Annual report Belgacom

2014

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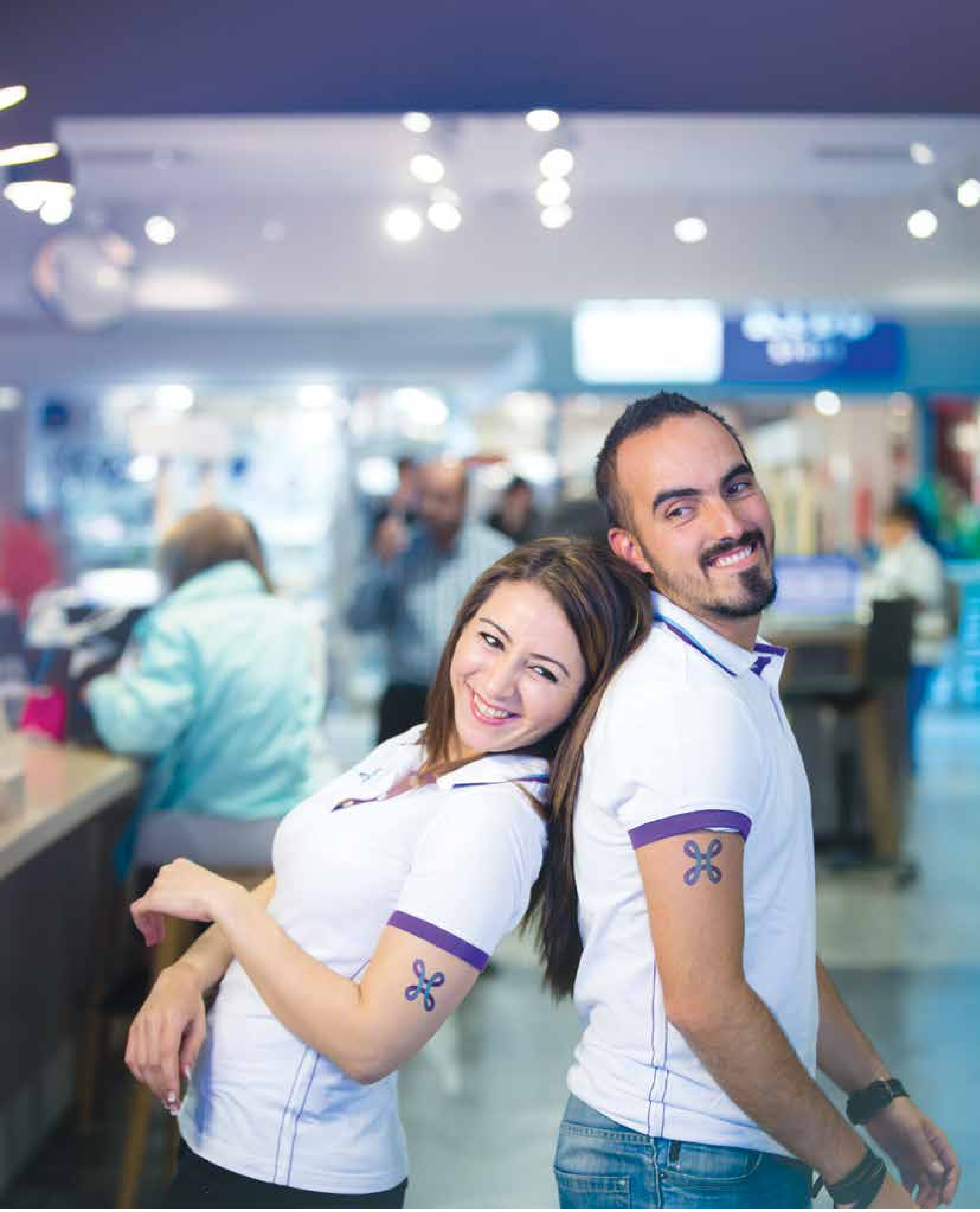
At a glance



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 satify 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.

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.

Dominique Leroy
CEO

Watch the video
http://annualreport.belgacom.com/ataglance

Our brands

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

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 tarif 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.

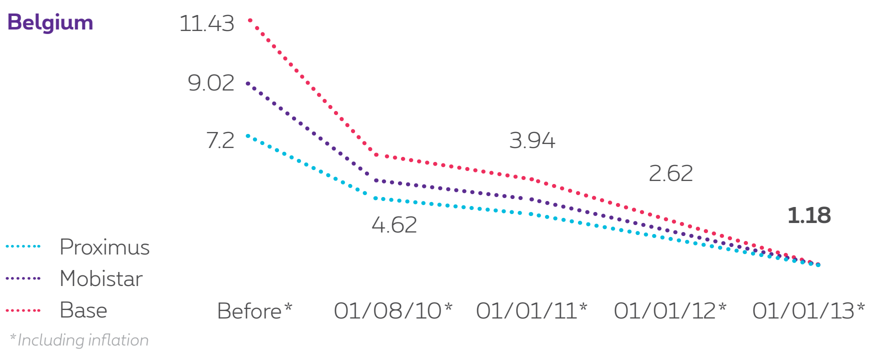
Mobile Termination Rates

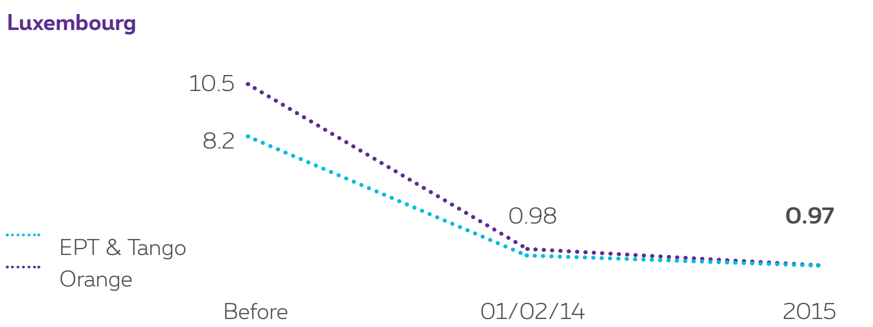
The Mobile Termination Rates (MTR) are the fees that fixed and mobile operators pay to other mobile operators to terminate a call on their network.

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



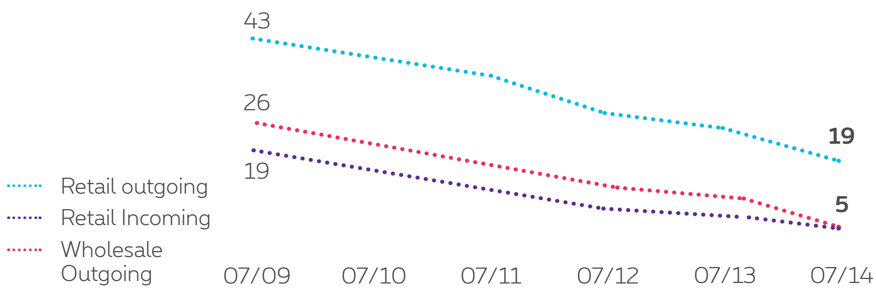


(source : Proximus)

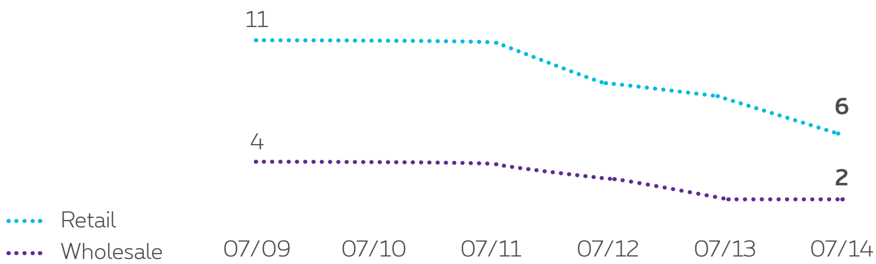
Roaming

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.

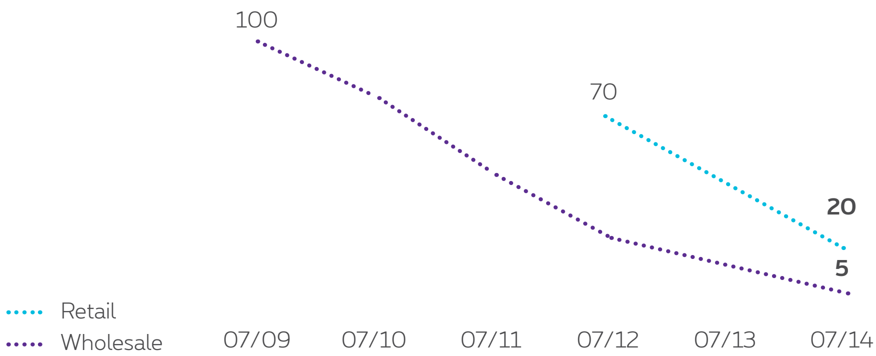
Voice roaming in €ct per minute



SMS roaming in €ct per sms



Data roaming in €ct per Mb



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.

