Chairman and CEO of Vivendi-Universal Publishing,

a \$4.7 billion company after having spent 10 years with the Lagardère Group as Head of Strategy and CEO of the mass market division and 5 years with McKinsey. She is graduated from Sciences-Po Paris and Columbia University (MBA). She sits on the Boards of Darty Plc and Neopost SA, as well as non-for-profit organizations such as The French-American Foundation, The Women's Forum and IDATE. Since May 2014, she is Chairwoman of the Board of Directors of IFA (French Governance Institute).

#### **Catherine VANDENBORRE <sup>(12)</sup>**

Catherine Vandendorre is Chief Financial Officer at Elia. Previously, she has been member of the executive committee of APX-ENDEX, an Anglo-Dutch gas and electricity exchange based in Amsterdam and CEO of Belpex. She began her career at Coopers & Lybrand as an auditor. Mrs Catherine Vandendorre is member of various Boards among which Contassur, an insurance company, and Powernext, a French power exchange. She holds a degree in Business Economics from the UCL as well as degrees in Tax Law and Management of Financial Risks. She attended the International Executive Program at Insead.

#### **Lutgart VAN den BERGHE <sup>(13)</sup>**

Mrs Lutgart Van den Berghe is Executive Director of GUBERNA (Belgian Governance Institute) and Extra-Ordinary Professor at the University of Ghent (B).





She is a Partner of the Vlerick Business School, where she served for many years as Chairman of the Competence Center “Entrepreneurship, Governance and Strategy”.

She is a Member of the Belgian Commission for Corporate Governance and Non-Executive Director in several companies, such as Electrabel (B) and Belfius (B). At EcoDA (European Confederation of Directors’ Association), she is a member of the Board and Chairwoman of its Policy Committee. Mrs Lutgart Van den Berghe is Doctor in Business Economics of the University of Ghent (B).

#### **Paul VAN de PERRE <sup>(14)</sup>**

Mr Van de Perre is the co-founder of GIMV (Venture Capital Firm and listed on Euronext) and was formerly a director of Sidmar (Arcelor-Mittal), Thomassen Drijver Verblifa Belgium, Sunparks (division of Sunair) and other companies. He is currently director of Greenbridge Incubator (University of Ghent), Scientific Investment Board (University of Brussels), president of the Board of Director of Thenergo (listed on Euronext), member of the Investment Committee of ParticipatieMaatschappij Vlaanderen (PMV). Mr Van de Perre is CEO of Five Financial Solutions (corporate finance) and CEO of Caesar Real Estate Fund (real estate finance). Mr Van de Perre holds an MBA in Economics and is a certified accountant (IAB).



# Members of the Belgacom Executive Committee

## Dominique LEROY <sup>(1)</sup>

Since January 2014, Dominique Leroy is the Chief Executive Officer and presides the Executive Committee of Belgacom. She joined Belgacom as Vice President Sales for the Consumer Business Unit in October 2011 and was nominated Executive Vice President of the Consumer Business Unit of Belgacom in June 2012. Prior to Belgacom, Mrs Leroy worked for 24 years at Unilever. She was Managing Director of Unilever Belux and member of Unilever's Benelux Management Committee. She previously held various positions in Marketing, Finance and Customer Development. Mrs Leroy is member of the Boards of Tango in Luxembourg, Telindus Luxembourg and BICS and is an independent Board Member at Lotus Bakeries. Mrs Leroy holds a master in Business Engineering from the Solvay Business School.

## Sandrine DUFOUR <sup>(2)</sup>

Sandrine Dufour has been a member of the Management Committee since January 2015 and will take up the function of Chief Financial Officer in April 2015. Prior to Proximus, Sandrine Dufour has worked for 15 years at Vivendi. From May 2013 until the end of 2014, she was Executive Vice President Finance & Strategy of the SFR group. Before that, Sandrine

Dufour was Deputy Chief Financial Officer and Director of Innovation of the Vivendi group. She previously held various positions in Finance in France and the US. Before joining Vivendi in 1999, Sandrine Dufour worked as a Financial Analyst at BNP and then at the brokerage firm CAI Cheuvreux. She holds degrees from the ESSEC business school (École Supérieure des Sciences Economiques et Commerciales), SFAF (French Society of Financial Analysts) and the CFA (Chartered Financial Analyst).

## Michel GEORGIS <sup>(3)</sup>

From June 2007 until December 2011, Michel Georgis was the Executive Vice President of the Consumer Business Unit Belgacom. Since 1 January 2012, he is the Chief Human Resources Officer. He is member of the Boards of Tango in Luxembourg, Scarlet Belgium, Wireless Technologies (The Phone House), Pension Fund and Proximus Foundation. As of May 2005 and until the integration in January 2010, he was the CEO of Proximus (Belgacom Mobile). Prior to this position, he was as of January 2004 the Chief Operations Officer at Proximus. He joined Proximus in January 2000 as Executive Vice President Sales, Marketing & Customer Operations. Michel Georgis started his career in 1977 at Coca-Cola Belgium. In 1991, he joined Interbrew, where he held different positions before



becoming Sales & Marketing Director Central & Eastern Europe. Michel Georgis holds a Master's degree in Applied Economics from the Catholic University of Leuven.

#### **Dirk LYBAERT <sup>(4)</sup>**

Dirk Lybaert is Chief Corporate Affairs Officer, regrouping the following areas of responsibilities: Group Communications, Legal, Public Affairs, Regulatory, Security Governance & Investigations, Risk Management and Internal Audit. He is also member of the Board of Belgacom International Carrier Services (BICS) and of Belgacom Opal.

Mr Lybaert was since 2005 Secretary General of Belgacom. From 1995 until 2007, he was an assistant at the Law Faculty at the University of Brussels for the course "Named Contracts". From 2000 to 2005, he held different positions within the Legal department of Belgacom. Prior to Belgacom, he was an officer at the Federal Police, where he reached the position of Lieutenant Colonel, director of the AntiTerrorism Program.

Mr Lybaert has Master's degrees in Law, Business Law and Criminology as well as degrees in Advanced Management and Social and Military Sciences.

#### **Geert STANDAERT <sup>(5)</sup>**

Geert Standaert is Chief Technology Officer. He is part of the Executive Committee since March 2012. In this function, he oversees all IT development, Service Engineering, Technical

Infrastructure & Operations for the Group as well as the Wholesale activities.

Mr Standaert joined the Group in 1994 and held Director positions in various disciplines, including IT, Infrastructure Operations and Data Operations before becoming Vice President Customer Operations in 2007.

Mr. Standaert holds a Master's degree in Civil Engineering from the University of Ghent (RUG).

#### **Ray STEWART <sup>(6)</sup>**

Ray Stewart is Chief Financial Officer. Prior to Belgacom, from 1994 until 1997 he was the Chief Financial Officer for Matav, the incumbent telephone company in Hungary. From 1991 to 1994, he was the Chief Financial Officer for Ameritech International which was the International Business Development unit for Ameritech headquartered in Chicago. He has a Business Undergraduate degree in Accounting and a Masters of Business Administration in Finance. He is also a Certified Public Accountant. Ray Stewart is a member of the Board of following Belgacom affiliates: Belgacom International Carrier Services (BICS), Connectimmo and Belgacom Group International Services (BGIS). He is also a member of the Board of Directors of Nyrstar since September 2007 and of the Board of Directors of bpost since September 2014.



**Renaud TILMANS <sup>(7)</sup>**

Renaud Tilmans joined the Executive Committee as Chief Customer Operations Officer in May 2014.

In this function, he works with his teams to align procedures and create synergies between the operational after-sales activities of the different Business Units. He joined the Group in 1993 and occupied various Director positions in the ICT and Network fields before becoming Vice President Customer Operations of the Service Delivery Engine & Wholesale Business Unit in 2012.

Renaud Tilmans is a Civil Engineer and holds degrees in IT and Management.

currently member of the boards of Telindus Luxembourg, Belgacom Bridging ICT and Belgian Mobile Wallet (Sixdots).