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

Proximus	40.8%
Mobistar	29.0%
Base	22.6%
Telenet	7.1%
VOO	0.5%

Digital TV

Proximus	32.6%
Telenet	43.2%
VOO	18.0%
Other	6.2%

Fixed Internet

Proximus	44.4%
Telenet	39.1%
VOO	10.4%
Other	6.1%

(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

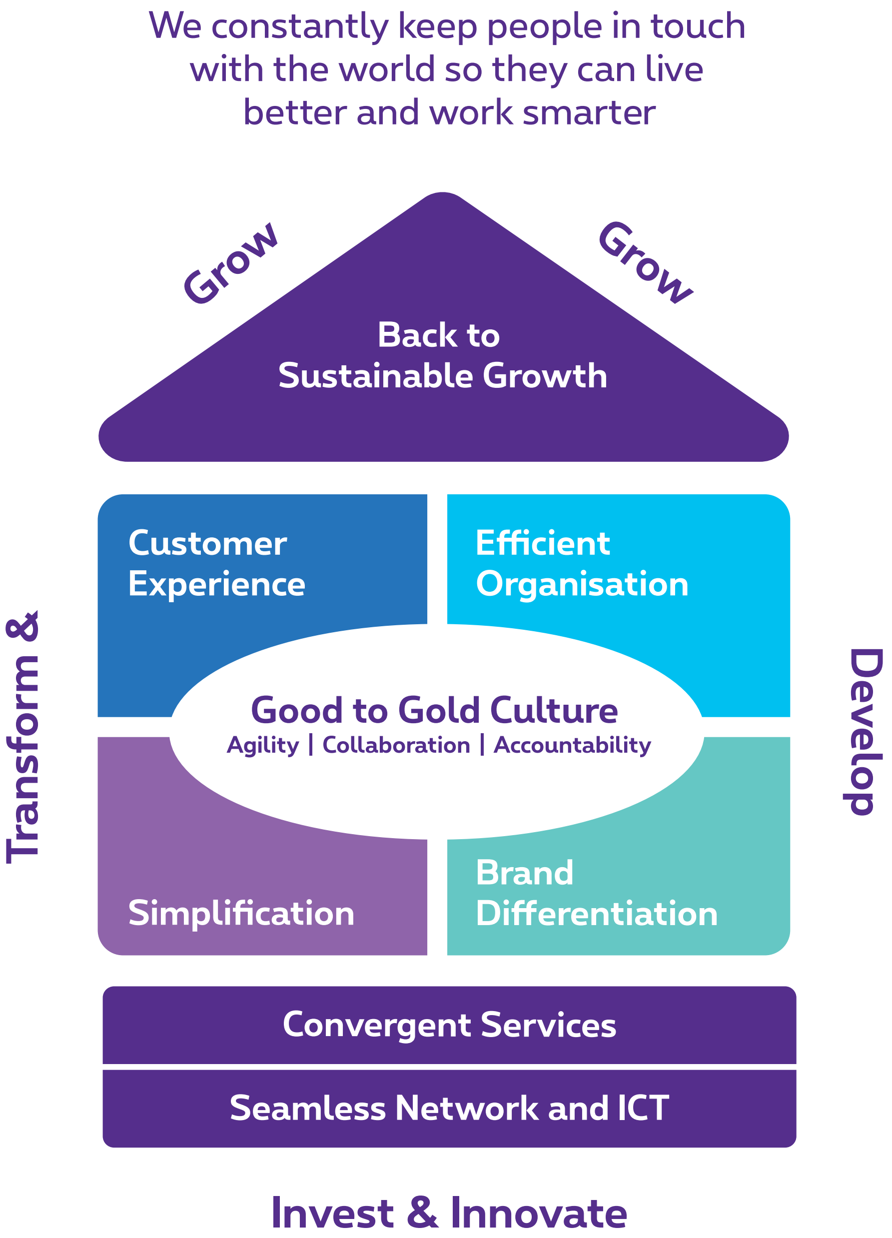
Our extended distribution network (retail points, customer service, partners, customer advisors, interactive tools) allows best-in-class access for customers, either in person, by phone or online. The optimal use of our controlled distribution allows us to deliver a unique service and to control our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



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.

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.

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

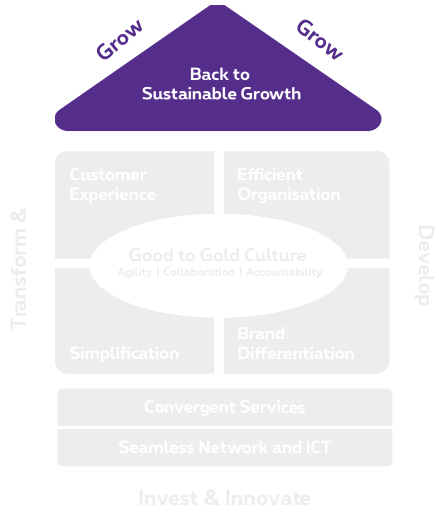
Our Fit for Growth strategy, developed in 2014, changes us from a technology-based player to a company focusing on the full customer experience. Our new culture, which puts customers and their needs at the heart of everything we do, is the starting and central point of this new strategy.

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.

*(*source : Belgian Telecom Study AD Little)*

Grow



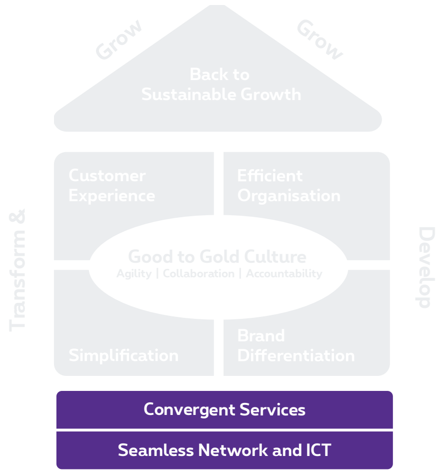
Firmly on our way to growth

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 strenghten 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 an 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



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 footbal. 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

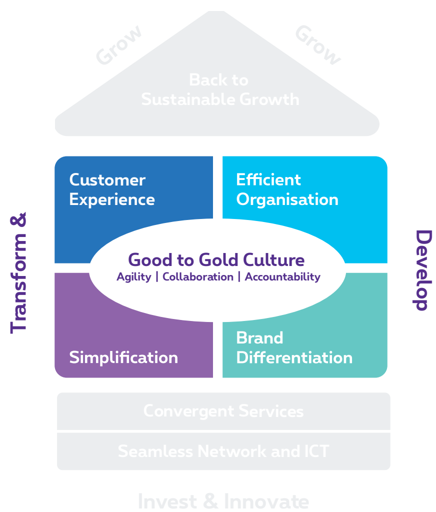
Delivering on our brand promise - to enable our customers to live better and work smarter - we also invest in innovative added-value content and services.

- **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.

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.

Efficient Organisation

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

Brand Differentiation

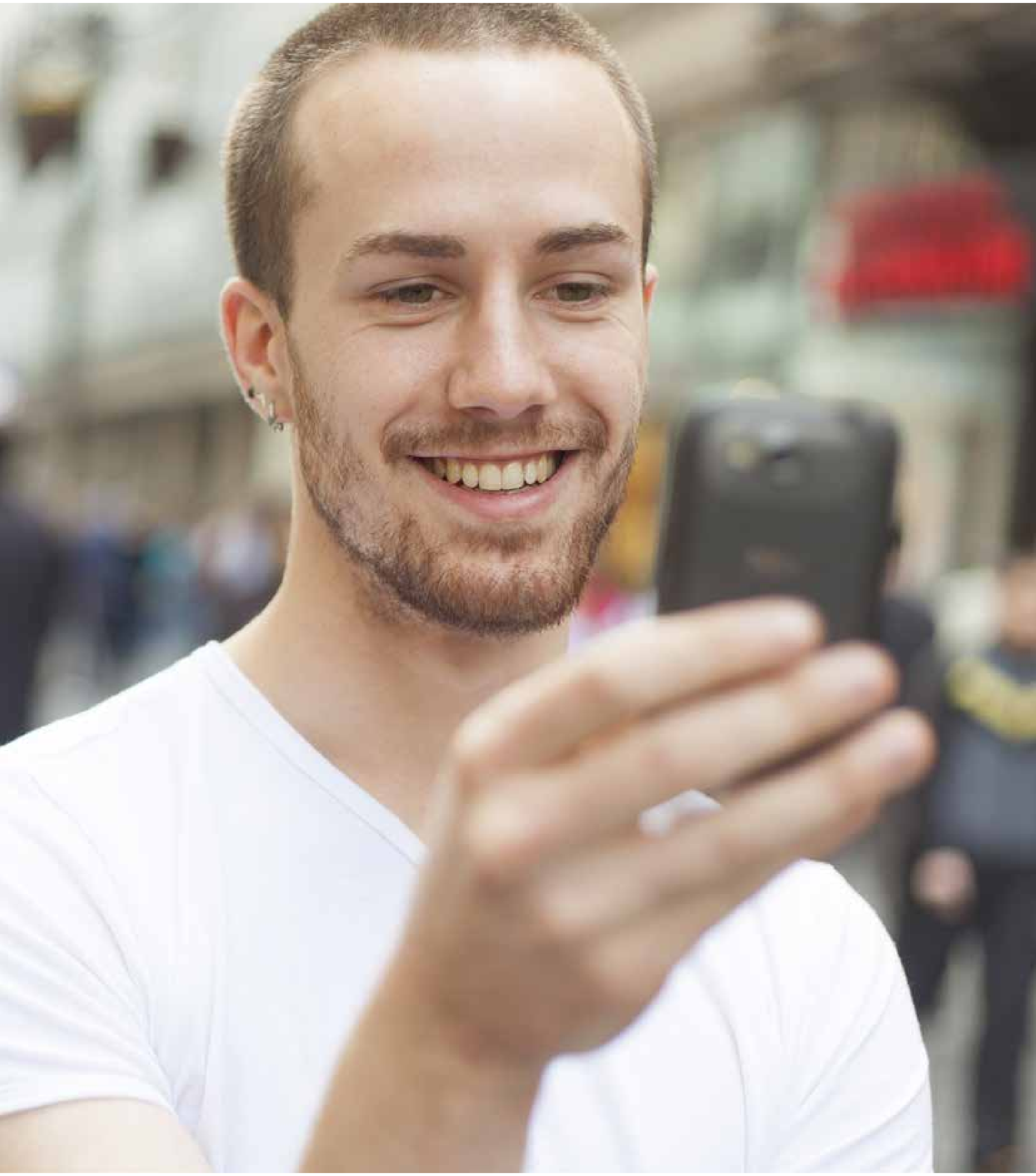
The new commercial brand Proximus allows us to deliver a strong brand promise 'Always Close to what matters'. With this promise, we commit to bringing our customers closer to what is important to them, enabling them to stay in permanent contact with the world so they can live better and work smarter. 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.

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

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.

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 ITis 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

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.

Carrier & Wholesale department

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.

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 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

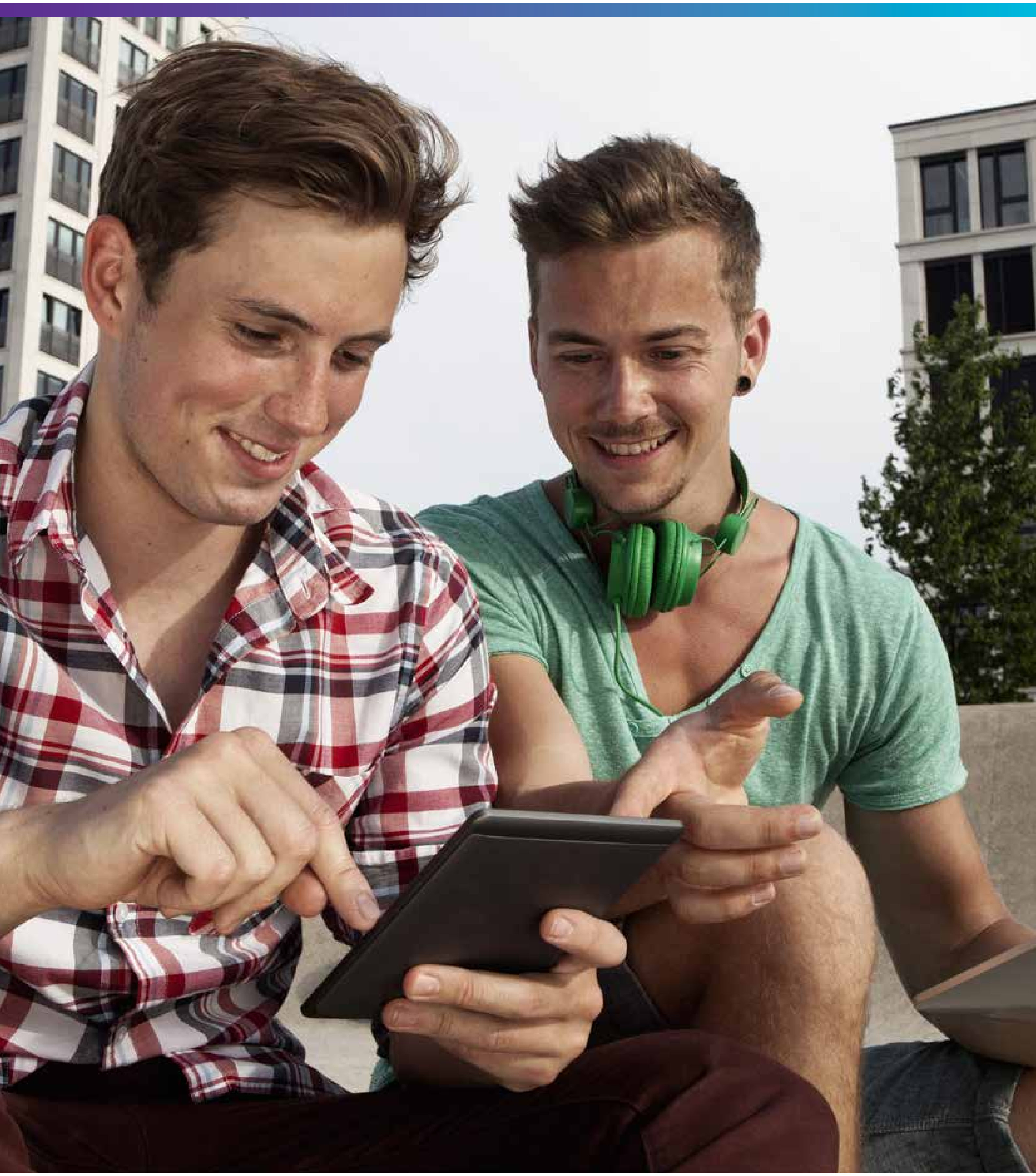
We aim to improve our solutions' ease-of-use, by being pro-active in offering our latest and best solutions. For example, if a customer has a VDSL line, we'll offer the latest modem and decoder to ensure the best possible surf experience. Our massive investments in our networks are designed to improve 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 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 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

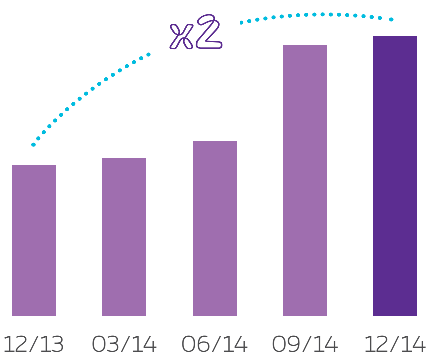
Simultaneously managing multiple generation networks is a challenge and a major cost. To simplify the network, legacy technology solutions are migrated towards future proof technology. The ambition of the Mantra and Mantra+ projects is to structurally reduce costs related to networks and buildings, to 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, camraderie 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.

+70

4G operators
in 44 countries

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.

SMS

1.805 million

SMS (person to person)

(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%.

27 bn
minutes

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

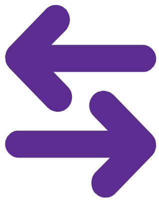
Workforce costs flat

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.