**Phillip VANDERVOORT <sup>(9)</sup>**

Phillip Vandervoort has joined the Belgacom Group in April 2014 as Chief Consumer Market Officer. Before, he has worked with several important companies, such as Dupont de Nemours International, Union Minière, Interbrew/Inbev and, since 2007, Microsoft Corporation.

Phillip Vandervoort is Industrial Engineer and holds a bachelor in Business Administration. He is also member of the boards of Tango and Scarlet Belgium.

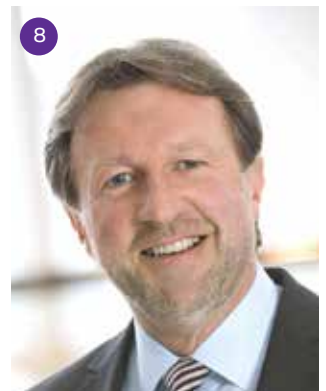
**Bart VAN DEN MEERSCHE <sup>(8)</sup>**

Bart Van Den Meersche is Chief Enterprise Market Officer.

Mr Van Den Meersche joined Belgacom in January 2011 after 28 years of experience in the ICT sector through a professional career with IBM, of which 16 years in different Management positions, including 8 years as Country General Manager of IBM Belgium/Luxembourg. In his last year at IBM, he was Vice President Industries & Business Development IBM South-West Europe and a member of the IBM South-West Europe Executive Management Team.

Bart Van Den Meersche holds a master in Mathematics from the Catholic University of Leuven.

Bart Van Den Meersche was during 6 years President of Agoria ICT and was also a member of the Board of Agoria, VOKA and VBO/FEB. He is



# Remuneration report 2014

This report consists of an overview of the key elements of the executive remuneration policy and a summary of the remuneration effectively allocated in 2014 to the Directors and to the Executive Committee, Chief Executive Officer included.

Transparency on executive remuneration is considered by our company as very important. Therefore, in conformity with the corporate governance law of April 6, 2010 and Principle 7 of the corporate governance Code 2009, our company provides the following information towards its shareholders and all other stakeholders: the description of the Directors' remuneration and a high level explanation of

the Group remuneration policy. Furthermore, it includes an analysis of our executive remuneration and provides an overview of the main provisions of the contractual relationships.

In January 2014, Mrs. Dominique Leroy has been appointed at the head of our company as Chief Executive Officer. In the context of her nomination, the Nomination and Remuneration Committee has made a number of changes to the remuneration structure of the Chief Executive role, resulting in a sharp overall decrease in on-target remuneration relative to her predecessor. With this nomination, a new ceiling has also been defined in our executive remuneration policy, which is taken

into consideration for every new member entering the Executive Committee.

One year ago, the members of the Board of Directors gave a clear signal that they wanted to share the efforts asked to the management and to the employees: the Board of Directors decided to apply a reduction of 10% on its remuneration of 2014. This measure was in line with the decision taken by the Executive Committee to voluntarily reduce, for the 2013 performances of the top 170 of the company, the envelope for the individual part of their short-term variable remuneration by 10%.





# Director's Remuneration

## Directors' remuneration policy

The remuneration of the Directors was decided by the General Shareholders' Meeting of 2004.

The principles of this remuneration did not change in 2014: it foresees an annual fixed compensation of EUR 50,000 for the Chairman of the Board of Directors and of EUR 25,000 for the other members of the Board of Directors, with the exception of the CEO. All members of the Board of Directors, with the exception of the CEO, have the right to an attendance fee of EUR 5,000 per attended meeting of the Board of Directors. This fee is doubled for the Chairman. Attendance fees of EUR 2,500 are

foreseen for each member of an advisory committee of the Board of Directors, with the exception of the CEO. For the Chairman of the respective advisory committee, these attendance fees are doubled.

Nevertheless, as mentioned above, the Board of Directors has decided to apply a reduction of 10% on the remuneration of 2014.

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

The Chairman of the Board of Directors is also Chairman of the Joint Committee and of the Pension Fund. Mrs. Martine Durez and Mr. Theo Dilissen are members of the Board of the Pension Fund. They do not receive any fees for these participations.

For the execution of their Board mandates, the Directors do not receive performance-based remuneration such as bonuses or long-term incentive programs, nor do they receive benefits linked to pension plans.

# Overview of Directors' Remuneration

The individual Directors' remuneration for the fiscal year 2014, based on their activities and attendance at Board and Committee meetings, is presented in enclosed chart. This chart reflects the reduction of 10% on the remuneration of 2014.

Activities report and attendance at Board and Committee meetings:

Name	Board (total 8)	ACC (total 6)	NRC (total 7)	SBDC (total 3)	Total remuneration*
Stefaan De Clerck	8/8		7/7	3/3	166,000 €
Dominique Leroy <sup>(1)</sup>	7/7			3/3	0 €
Jozef Cornu	7/8		7/7	3/3	78,500 €
Pierre Demuelenaere <sup>(2)</sup>	7/8		2/2		60,500 €
Guido Demuyne <sup>(3)</sup>	7/8	6/6		1/1	83,000 €
Pierre-Alain De Smedt <sup>(4)</sup>	3/3	1/1	2/4		29,646 €
Theo Dilissen	8/8			2/3	65,000 €
Carine Doutrelepon	8/8			2/3	65,000 €
Martine Durez	8/8		7/7		76,250 €
Laurent Levaux	3/8				38,000 €
Isabelle Santens	7/8				56,000 €
Oren G. Shaffer <sup>(4)</sup>	3/3	1/1			22,896 €
Agnès Touraine <sup>(5)</sup>	4/5			2/2	39,854 €
Paul Van de Perre	8/8	6/6			74,000 €
Lutgart Van den Berghe	8/8		7/7		76,250 €
Catherine Vandenborre <sup>(6)</sup>	4/5	4/5			44,354 €

\*Total remuneration: telecom advantage included

ACC: Audit and Compliance Committee;

NRC: Nomination and Remuneration Committee;

SBDC: Strategic and Business Development Committee

(1) Mandate as of 13 January 2014

(2) Member of the NRC as of 8 May 2014

(3) From member to chairman of the ACC and not member anymore of the SBDC, both on 8 May 2014

(4) Mandate ended on 16 April 2014

(5) Mandate as of 16 April 2014 and member of the SBDC as of 8 May 2014

(6) Mandate as of 16 April 2014 and member of the ACC as of 8 May 2014





# Global reward policy and principles

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

Because of our history as a public-service company, there are some differences in our dynamics and structure, compared to the private sector. This has a considerable influence on how our remuneration policy has evolved. Our company's Human Resources developed creative and adaptable programs to deal with its obligations related to the statutory employment status of some of its workforce, and introduced new elements that harmonised policies between civil servants and contractual employees.

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

The objectives of our Global Rewards Program are:

- To drive performance that generates long-term profitable growth;
- To stimulate empowerment that reinforces the business strategy and desired culture;
- To offer fair and equitable remuneration both to civil servants and to the group's contractual employees, according to market practices;
- To recognize and reward high performance;
- To link pay to both individual performance and the overall success of our company;
- To enable our company to attract and retain market's talents at all levels;
- To combine the needs and responsibilities of employees and their families with those of the company and society as a whole.

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

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

# Executive Remuneration

## Objectives and principles

Our company has a balanced executive remuneration policy which rewards executives competitively and at rates which are attractive in the market, aligning the interests of management and shareholders. We want to attract and retain high performing top executives for our Executive Committee and for our senior management. We want to reward clear role models, who have a commitment to high performance and to our Group values.

The top executives are covered by dedicated reward programs which focus on the principles of our strategy to consistently reward high performance by individuals and by the company. A significant proportion of the

total remuneration offered to our company's executives is variable and performance related, driven by our company's objectives in terms of performance and growth. This way, our company wants to encourage its executives to deliver a long-term, sustainable profitable growth, in line with our Group's strategy and the expectations of our shareholders.

To distinguish ourselves from other employers, we seek to excel in the total package we offer, by providing not only cash but also numerous other benefits. A fundamental principle of our remuneration policy is a degree of freedom for executives in choosing how they want to be rewarded.





	Remuneration element	Description	Strategic role
Fixed	Basic remuneration	Involves fixed cash compensation, the base salary	Attracts talents Rewards for performance of day to day activities
	Retirement, post-employment & other benefits	Regroup a market conform portfolio of benefits and advantages	Attracts talents through advantages which are competitive in the market place
Variable	Short-term variable remuneration	Is based on achievements of annual measures of which 60% is driven by Group Performance and 40% by individual leadership performance	Drives and rewards annual performance of our company Drives and rewards sound strategic and business decisions for our long term company's success Aligns interests of management and shareholders
	Long-term variable remuneration	Consists of a Performance Value Plan based on our company's Total Shareholder Return versus a predefined basket of European telecom operators	Aligns & drives senior management's long-term performance with shareholders' expectations Ensures right decisions for the future success of our company Attracts and retains talents

## Definition of the level of compensation

The Nomination & Remuneration Committee sets the remuneration policy for top executives and decides on the individual packages for the CEO and for the members of the Executive Committee. These are regularly verified by benchmarking executive pay against both the BEL 20 companies (financial sector excluded) and a set of peer companies in the European Telecommunications and ICT sector.

The current remuneration policy does not provide for a specific contractual claw back stipulation in favour of our company for the variable remuneration of executive managers accorded on the basis of incorrect financial information, this without deterioration of the various legal provisions applicable between the concerned individuals and the company (e.g. Acts of July 7, 1978, April 12 1965 and February 10, 2003 concerning the claw back possibilities from employees in case of fraud, serious fault and usual minor fault, civil liability, etc.).

## Executive Committee's remuneration policy

As outlined above, a new Chief Executive Officer, Mrs. Dominique Leroy, has been appointed in January 2014 at the head of our company. In the context of her nomination, the Nomination and Remuneration Committee has made a number of changes to the remuneration structure of the Chief Executive Officer role, resulting in a sharp overall reduction in on-target remuneration relative to her predecessor. Compared to similar roles in comparable companies, her target remuneration has been set below median.

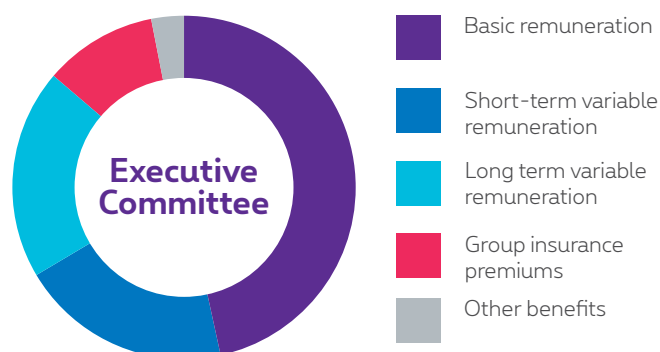
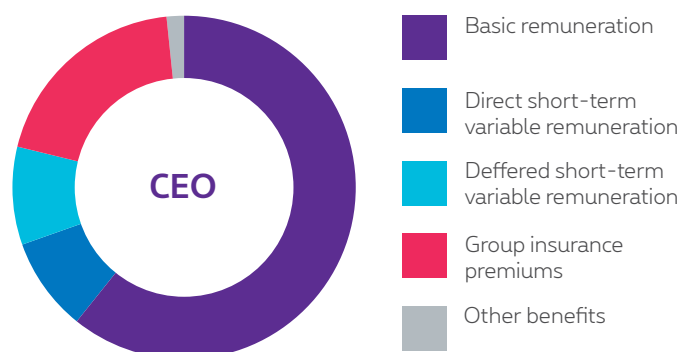
With her nomination, a new ceiling has also been defined in our executive remuneration policy, which is taken into consideration for every new member entering the Executive Committee.

# Overview of Executive Committee's remuneration

The executive remuneration policy is built upon fixed components, being the basic remuneration, the retirement and post-employment benefits and other benefits, and variable performance based components, being the short-term variable remuneration and the long-term variable remuneration.

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

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



The composition of our company's Executive Committee evolves over the time, in view of continuous efficiency improvement. Since her nomination as CEO in January 2014, Mrs. Dominique Leroy has boosted the profound transformation our company initiated in 2013. This transformation has moved up a gear under her leadership and with the full support of the Board of Directors, of the Executive Committee and of the employees in a large extent.

One of pillars of this transformation consisted in a review of the company organization, starting by the roles and responsibilities within the Executive Committee.

The changes in the composition of the Executive Committee, CEO included, have clearly impacted the remuneration allocated in 2014 and reported in this document.

## Basic remuneration

The basic remuneration of the Executive Committee members is annually reviewed by the Nomination & Remuneration Committee, based on an extensive review of performance and assessment of potential provided by the CEO, as well as on external benchmarking data on market practices.

The basic remuneration consists in the base salary earned by the CEO and by the other members of the

Executive Committee for the reported year in such respective roles. The CEO, Mrs. Dominique Leroy, is also a non-remunerated member of the Board of Directors.

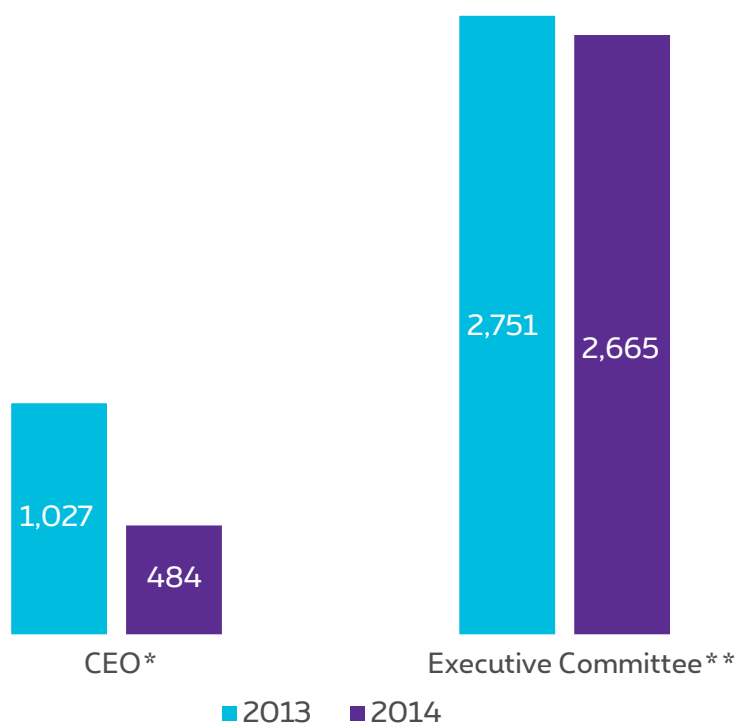
The evolution in the figures is due to the changes within the Executive Committee composition.

### Basic remuneration in kEUR before employer's social contribution

Variance 2013/14 in a few words:

\* Appointment of our new CEO, Mrs. Dominique Leroy, on January 13, 2014

\*\* Important changes within the Executive Committee in 2014



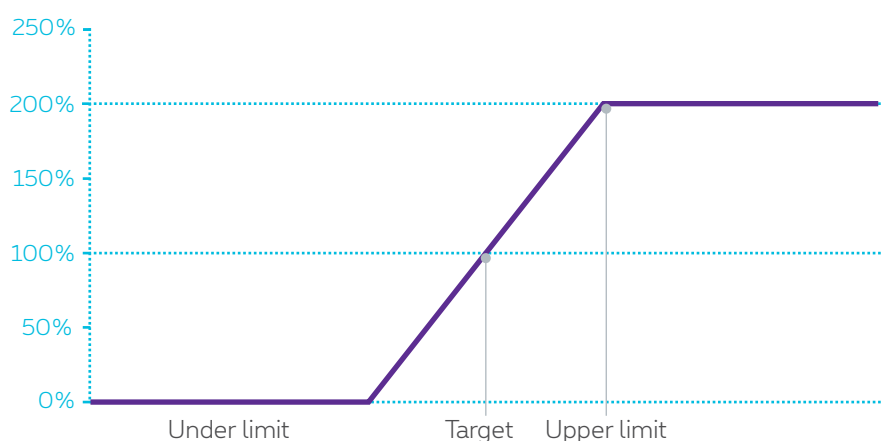
## Short-term variable remuneration

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

Our company wants to position top executive short-term variable remuneration for the achievement of targets at 100%. In case of sustained excellent performance at company and individual level, the short-term variable remuneration can go above the 100% with a cap at 200% (see allocation curve).