€30 million

invested in training

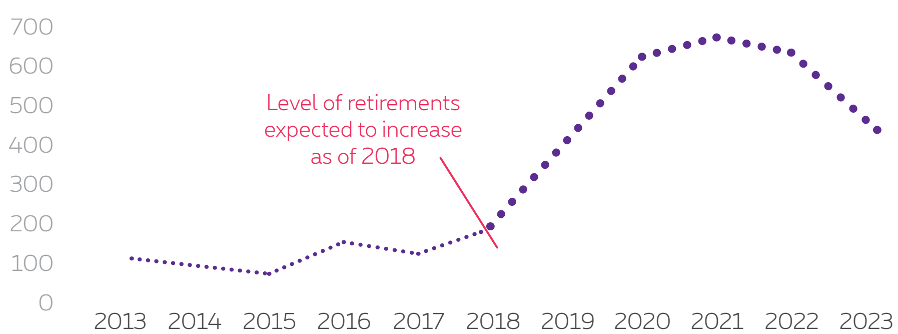


1056

vacancies filled through internal job moves

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

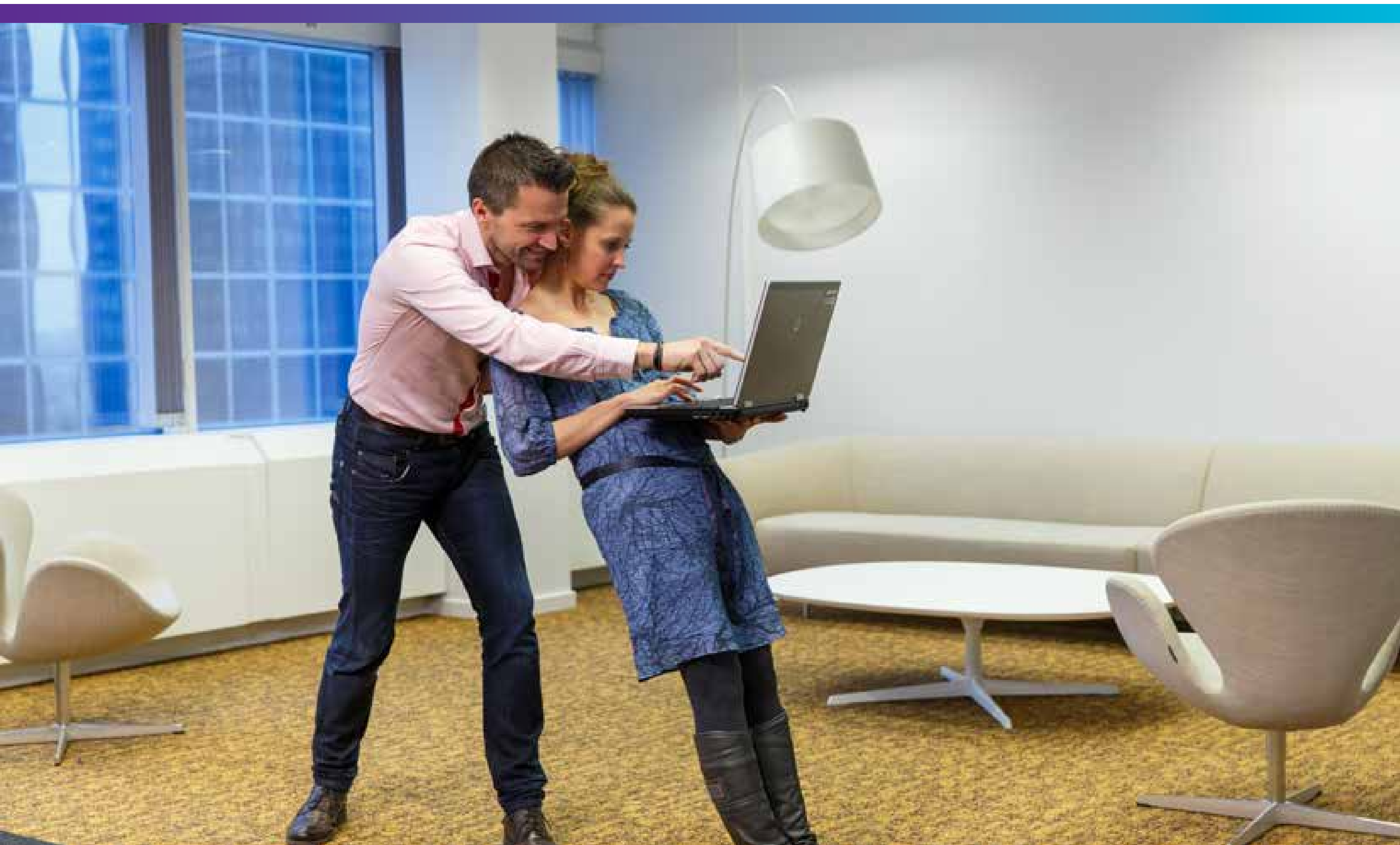
The reinforcement session is a 1-day follow-up session to sustain the change and ensure the desired culture is "in use" long-term.

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.

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.

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.

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.

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.

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.

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.

3%

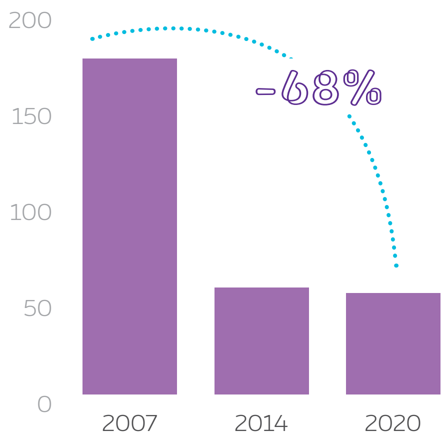
reduction in electricity consumption in our buildings, networks and datacentres

Towards a low-carbon society

In 2014, we reduced our CO_2 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_2 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 environmentally 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/ataglance

"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

Audit and Compliance Committee

Nomination and Remuneration Committee

Strategic and Business Development Committee

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. Demuynck (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 Vandenborre (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 he 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 [(1)]	7/7			3/3	0 €
Jozef Cornu	7/8		7/7	3/3	78,500 €
Pierre Demuelenaere [(2)]	7/8		2/2		60,500 €
Guido Demuynck [(3)]	7/8	6/6		1/1	83,000 €
Pierre-Alain De Smedt [(4)]	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 [(4)]	3/3	1/1			22,896 €
Agnès Touraine [(5)]	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 [(6)]	4/5	4/5			44,354 €

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

The Executive Committee

Presentation of the Executive Comittee

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.

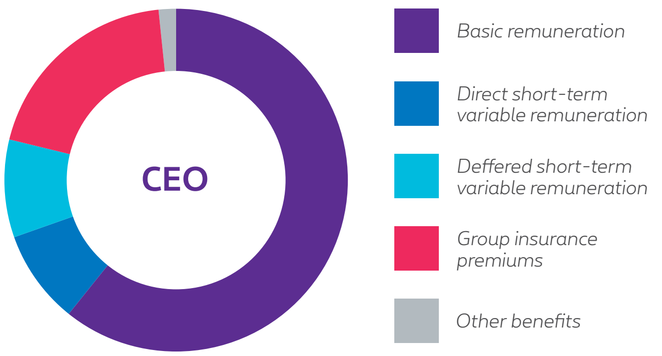
The Executive Committee members'remuneration structure is based the following elements:

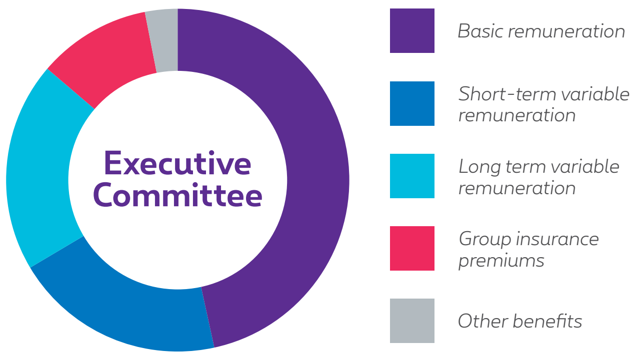
- Fixed elements including basic remuneration, retirement and post-employment benefits as well as other benefits

- 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 liked 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
SUBTOTAL (excl. employer's social contribution)	**1,717,253**	**657,258**	**6,005,519**	**5,905,131**
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
TOTAL (incl. employer's social contribution)	**2,083,220**	**671,618**	**7,678,830**	**8,985,824**

Remuneration report
Read more details in annex PDF

Financial information

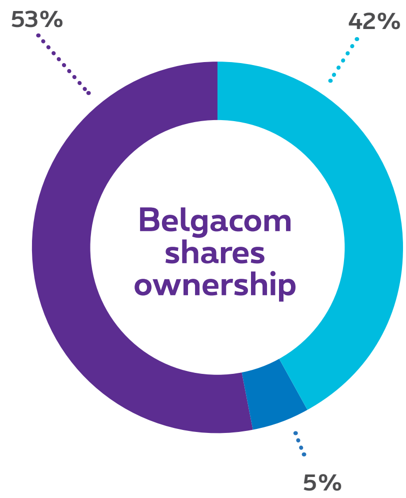
The Belgacom share

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.



Belgian State | 53%

Belgacom own shares | 5%

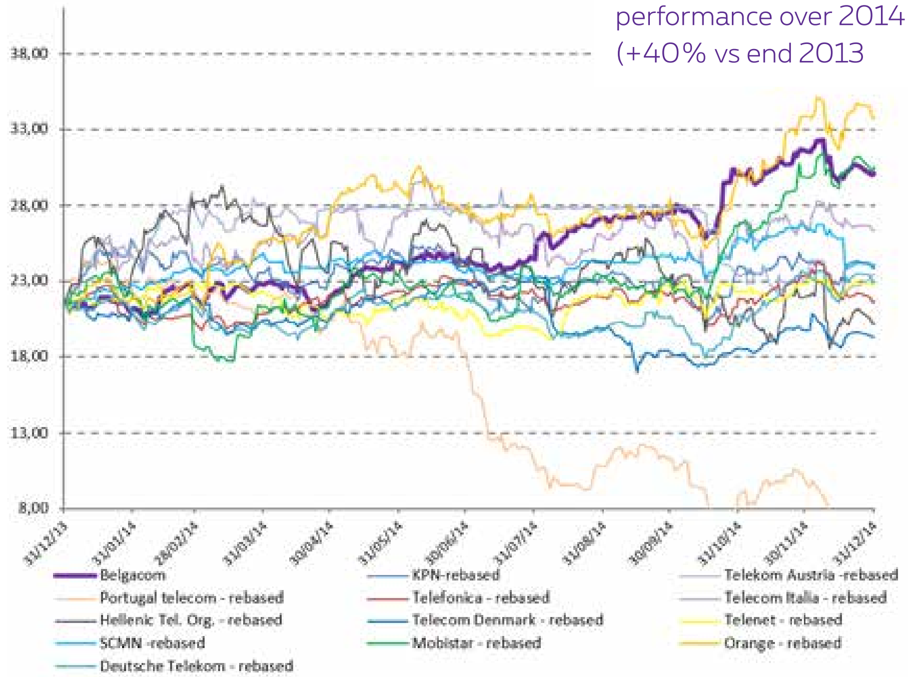
Free Float | 42%

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 (SXKP) 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 SXKP'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

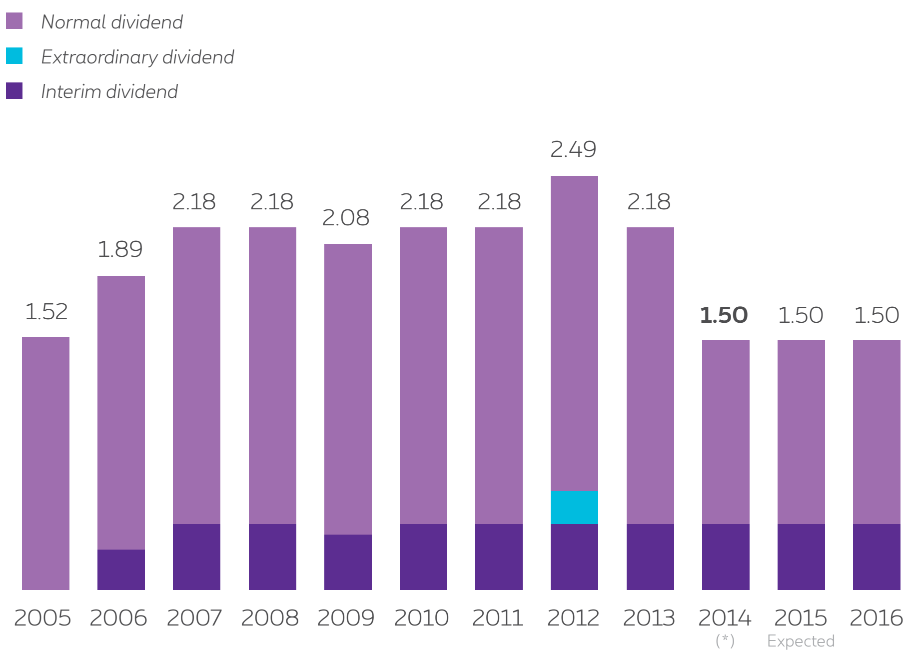
On 26 February 2015, Belgacom's Board of Directors approved to propose to the Annual Shareholder meeting to return over the result of 2014 a total gross dividend of EUR 1.50 per share, of which EUR 0.50 interim dividend was paid in December 2014. After approval by the Annual Shareholder Meeting, the 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.