A linear allocation curve with an upper and lower limit is adopted for each component of the short-term variable remuneration.

Short-Term Variable Remuneration:  
Allocation curve



### Short-term variable remuneration components

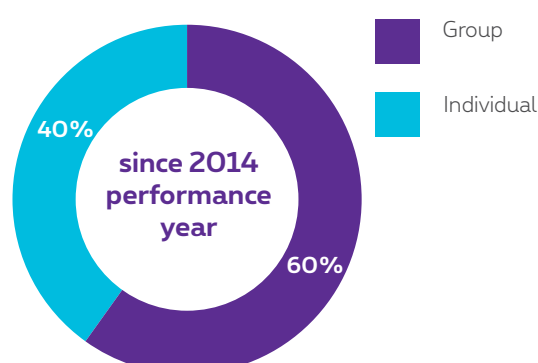
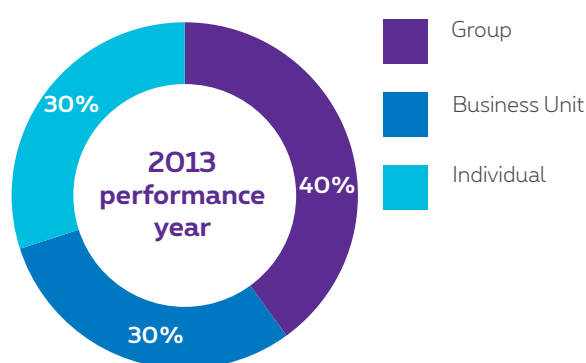
This curve determines the short-term variable remuneration that is granted to the members of the executive committee, based on the effective result of each component.

Early 2014, the balance between the components determining the effective allocation of the

short-term variable remuneration has been reviewed, shifting the focus towards Group realization. Therefore, since performance year 2014, only the Group and individual performance are taken into consideration, in line with our new values. Our company considers close collaboration of all employees to be imperative, all efforts need to be focused and aligned towards Group success.

The amounts mentioned in present remuneration report are related to the actual short-term variable remuneration paid out in 2014, rewarding performance year 2013. For performance year 2013, the short-term variable remuneration policy for the Executive Committee was still taking into account not only the Group and individual performance but also the Business Unit performance.

The short-term variable remuneration policy for the members of the Executive Committee recently evolved, putting an increased emphasis on the Group performance.



### Key Performance Indicators

Short-term annual variable pay is thus partly calculated in relation to performance against Key Performance Indicators (KPI's) set by the Board of Directors upon advice of the Nomination & Remuneration Committee. These performance indicators include financial indicators as well as non-financial indicators at Group level.

The achievement of these KPI's are regularly followed-up and communicated. The results are

based on audited financial figures and non-financial indicators measured by internal and external agencies specialised in market and customer intelligence, of which the processes are audited on a regular basis.

The performance indicators at Group level are as follows

- The key financial indicator used is the operational cash flow
- Another financial indicator used is the number of new customers in voice, fix, internet and TV business
- Important non-financial indicators

included are Simplification and Customer Experience, measuring our progresses versus our ambition in these domains

- Another operational indicator is the "employee engagement index", measuring on a yearly basis our employees' engagement, agility and strategic alignment.

For the short-term variable remuneration allocated in 2014, related to performance year 2013, an additional Group performance indicator had been defined: the cost of the transformation program.



## Short-term variable remuneration allocation

The Group result is calculated based on a predefined formula which takes into account the different KPI's at predefined weights. And on top of the Group results, the individual performance is evaluated versus pre-defined measurable objectives.

The short-term variable remuneration is paid through one of the options of the "Short-Term Incentive Plan". The CEO and the members of the Executive Committee can currently choose to receive their short-term variable remuneration in cash bonus or under the "Discounted Share Purchase Plan".

The Discounted Share Purchase Plan provides the right to buy allocated shares at a 16.66% discount. The value of this 16.66% discount is equal to the gross value of the short-term incentives result. The executive himself finances 83.34% of the full share purchase price, requiring a significant

personal investment. The shares are treasury shares and are blocked for a period of two years.

The members who performed (part of) the performance year 2013 as members of the Executive Committee all opted to receive their short-term variable remuneration in 2014 in cash bonus.

The former President & CEO left the Group in November 2013 and current CEO started her mandate in January 2014. As a consequence, no short-term variable remuneration has been paid out for a CEO role in the reported year 2014.

Short-term variable remuneration will be allocated to Mrs. Dominique Leroy in her CEO role at first in 2015.

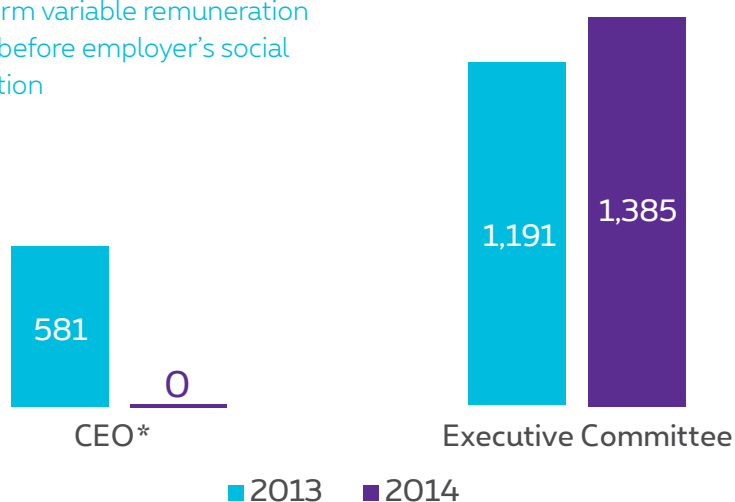
Besides, as per her contract and in accordance with article 520 ter of the Belgian Company Code, the short-term variable remuneration of the CEO will be spread over 3 years.

Indeed, 50% of her variable remuneration will be related to performance indicators of the 2014 accounting year while the other 50% will be deferred: 25% will be related to performance indicators pertaining over a period of 2 years and 25% will be related to performance indicators pertaining over a period of 3 years.

As already mentioned and as per decision taken early 2014 by the Executive Committee, the envelope for the individual part of the short-term variable remuneration of the top 170 of the company (Executive Committee members included) has been reduced by 10%.

Despite this 10% decrease on the individual part, the short-term variable remuneration reported for the members of the Executive Committee slightly increased in 2014 in comparison with previous year, which is mainly due to better KPI results for performance year 2013 compared to performance year 2012.

## Short-term variable remuneration in kEUR before employer's social contribution



\* CEO role for performance year 2013: No short-term variable remuneration granted to the former President & CEO in 2014 due to the ending of his employment contract on November 15, 2013

CEO role for performance year 2014: Current CEO started her mandate on January 13, 2014. For her short-term variable remuneration, as defined by the article 520 ter of the Belgian Company Code, 50% is payable in 2015, 25% in 2016 and 25% in 2017, pertaining to performance indicators on 2 years and on 3 years. For the performance year 2014, the Board of Directors has assessed that the CEO has exceeded the targets and goals defined by the Board of Directors. The 50% payable in 2015 amounts to EUR 118,950.

## Long-term variable remuneration

### Long-Term Performance Value Plan

The long-term incentive plan offered by our company to its executives is currently a “Long-Term Performance Value Plan”. This plan aims to keep our executive remuneration policy balanced and attractive, as well as compliant with the shareholders’ expectations.

Our Performance Value Plan is fully performance driven and transparent, aligned on market best practices and is inspired by Long-Term Incentive Plans used by other European Telecommunications companies.