Dividend per share
(over the results of the year)



**Subject to approval by General Shareholder Meeting*

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

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
- ICS outsourcing deal with MTN

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.

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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.

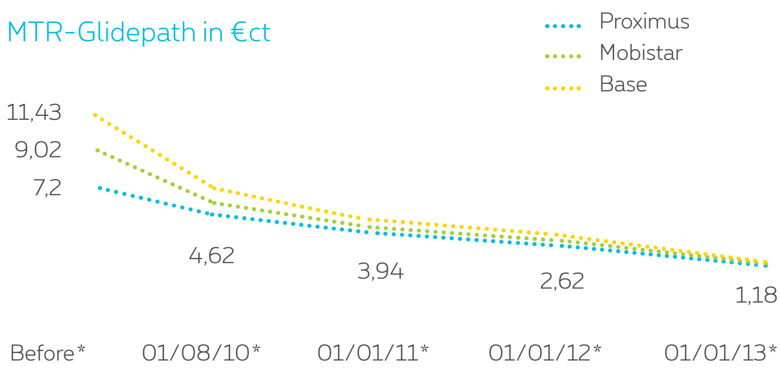
BIPT decision of 29 June 2010 on MTR

€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.

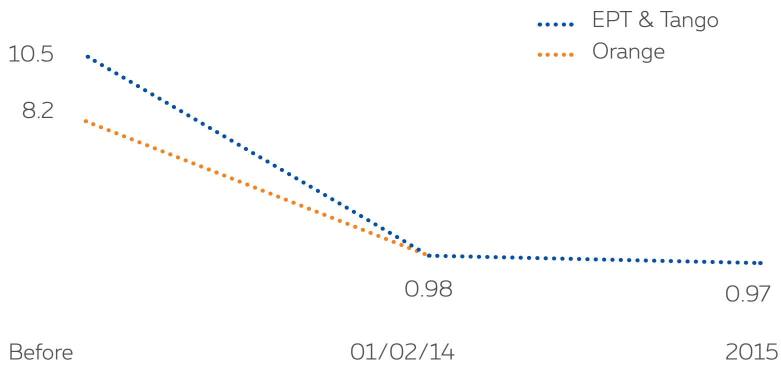
On 14 July 2010, Mobistar and KPN/ BASE each filed a separate appeal before the Brussels Appeal Court against the BIPT decision of June. On 24 September 2014, the Court eventually decided to annul this decision whilst maintaining its effects until 30 June 2015. The current MTR remain in place until this 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



*Including inflation

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.



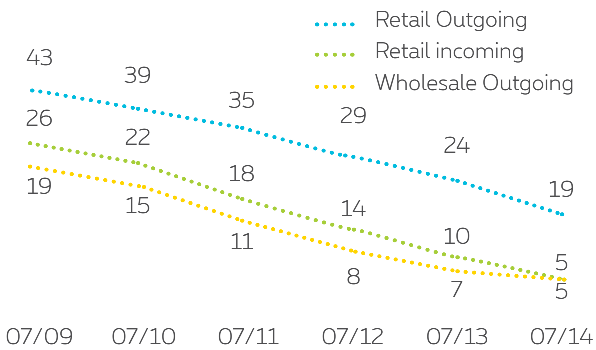
International roaming

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.

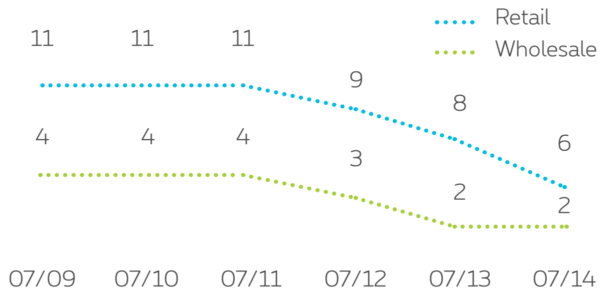
The Roaming III Regulation that entered into force on 1 July 2012, introduced two so-called "structural measures" to encourage competition: (i) MVNO wholesale access from 1 July 2012 and (ii) decoupling, i.e. separate selling of roaming services from domestic mobile services, from 1 July 2014. The Regulation 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.

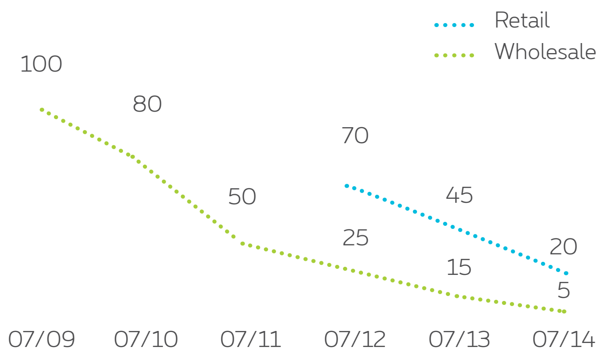
Voice Roaming (€ct per minute)



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*:

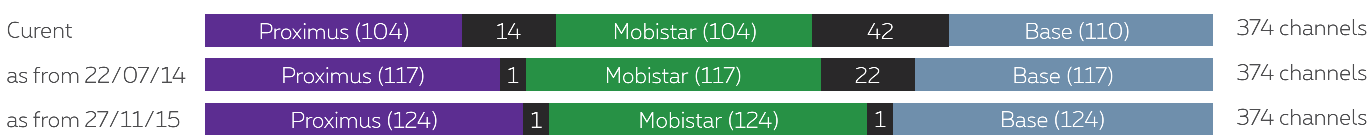
900 MHz duplex	1/1/15 – 26/11/15	27/11/2015 – 15/3/21
Proximus	12	10+2.4=12.4
Mobistar	12	10+1.6=11.6
KPN/BASE	10	10+0.2=10.2

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.



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 December2014, 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 (1)	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 (1)	71	Independent Director	2004 – 2014
Carine Doutrelepont	54	Independent Director	2004 – 2016
Oren G. Shaffer(1)	71	Independent Director	2004 - 2014
Agnès Touraine(2)	60	Independent Director	2014 - 2018
Lutgart Van den Berghe	63	Independent Director	2004 – 2016
Catherine Vandenborre(2)	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 Doutrelepont 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 and 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-learnings; the update of existing and the development of new e-learnings 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 (1)

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

Stefaan DE CLERCK (2)

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 (3)

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 (4)

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 (5)

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 (6)

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

Carine DOUTRELEPONT (7)

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 (8)

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 (9)

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 (10)

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 (11)

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 (12)

Catherine Vandenborre 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 Vandenborre 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.

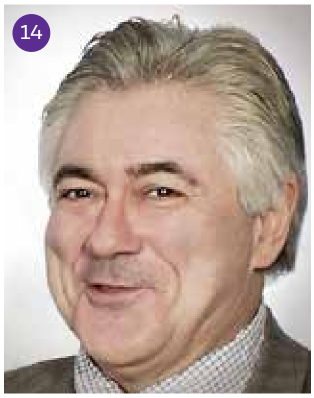
Lutgart VAN den BERGHE (13)

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 (14)

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 (1)

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 (2)

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 (3)

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 (4)

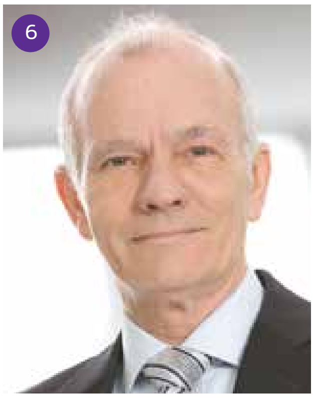
Dirk Lybaert is Chief Corporate Affairs Officer, regrouping the following areas of responsibilities: Group Communications, Legal, Public Affairs, Regulatory, Security Governance & Investigations, Risk Management and Internal Audit. He is also member of the Board of Belgacom International Carrier Services (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 (5)

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 (6)

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 [7]

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.

Bart VAN DEN MEERSCHE [8]

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

Phillip VANDERVOORT [9]

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.