The performance criterion of this plan is the Total Shareholder Return. Our Total Shareholder Return is measured against the respective Total Shareholder

Return of a basket of 12 other European telecom operators. Under this Performance Value Plan, the granted awards are blocked for a period of 3 years, after which the Performance Values vest. After this period, the possible exercising rights depend on the performance of our Total Shareholder Return compared to a group of peer companies.

Companies included in the basket are:

Deutsche Telekom	Vodafone
Telekom Austria Group	BT
Telefonica	Telecom Italia
KPN	TDC
Portugal Telecom	Swisscom
TeliaSonera	Orange

The members of the Executive Committee can choose between 3 different pay-out options being cash, Discounted Shares Purchase Plan, and Belgacom shares. These options cannot be combined and the preferred pay-out option has to be made at the date of grant and is irreversible.

The members who performed (part of) the performance year 2013 as members of the Executive

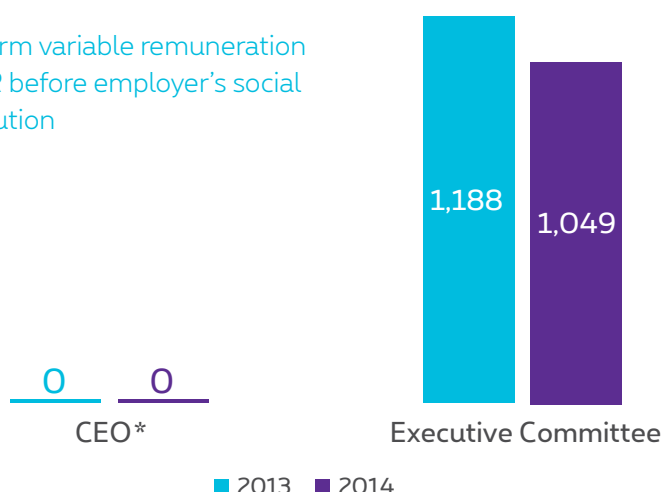
Committee all opted to receive their long-term variable remuneration in 2014 in cash bonus. This implies employer social contributions to be taken into account.

The former President & CEO left the Group in November 2013 and current CEO started her mandate in January 2014. As a consequence, no long-term variable remuneration has been granted to a CEO in the reported year 2014.

As per the contract of the CEO, the Board of Directors can perform an evaluation of the merit of the CEO with respect to long term value creation. In case of a positive evaluation, the Board of Directors can decide to increase the variable fee if through the approval of the remuneration report an agreement is reached at the General Shareholders meeting, preceding such decision.

The long-term variable remuneration reported for the members of the Executive Committee slightly decreased in 2014 in comparison with last year, which is mainly due to changes in the composition of the Executive Committee.

Long term variable remuneration in kEUR before employer’s social contribution



\* CEO role in 2013: The long-term variable remuneration granted to the former President & CEO has been cancelled upon the ending of his employment contract on November 15, 2013, according to plan rules

\* CEO role in 2014: Current CEO started her mandate on January 13, 2014. For the performance year 2014 (granting 2015), no long-term variable remuneration has been granted to the CEO.

## Former long-term variable remuneration plan: Stock Options

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

The remaining stock options of current members of the Executive Committee, CEO included, and their evolution in the course of 2014 is presented in the enclosed chart.

### Overview of the Stock Options of the CEO and of the other members of the Executive Committee

		Dominique LEROY	Michel GEORGIS	Dirk LYBAERT	Geert STANDAERT	Ray STEWART	Bart VAN DEN MEERSCHÉ
<b>on January 1st, 2014, Stock options remaining from previous years:</b>		12,665	211,017	47,796	29,295	245,825	70,000
Stock options exercised during reported year	Number	0	88,835	32,860	21,295	185,519	55,000
	Year of grant of options exercised	-	2007, 2008, 2010	2006, 2007, 2008, 2010 & 2012	2007, 2008, 2010 & 2012	2010, 2011 & 2012	2011
Stock options lapsed during reported year	Number					22,312	
	Year of grant of options lapsed					2007	
Stock options forfeited during reported year	Number						
	Year of grant of options forfeited						
<b>TOTAL</b>		12,665	122,182	14,936	8,000	37,994	15,000

Renaud Tilmans and Phillip Vandervoort do not have stock options.

## Retirement, post-employment and other benefits

### Retirement and post-employment benefits

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

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

### Other benefits

Our Group wants to stimulate its executives by offering a portfolio of benefits and advantages that are competitive in the market place and consistent with the Group's culture. The CEO and the other members of the Executive Committee receive benefits on top of their remuneration, including medical insurance, the use of a company car, welfare benefits and other benefits in kind.

## General overview

The enclosed chart reflects the remuneration and other benefits paid directly or indirectly to the members of the Executive Committee in 2014 by the company or any other undertaking belonging to the Group (benefit based on gross or net remuneration, depending on the type of benefit). The year-over-year

evolution of the figures is mainly the consequence of the changes in the composition of the Executive Committee, including the change of CEO (the former President & CEO left the Group in November 2013 and current CEO started her mandate in January 2014).

### Overview basic and variable remuneration of the CEO and other members of the Executive Committee.

Remuneration	CEO		Other members of the Executive Committee*	
	2013	2014	2013	2014
Basic remuneration	1,026,727	483,696	2,751,044	2,665,045
Short-term variable remuneration	581,115	0	1,190,971	1,384,979
Long-term Share-based variable remuneration (stock options)	0	0	0	0
Long-Term Performance Value based variable remuneration	0	0	1,188,272	1,049,439
Retirement and post-employment benefits	97,804	162,068	755,028	641,374
Other benefits	11,607	11,494	120,204	164,294
<b>SUBTOTAL (excl. employer's social contribution)</b>	<b>1,717,253</b>	<b>657,258</b>	<b>6,005,519</b>	<b>5,905,131</b>
Termination benefits	0	0	0	1,081,849
<b>TOTAL (excl. employer's social contribution)</b>	<b>1,717,253</b>	<b>657,258</b>	<b>6,005,519</b>	<b>6,986,980</b>
Employer's social contribution	365,967	14,360	1,673,311	1,998,844
<b>TOTAL (incl. employer's social contribution)</b>	<b>2,083,220</b>	<b>671,618</b>	<b>7,678,830</b>	<b>8,985,824</b>

\* The short- and long-term variable remuneration allocated to Mrs. Dominique Leroy in 2014 is reported in the column "Other members of the Executive Committee" as these amounts were rewarding her 2013 performances as member of the Executive Committee (her 1st variable remuneration in a CEO role will be allocated in 2015)



# Main provisions of the contractual relationships

## Contractual agreement related to the mandate of the CEO

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

## Main contractual terms of the CEO

The CEO is bound by a non-competition clause, prohibiting her for 12 months after leaving the Group from working for a competitor of the company in Belgium and in those countries where the Group generates at least 5% of its consolidated revenues. If activated by the company, she would receive an amount equal to one year's base salary as compensation.

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

## Main contractual terms of the other Executive Committee members

All other members of the Executive Committee, who are all bound by a non-competition clause prohibiting them for 12 months after leaving the Group from working for any other mobile or fixed licensed operator active on the Belgian market, will receive an amount equal to six months' salary as compensation.

They have a contractual termination clause which foresees an indemnity of one year's remuneration, except Mr. Michel Georgis, who's contractual termination clause foresees an indemnity of one year's remuneration plus one month pay per year of seniority acquired, with a maximum of two years' remuneration after 12 years of service.



# The Belgacom Share

## Share listing

Stock market:	First Market of Euronext Brussels
Ticker:	BELG
ISIN:	BE0003810273
National SVM code:	3810.27
Bloomberg code:	BELG BB
Thomson code:	BELG-BT
Reuters code:	BCOM.BR

Since March 2004, Belgacom's shares have been listed on Euronext Brussels under the ticker symbol BELG. The Belgacom share is a.o. included in the following leading indices: BEL20, STOXX Europe 600 Telecommunications index, STOXX Europe 600 and FTSE Eurofirst 300 index.

## Soon changing to “Proximus share”?

Following its successful commercial rebranding to one single brand by the name of 'Proximus', the company's intention is to change the legal company name in Proximus as well. Subject to the approval of the Extra-ordinary Shareholders Meeting on 15 April 2015, the new legal entity will become “Proximus SA” under public law. Consequently, this change will also be reflected in the companies' stock exchange listing.

# Performance

## Belgacom share

Overall, the European Telecom Sector continued to perform well through 2014, after an already impressive 2013. In the first half of 2014, the Telecom Sector showed an underperformance, though this was more than compensated for by an over performance in the second half, with an especially strong fourth quarter.

As such, the Telecom Sector (SXKP) delivered about twice the return of the wider European index (SXXP), supported by M&A moves and a somewhat higher dividend yield than for the wider European market. Furthermore, the Telecom Sector experienced some relief from the prior fierce price competition. For Belgian Telecom companies, and for Belgacom in particular, the more

stable pricing environment was an important driver for a very good stock performance. The Belgacom share closed the year 2014 at EUR 30.1, 40% higher versus one year ago, putting the Belgacom share in the top 3 best-performing European Telecom stocks over 2014. This compares to a 7.5% increase for the SXKP, a 4.4% increase for the SXXP and a 12.4% gain for the BEL-20 index.

Graph – Belgacom Share evolution compared to indices: Bel20 – SXXP – SXKP (€)



(source: Thomson One)

# A chronological summary

Early 2014, and throughout the rest of the year, Telecom share movements were mainly driven by M&A rumors. The Belgacom share, however, experienced a fairly stable start to the year. The fluctuations in the Belgacom share in the first two months of 2014 were mainly triggered by changes in sell-side analysts' recommendations.

On 28 February 2014, the day of its 2013 full-year earnings release, Belgacom surprised the markets with outstanding operational results and in-line financials. The company's announcement of a reduced though stable 3-year dividend, and the need for additional investments, only had a modest impact on the share, with analysts stating Belgacom was doing the right thing.

In March 2014, European Telecom shares continued to ride on a new wave of consolidation optimism. The Belgacom share was fluctuating based on positive views, related among other things to the company's announced plans to go for one brand "Proximus", as well as on the risks triggered by some aggressive competitor moves.

On 22 April 2014, the Belgacom share was listed ex-dividend (EUR 1.68 normal dividend per share). Not long after, the season of Belgian Telecom first-quarter 2014 results kicked off. In contrast to its competitors, Belgacom released on 9 May 2014 financial results in line with market expectations and presenting an operational outperformance. The Belgacom share closed 2.9% higher on the results day. The subsequent positive

broker reviews further supported the Belgacom share. As such, the Belgacom share grew by 10% over the month of May. After a fairly quiet June, apart from some more M&A talks, July was overshadowed by the concerns reported in geo-political news flows, with violence continuing to escalate in the Middle East and tensions increasing in Russia/Ukraine. The last week of July saw the start of announcements of Belgian Telecom second-quarter 2014 results. These showed a further improvement in mobile trends, giving some comfort to the market. Belgacom announced its second-quarter results on 1 August 2014, beating consensus expectations. This prompted several sell-side analysts to upgrade their Belgacom target price. Compared to end of July, the Belgacom share increased by another 11%. Supported by an international management roadshow, and positive news flows on the launch of Proximus as a single brand, the Belgacom share price continued to do well in September.

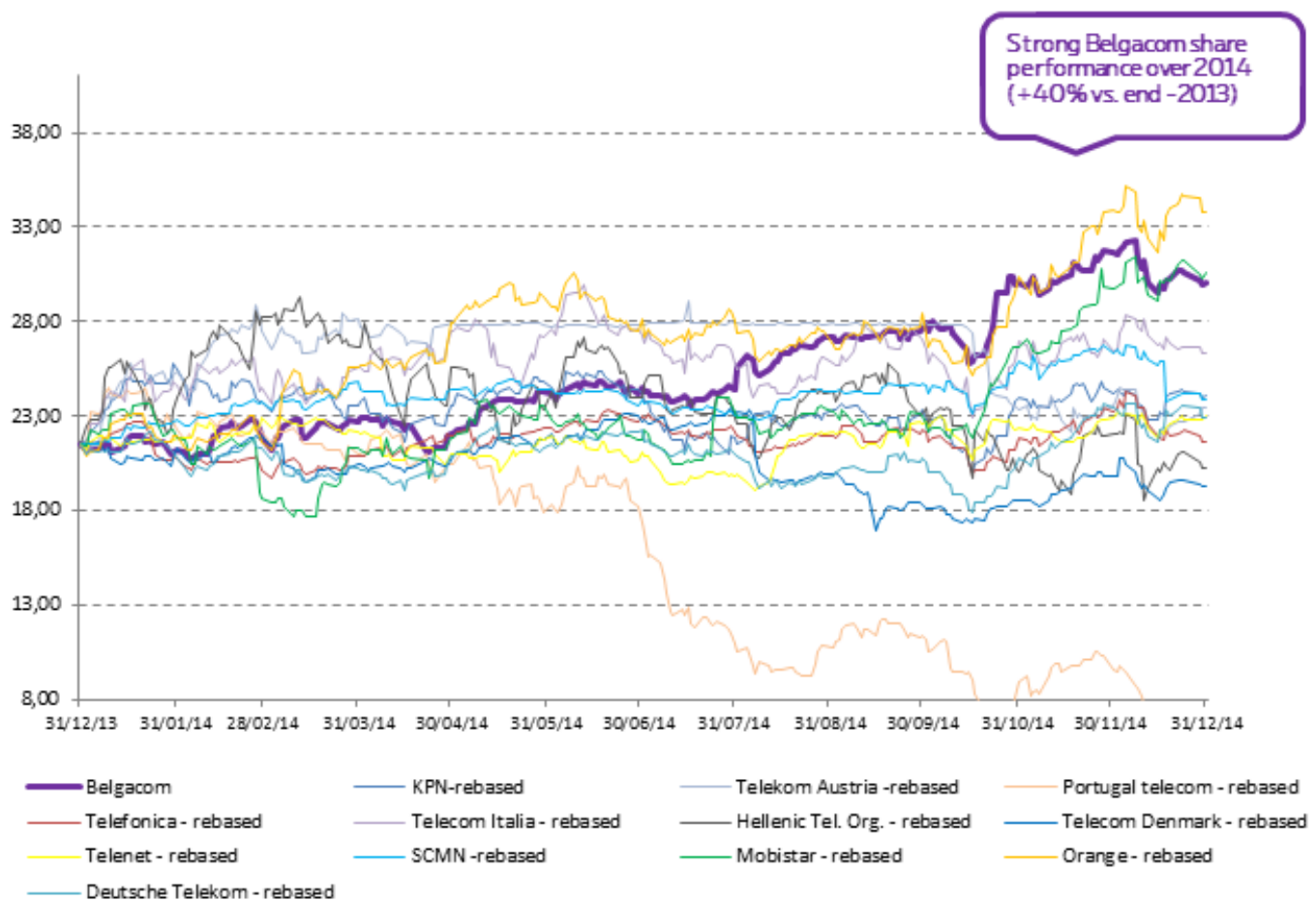
In October, however, a fairly torrid period started for markets in general on the back of increasing signals of a lagging world economy. The new Belgian government agreement including an 'active management of government participations,' fuelled some additional uncertainty for the Belgacom share. Mid-October, the mood finally started to turn with some upbeat previews and hopes in response to further evidence that a European telecom recovery was taking hold.

In the second half of October, the Belgian Telecom companies published encouraging third-quarter 2014 earnings. On the 24 October, Belgacom's third-quarter earnings release, and in particular the upgraded 2014 full-year guidance, were very positively perceived by investors. In October the Belgacom share gained 9%.

In November 2014, the Telecom Sector was a top performer, outperforming the broader indices, largely driven by continued telecom M&A enthusiasm. This was further supported by the atmosphere at Morgan Stanley's yearly TMT conference in Barcelona: this year where there was a mood of raised expectations for Telecom stocks following a strong third-quarter reporting season. Furthermore, the Belgian Telecom companies were positively impacted by Telenet's announced price increases for a number of its Fixed services.