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 voluntary 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 (1)	7/7			3/3	0 €
Jozef Cornu	7/8		7/7	3/3	78,500 €
Pierre Demuelenaere (2)	7/8		2/2		60,500 €
Guido Demuynck (3)	7/8	6/6		1/1	83,000 €
Pierre-Alain De Smedt (4)	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 (4)	3/3	1/1			22,896 €
Agnès Touraine (5)	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 (6)	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 SDBC 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.

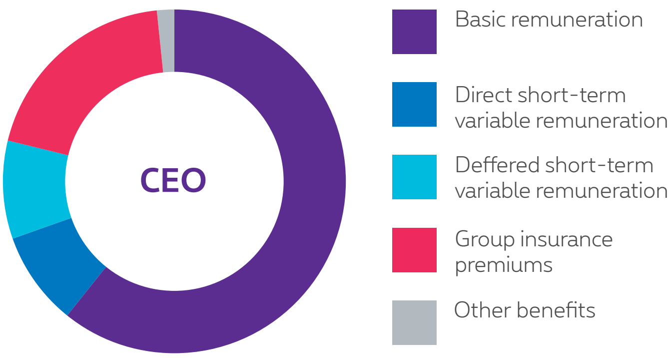
With her nomination, a new ceiling has also been defined in our executive remuneration policy, which is taken into consideration for every new member entering the Executive Committee.

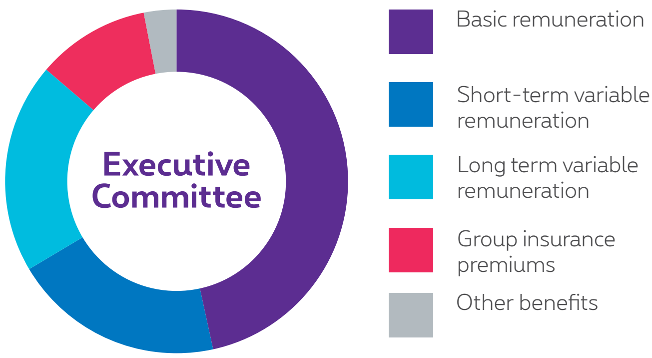
Overview of Executive Committee's remuneration

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

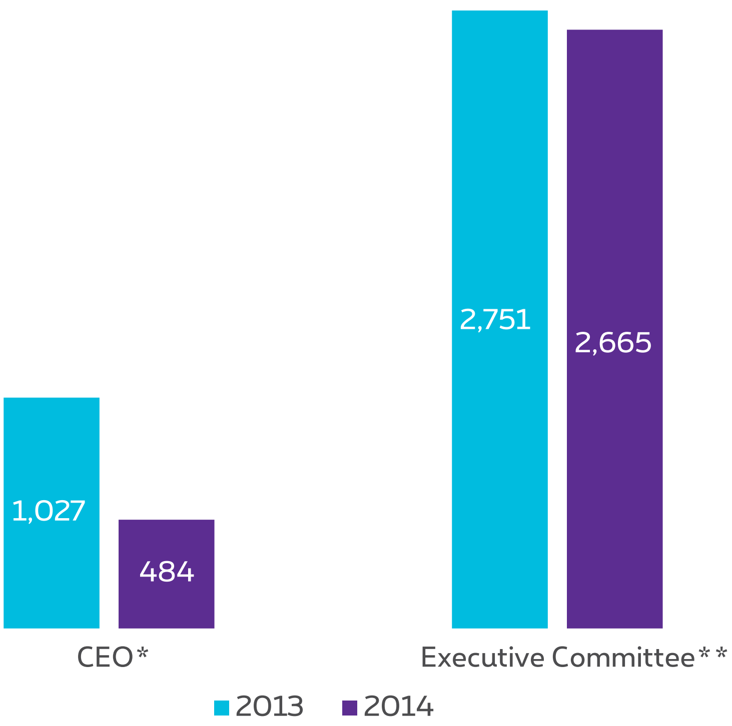
The basic remuneration of the Executive Committee members is annually reviewed by the Nomination & Remuneration Committee, based on an extensive review of performance and assessment of potential provided by the CEO, as well as on external benchmarking data on market practices.

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*



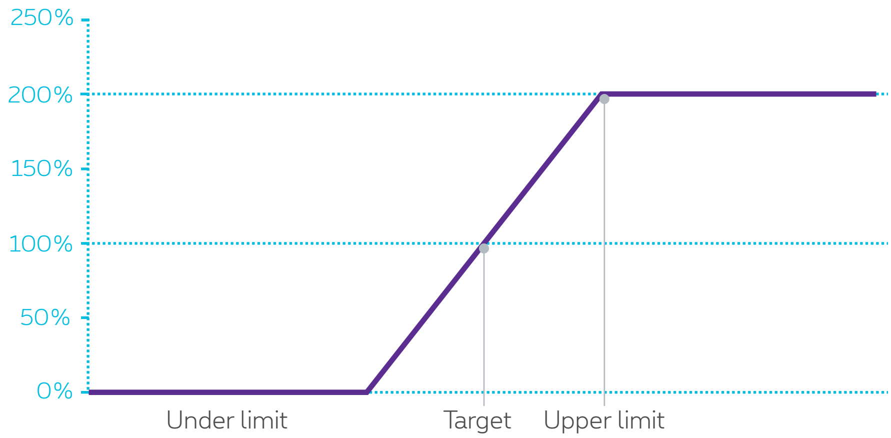
Short-term variable remuneration

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



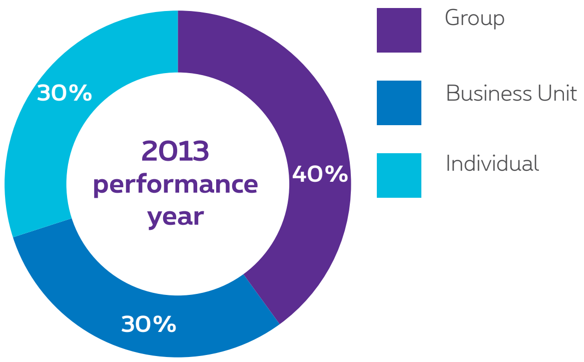
Short-term variable remuneration components

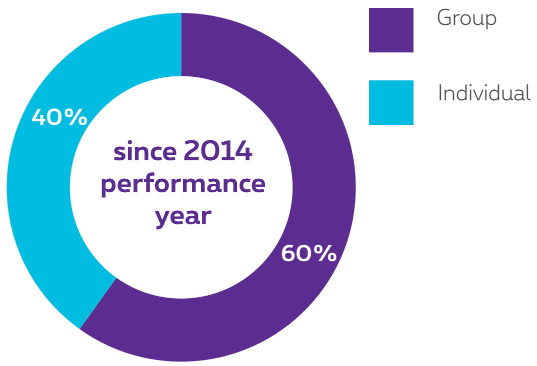
This curve determines the short-term variable remuneration that is granted to the members of the executive committee, based on the effective result of each component.

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.

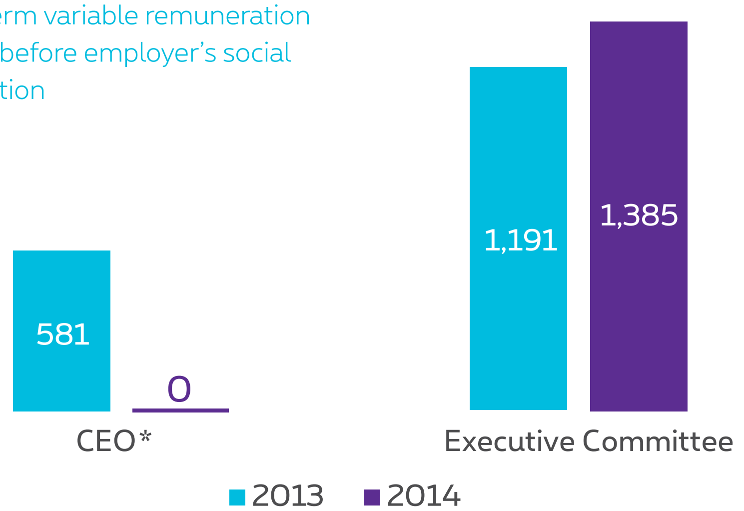
Besides, as per her contract and in accordance with article 520 ter of the Belgian Company Code, the short-term variable remuneration of the CEO will be spread over 3 years.

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.

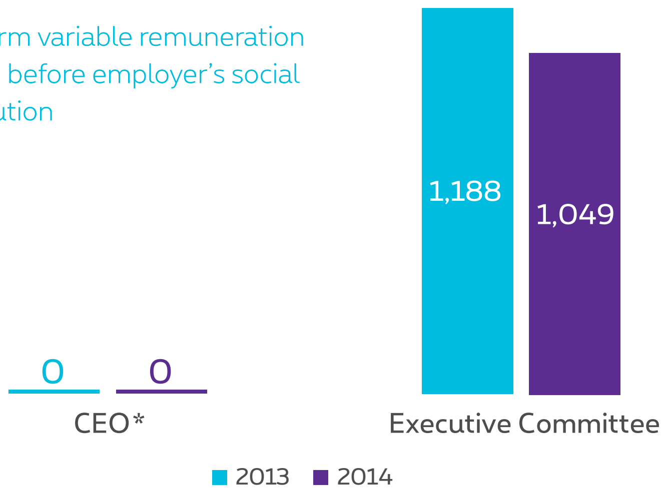
Our Performance Value Plan is fully performance driven and transparent, aligned on market best practices and is inspired by Long-Term Incentive Plans used by other European Telecommunications companies.
The performance criterion of this plan is the Total Shareholder Return. Our Total Shareholder Return 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.