In December 2014, once again, the market was riding on European M&A news flows, a.o. in the UK for the acquisition of a purely mobile player. This increased M&A speculation for other mobile players in Europe and in particular in Belgium. The Belgacom share slightly reacted to some Belgian market-specific news flows, with KPN announcing their withdrawal of SNOW, their fixed-line offer, and Mobistar delaying its commercial entry into the Fixed market. Finally, on 10 December, the Belgacom share went ex-dividend for the interim dividend of EUR 0.5 per share.

Graph - Belgacom Share evolution compared to a number of European peers (€)



(source: Thomson One)



# Key figures on the Belgacom share

	2009	2010	2011	2012	2013	2014
<b>Share information</b>						
Share price high	28.65	29.11	27.64	24.60	23.25	32.29
Share price low	21.67	24.31	21.40	20.80	16.32	20.78
Share price at 31 December	25.32	25.13	24.24	22.21	21.55	30.10
Annual trading volume (number of shares)	181,364,309	138,569,376	148,786,324	142,139,111	189,753,834	178,802,905
Average trading volume/day (nr. of shares)	708,454	532,959	578,935	555,231	744,133	701,188
Number of outstanding shares	320,614,683	321,482,641	317,648,821	318,321,665	318,759,360	321,230,597
Weighted average nr. of outstanding shares	320,475,553	321,138,048	319,963,423	318,011,049	318,987,711	320,119,106
<b>Key data per share as reported</b>						
EBITDA <sup>1</sup>	6.14	7.56	5.93	5.62	5.33	5.48
Net Income (Group Share) <sup>1</sup>	2.82	3.94	2.36	2.24	1.98	2.04
Ordinary dividend (gross)	1.68	1.68	1.68	1.68	1.68	1.68
Interim-dividend (gross)	0.40	0.50	0.50	0.81	0.50	0.50
Gross dividend yield <sup>2</sup>	8.2%	8.7%	9.0%	11.2%	10.1%	7.2%
Price/earning at 31 December <sup>2</sup>	8.98	6.37	10.26	9.92	10.90	14.73
<b>Key data per share before non-recurring</b>						
EBITDA <sup>1</sup>	6.10	6.18	5.97	5.66	5.37	5.37
Net Income (Group Share) <sup>1</sup>	2.79	2.57	2.41	2.27	2.02	1.96
Price/earning at 31 December	9.09	9.79	10.06	9.78	10.65	15.39
<b>Market capitalization at 31/12 (billion EUR)<sup>3</sup></b>						
	8.12	8.08	7.70	7.07	6.87	9.67

<sup>1</sup> Based on weighted average number of outstanding shares

<sup>2</sup> Based on the last closing price of the respective year

<sup>3</sup> Calculation based on number of outstanding shares and last closing price of the respective year

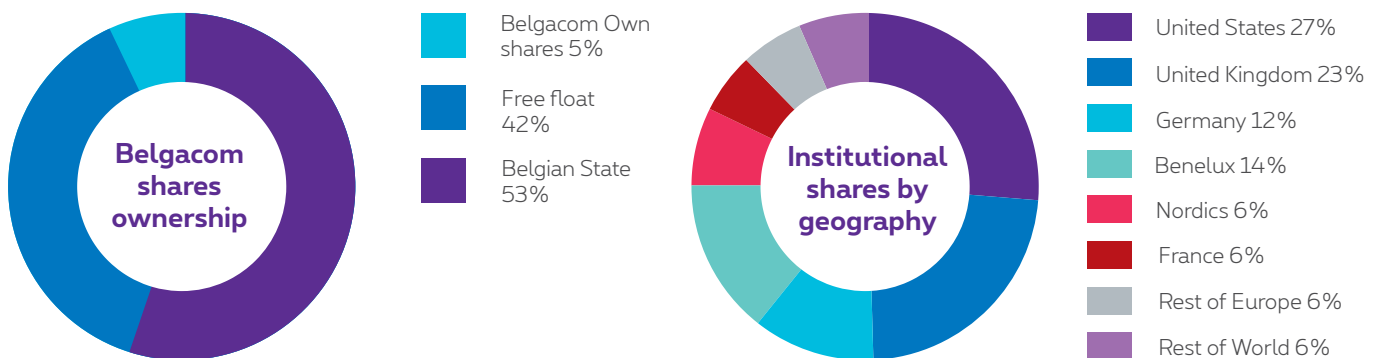


# Our shareholders

Belgacom's main shareholder is the Belgian government, owning 53.51% of the Belgacom shares. Belgacom itself held 4.97% of its own shares at end 2014. The free float represents 41.52%.

**Belgacom shares ownership - 31 December 2014**

	Shares	% in share	% voting rights	% dividend rights
Belgian State	180,887,569	53.51%	56.31%	55.94%
Free Float	140,343,028	41.52%	43.69%	43.40%
Belgacom own shares	16,794,538	4.97%		0.66%
<b>Total</b>	<b>338,025,135</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>



Of the shares in free float, about 20% are held by retail investors and the remainder essentially by institutional shareholders. Belgacom's main institutional shareholders are located in the United States and the United Kingdom followed by the Benelux and Germany.<sup>1</sup>

<sup>1</sup> Source – Shareholder analysis of September 2014

# Evolution of Treasury shares

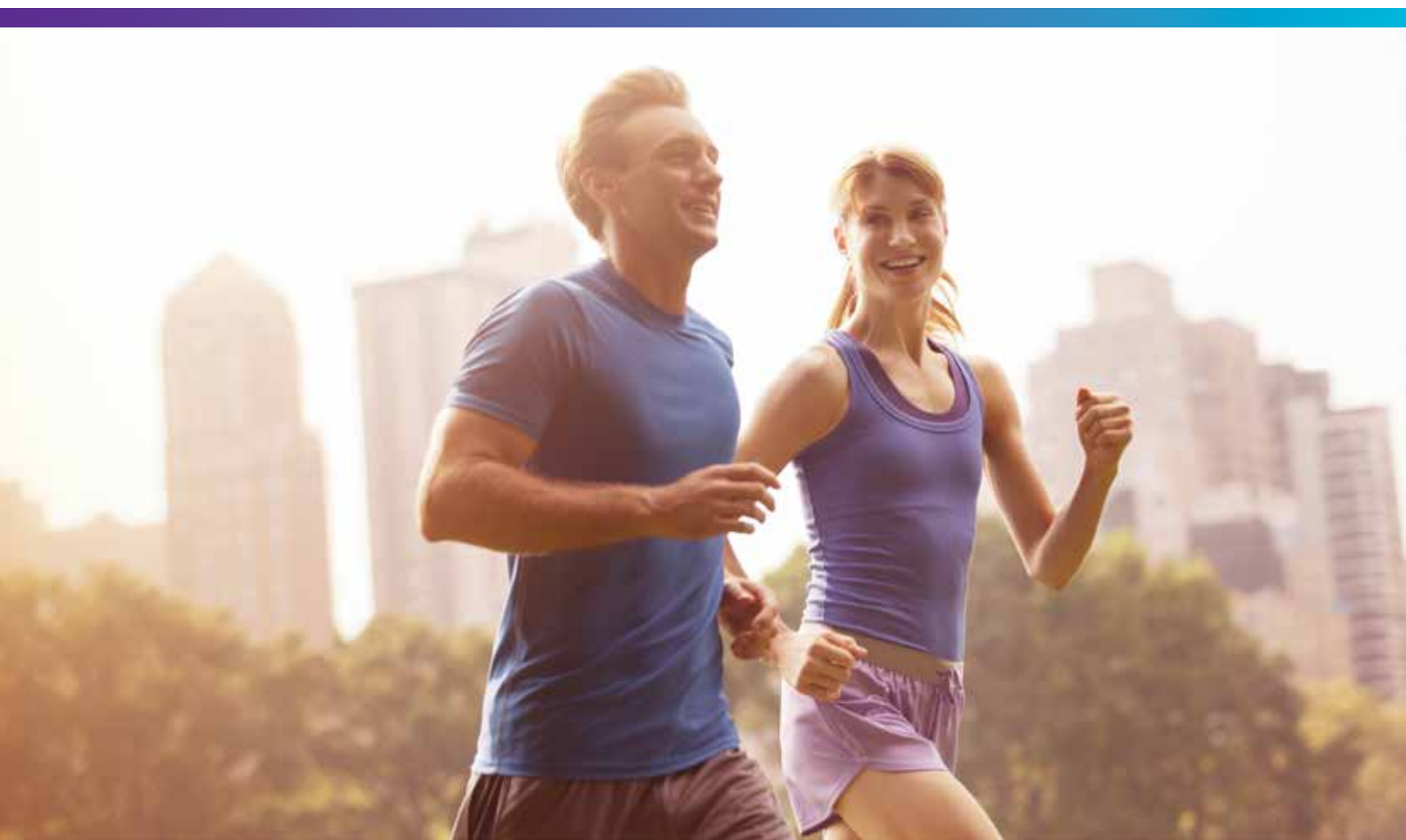
End of period 2013	18,820,954
DSPP	-1,321
Exercise of SOP	-2,025,095
<b>End of period 2014</b>	<b>16,794,538</b>