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



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.

** 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 MEERSCHE
on January 1st, 2014, Stock options remaining from previous years:		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						
TOTAL		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-employent 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
SUBTOTAL (excl. employer's social contribution)	1,717,253	657,258	6,005,519	5,905,131
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
TOTAL (incl. employer's social contribution)	2,083,220	671,618	7,678,830	8,985,824

** 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.

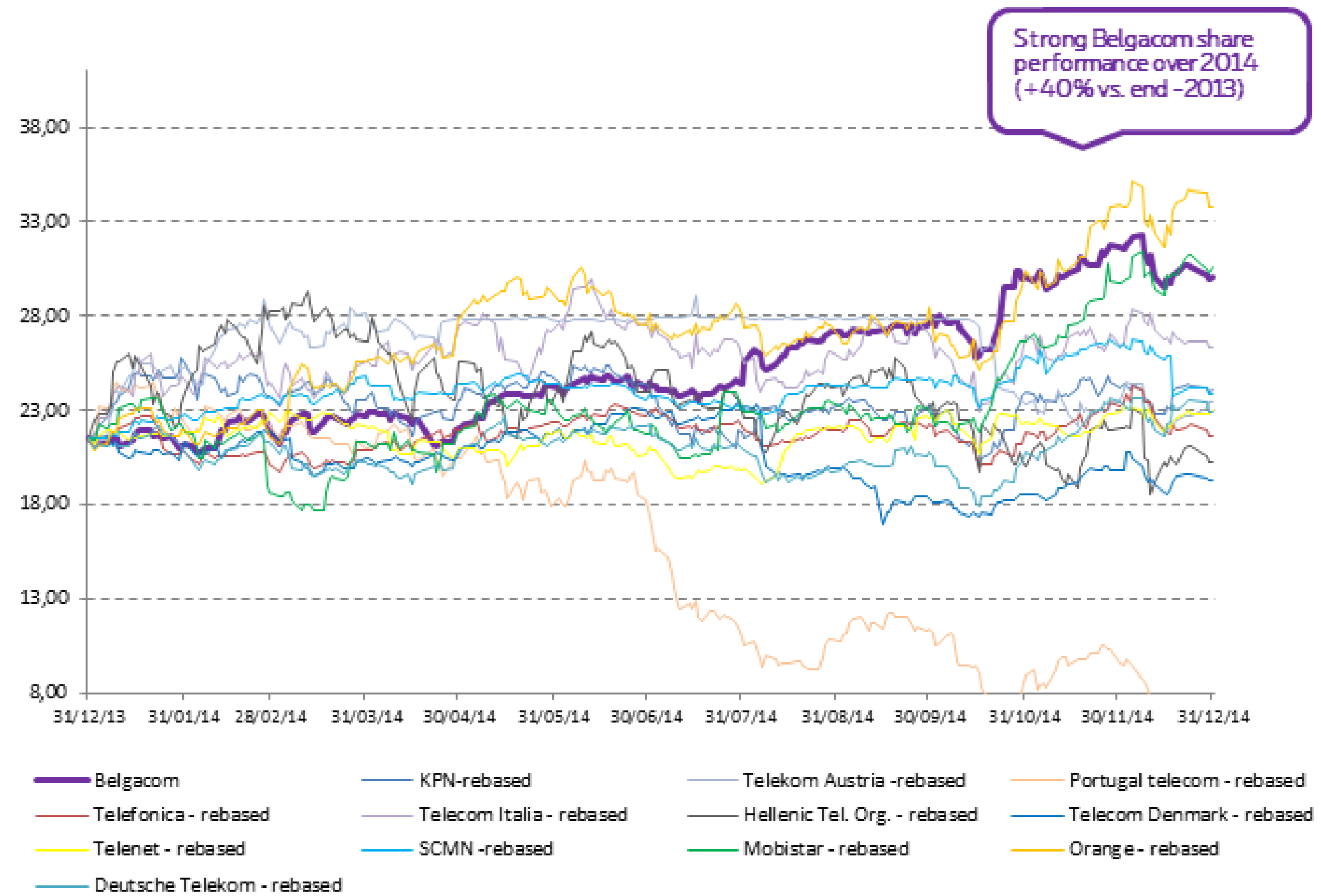
In October, however, a fairly torrid period started for markets in general on the back of increasing signals of a lagging world economy. The new Belgian government agreement including an 'active management of government participations,' fuelled some additional uncertainty for the Belgacom share. Mid-October, 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
Share information						
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
Key data per share as reported						
EBITDA[1]	6.14	7.56	5.93	5.62	5.33	5.48
Net Income (Group Share)[1]	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[2]	8.2%	8.7%	9.0%	11.2%	10.1%	7.2%
Price/earning at 31 December[2]	8.98	6.37	10.26	9.92	10.90	14.73
Key data per share before non-recurring						
EBITDA[1]	6.10	6.18	5.97	5.66	5.37	5.37
Net Income (Group Share)[1]	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
Market capitalization at 31/12 (billion EUR)[3]	8.12	8.08	7.70	7.07	6.87	9.67

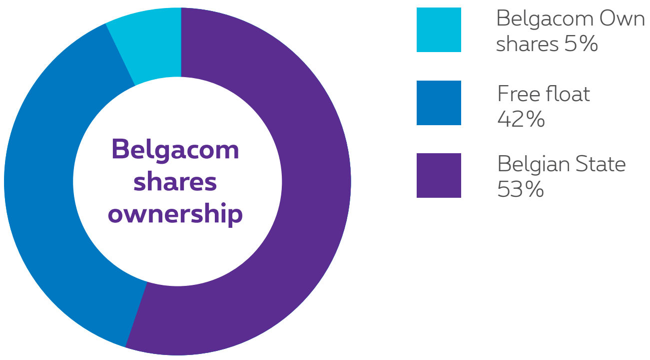
[1] *Based on weighted average number of outstanding shares*
[2] *Based on the last closing price of the respective year*
[3] *Calculation based on number of outstanding shares and last closing price of the respective year*

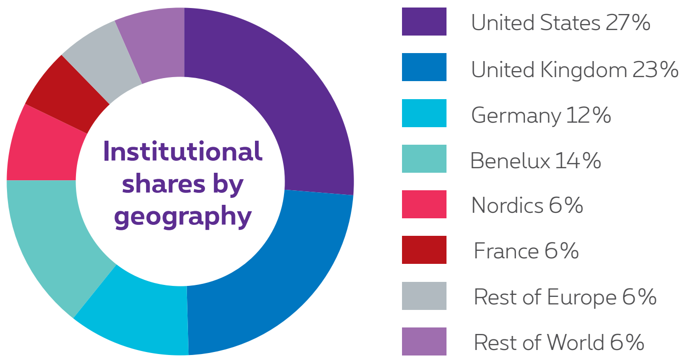
Our shareholders

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%
Total	338,025,135	100.00%	100.00%	100.00%





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.[1]

[1] *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
End of period 2014	16,794,538

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[1].

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.

[1] 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
to Belgacom on:
investor.relations@belgacom.be
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[1] 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.

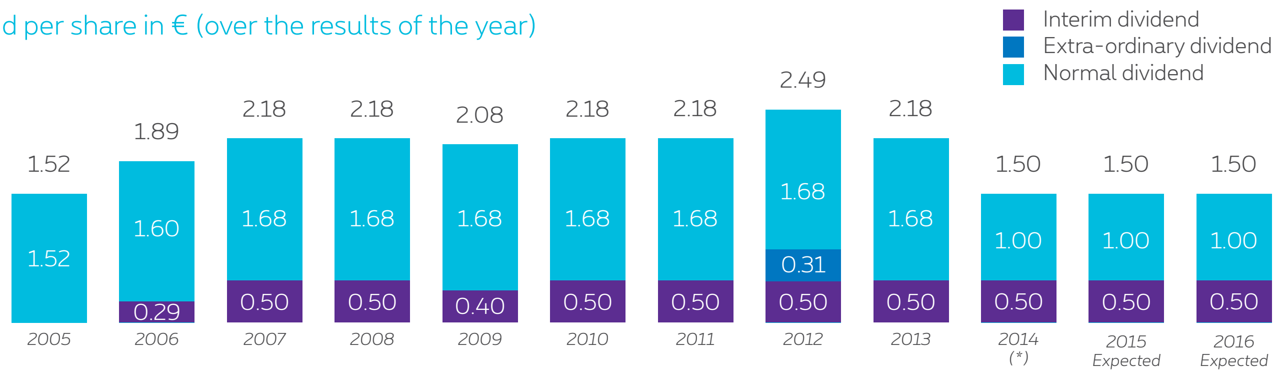
Shareholder return from the financial year 2014

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 EUR1.50 per share, of which EUR0.50 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

[1] 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.

CSR report Belgacom 2014

proximus

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Key Figures - Belgacom Group

Governance strategy

Governance

At Proximus, 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. Furthermore, our corporate strategy has been defined to ensure a sustainable growth.

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 retail customers, since 2014 the CSR team has become 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 Executive Committee via the Chief Corporate Affairs Officer.

Strategy

Our CSR strategy sets out to create shared values across our business and among our stakeholders. In exercising our activities, we aim to make an active contribution to economic, technical and social progress.

Our 3 strategic pillars

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

In education, we intend to ensure that our technologies become familiar to everyone so that they can be used easily and safely by all.