End 2014, Belgacom held 16,794,538 treasury shares, representing 4.97% of the total number of shares. In the course of 2014, 1,321 treasury shares were used in a Discount Share Purchase Plan, and 2,025,095 stock options were exercised<sup>1</sup>.

The voting rights of the treasury shares are suspended by law. The dividend rights of the treasury shares acquired in 2004 are also suspended, whereas the dividend rights for shares acquired as from 2005 are cancelled.

Under Belgian law, companies are prohibited from owning more than 20% of their outstanding share capital.

<sup>1</sup> Until 2012, the Share Option Plan was part of the remuneration package of Belgacom's top management. The Share Option Plan has been replaced by a new Long-Term Performance plan. See the Governance chapter for more information. The Discount Share Purchase Plan is still offered.



# Transparency declarations

According to Belgacom's by-laws, the thresholds as from which a shareholding needs to be disclosed have been set at 3% and 7.5%, in addition to the legal thresholds of 5% and each multiple of 5%.

According to the last received notification from BlackRock Inc. on 11 December 2013, their shareholding in Belgacom S.A. amounted to 10,143,633 shares. The purchase of voting rights at trade date 6 December 2013 caused its participation in the total amount of 338,025,135 shares with voting rights emitted by Belgacom S.A. to reach 3.00%.

On 28 November 2014, Belgacom published a notification about its ownership of own shares, which dropped below the threshold of 5.0% of the outstanding shares on 24 November 2014. At that date, Belgacom held in the aggregate 16,898,363 shares, representing 4.99% of the total number of outstanding shares. Pursuant to Belgian law, the voting rights attached to own shares held by Belgacom are suspended.

To Belgacom's knowledge, no other shareholder owned 3% or more of Belgacom's outstanding shares as at 31 December 2014.

Notifications of important shareholdings to be made according to the Law of 2 May 2007 or Belgacom's by-laws should be sent to FSMA on:

[trp.fin@fsma.be](mailto:trp.fin@fsma.be)

to Belgacom on:

[investor.relations@belgacom.be](mailto:investor.relations@belgacom.be)

[investor.relations@proximus.com](mailto:investor.relations@proximus.com)

## Investor Relations

Belgacom Investor Relations (IR) aims at ensuring open communication with the Belgian and international investment world on a regular basis. Through transparent, consistent dialogue with investors and financial analysts, the Group strives for a fair share value based on high-quality financial information.

To keep Belgacom's current and potential shareholders informed, Belgacom's management speaks to the financial community on a regular basis. Each quarterly results announcement is followed by a conference call or investor / analyst presentation during which maximum time is reserved for a "questions & answers" session. Twice a year, typically following the full-year and half-year results,

Belgacom organizes a roadshow with top management covering the most important monetary centers of Europe and the United States. Furthermore, Belgacom has participated in several major international investment conferences. In between these events, meetings and conference calls are held with senior management. In all these activities, management is supported by the Investor Relations team (IR).

The Belgacom IR team offers daily support to the retail and institutional shareholders as well as to the sell-side analysts.

A strict quiet period is observed four weeks before the issuing of a quarterly report and six weeks before the communication of the annual results.

# Shareholder remuneration

## Shareholder return policy

Belgacom commits to an attractive shareholder remuneration policy by returning, in principle, most of its annual free cash flow<sup>1</sup> 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 M&A, with a clear focus on value creation. This also includes confirming appropriate levels of distributable reserves.

The shareholder remuneration policy is based on a number of assumptions regarding future business and market

evolutions, and may be subject to change in case of unforeseen risks or events outside the company's control.

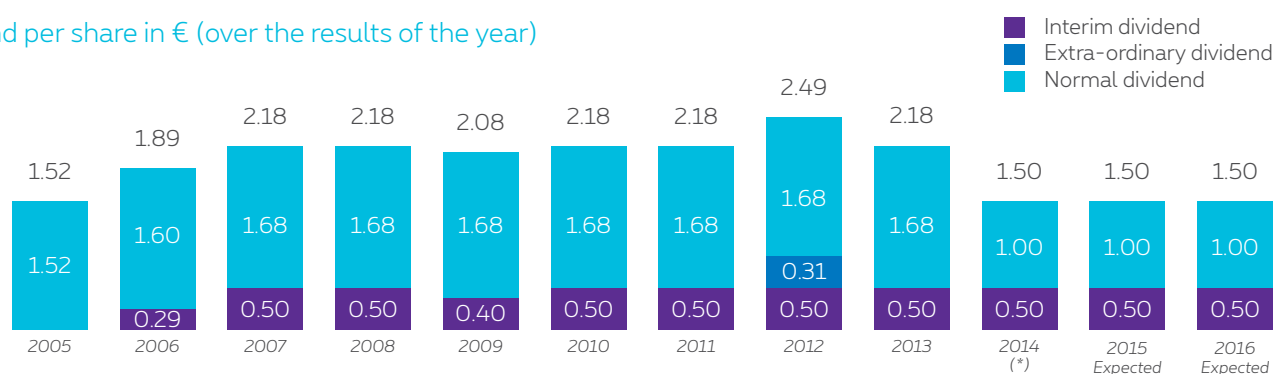
## Shareholder return from the financial year 2014

On 26 February 2015, Belgacom's Board of Directors approved to propose to the Annual Shareholder Meeting to return over the result of 2014 a total gross dividend of EUR 1.50 per share, of which EUR 0.50 interim dividend was paid in December 2014. After approval by the Annual Shareholder Meeting, the normal dividend of EUR 1.00 will be paid on 24 April 2015, with record date on 23 April 2015 and ex-dividend date on 22 April 2015.

This brings the 2014 total shareholder return over the results of 2014 to EUR 502 million, including the interim dividend.

Furthermore, Belgacom's Board of Directors intends to continue to award Belgacom's shareholders with an attractive and sustainable dividend. Therefore, the Board of Directors reaffirmed its intention to pay out a stable yearly dividend of EUR 1.50 per share (interim dividend of EUR 0.50 and ordinary dividend of EUR 1.00) for the next 2 years to come, provided Belgacom's financial performance is in line with its expectations.

## Dividend per share in € (over the results of the year)



(\*) Subject to approval by General Shareholder Meeting

<sup>1</sup> Belgacom defines free cash flow as cash flow generated by operating activities, minus capital expenditures and including other investing activities such as acquisitions or divestments.

# Financial calendar

15 April 2015	Annual General Shareholder Meeting
22 April 2015	Ex-dividend listing of shares
24 April 2015	Payment of ordinary dividend
08 May 2015	Announcement of first-quarter results 2015
31 July 2015	Announcement of half-year results 2015
30 October 2015	Announcement of third-quarter results 2015

*Note that these dates may be subject to change.*