We put our technologies at the service of communities, especially sick children and people with disabilities.

Our environmental contribution is aimed at reducing our carbon footprint and helping our customers reduce theirs. We also promote collection and recycling of obsolete equipment.

Education	Communities	Green
Safer Internet & Web Expert for schools	Bednet & Take off for long-term sick children	Collect & recycle for schools & customers
Smart Café for all	Accessible devices for disabled people	CO_2 footprints reduction for Proximus & customers
Proximus Foundation & Technobel for unemployed youth	Medical research	Green products for business customers

Raise CSR standards of our suppliers & contractors

Dialogue with stakeholders

Our employees

According to our internal mobility survey and staff satisfaction survey, 70% of employees consider it important that Proximus sets ambitious targets for social responsibility. Our intranet keeps all members of staff up-to-date with our CSR projects and achievements, and allows them to contribute to the discussion via posts.

Investors

Via our Investor Relations department, we take part in SRI and ESG rating agencies' questionnaires, and participate in meetings with several of them.

Our CSR partners

We regularly meet with our CSR partners (at least twice a year) to take stock of our joint projects and to better understand the issues concerned.

Our suppliers

A key objective of the company's purchasing department is to encourage suppliers to meet or exceed the legal standards in the provision of products and services by the integration of social, environmental, ethical and sustainable principles. Likewise, we encourage our suppliers to promote the same principles of CSR among their own partners and suppliers.

Since 2010, we use an external platform that offers our suppliers a standardized tool to measure their compliance and to avoid duplication. This platform enables our key and high-risk suppliers to carry out a SAQ (Self-Assessment Questionnaire) to analyse and validate CSR performance.

Proximus is part of the JAC (Joint Audit Cooperation) which includes Deutsche Telecom, Orange, Verizon, TeliaSonera, Telenor Group, Telecom Italia, KPN, Swisscom and Vodafone and carries out on-site CSR audits, performed by third parties and shared among the members of the JAC.

Public authorities

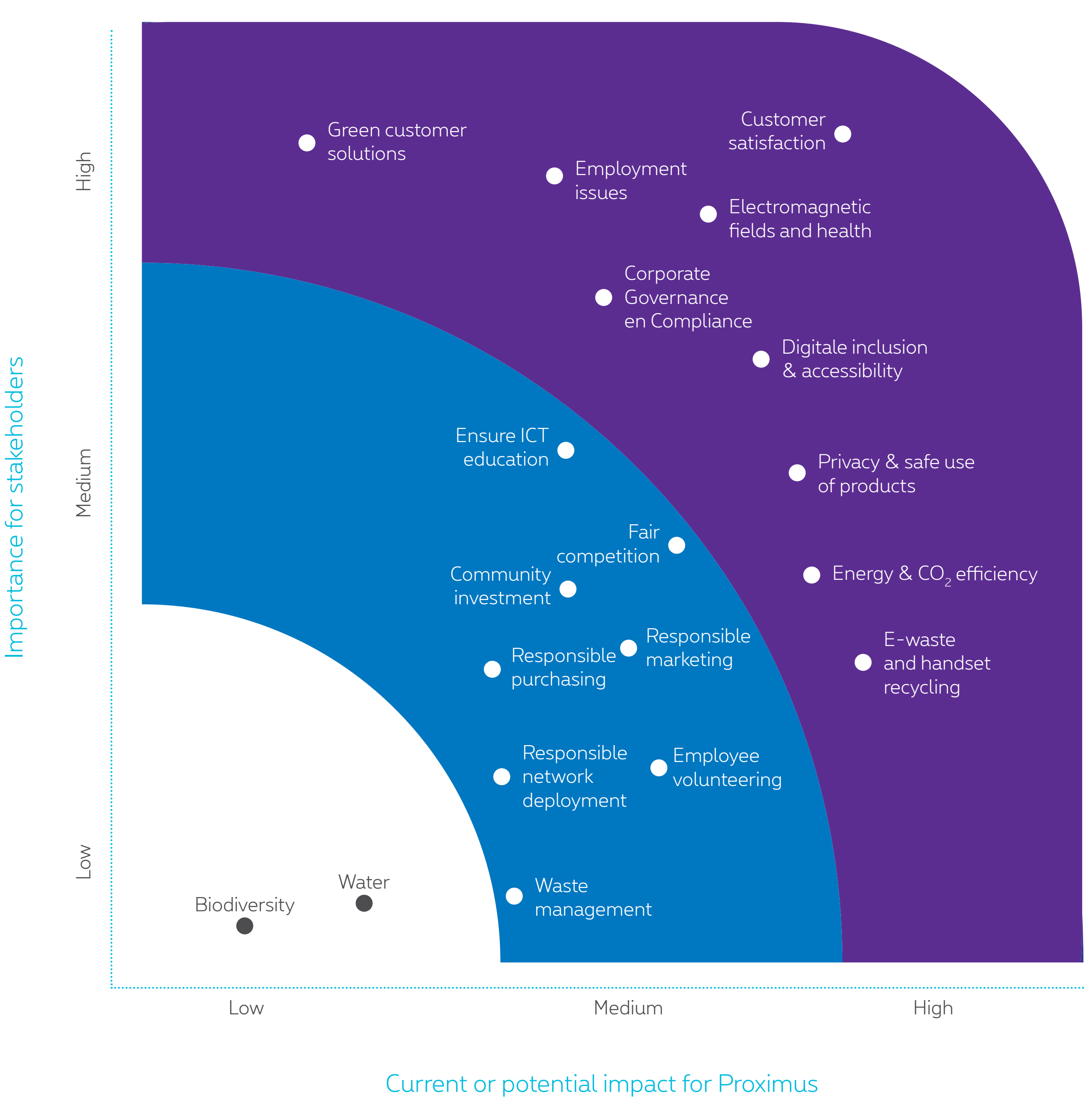
In 2014, our Public Affairs department organized information sessions for local authorities during which CSR training initiatives were presented.

Other stakeholders

We share best practices in CSR with other companies that are part of the Business & Society and Be.Face networks and with ETNO and GSMA.

Materiality

Materiality matrix



At Proximus it is our responsibility to train and support users of our technologies, especially the youngest and the oldest. Leading by example and staying in close contact with these groups is part of our mission.

Dominique Leroy

Education

Safe, secure and easy use of digital technology to the benefit of all

At Proximus, our aim is to ensure that our ICT technologies become everyday tools, to be used easily and safely by all. To achieve this, we develop, partner and support various training initiatives.

Safer internet use for children

In collaboration with Child Focus, volunteers from Microsoft and Proximus visit 5th and 6th class primary school students across the country with a mission to educate them on safer use of the internet. While the web is a fantastic tool, it needs to be used safely and securely, and teachers are often not trained in this area. Child Focus is an expert in prevention, and every year gives a course to Proximus volunteers on such subjects as creating a password, protection of personal data, online communication, privacy settings, cyberbullying etc... The initiative is intended as a springboard to help schools address the issues. To help participating teachers broach this subject in class, Child Focus provides an information kit to assist pupils in becoming responsible and socially adept internet users.

	2011	2012	2013	2014
Number of children	3,600	14,726	12,456	10,195

Smart Café

An initiative by which we give some dozen different training modules absolutely free and year-round in our retail outlets in 15 cities across the country. Some other sessions are initiated either in response to public demand, or at the request of municipal authorities and associations. In 2014, over 3,150 people received training.

www.proximus.be/formation

Web Experts

Launched in 2011, the educational project Web Experts encourages young people to share their knowledge of the internet with seniors. Children are encouraged to submit their individual and group projects designed to educate the older generation on the benefits of the internet, safe use, social media platforms, navigation and communication apps etc. A dedicated website offers kids downloadable training kits and each month the best individual and group projects win a prize.

www.webexperts.be

Technobel

Technobel was established in 2001 as a public-private partnership with Forem, and has been recognized as a competence centre since 2003, providing more than 100,000 hours of ICT training every year for job seekers, students, teachers and businesses. In 2014, Technobel trained 2,087 people with a high success rate - after following a Technobel qualification course, 70% of job seekers found work.

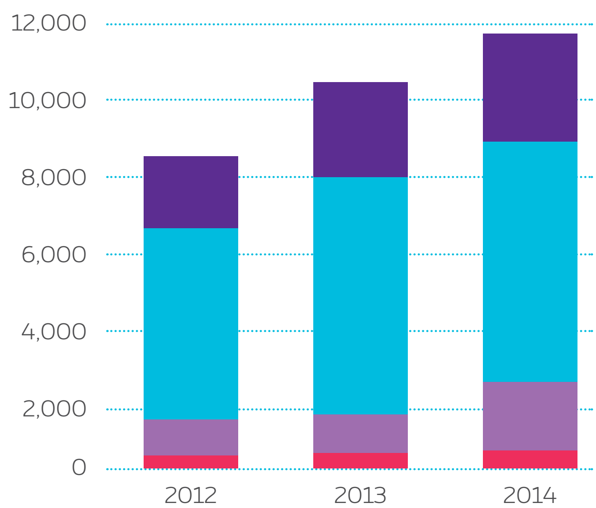
Technobel's Algo-Bot, a game-based learning system designed to introduce the basic logic of software development won second place in the Serious Game Award 2013 during the "Games and Learning Alliance" conference in July 2014.

www.technobel.be

In addition to the above initiatives and partnerships, we also support vocational training associations Digidak and FIJ by providing free connectivity.

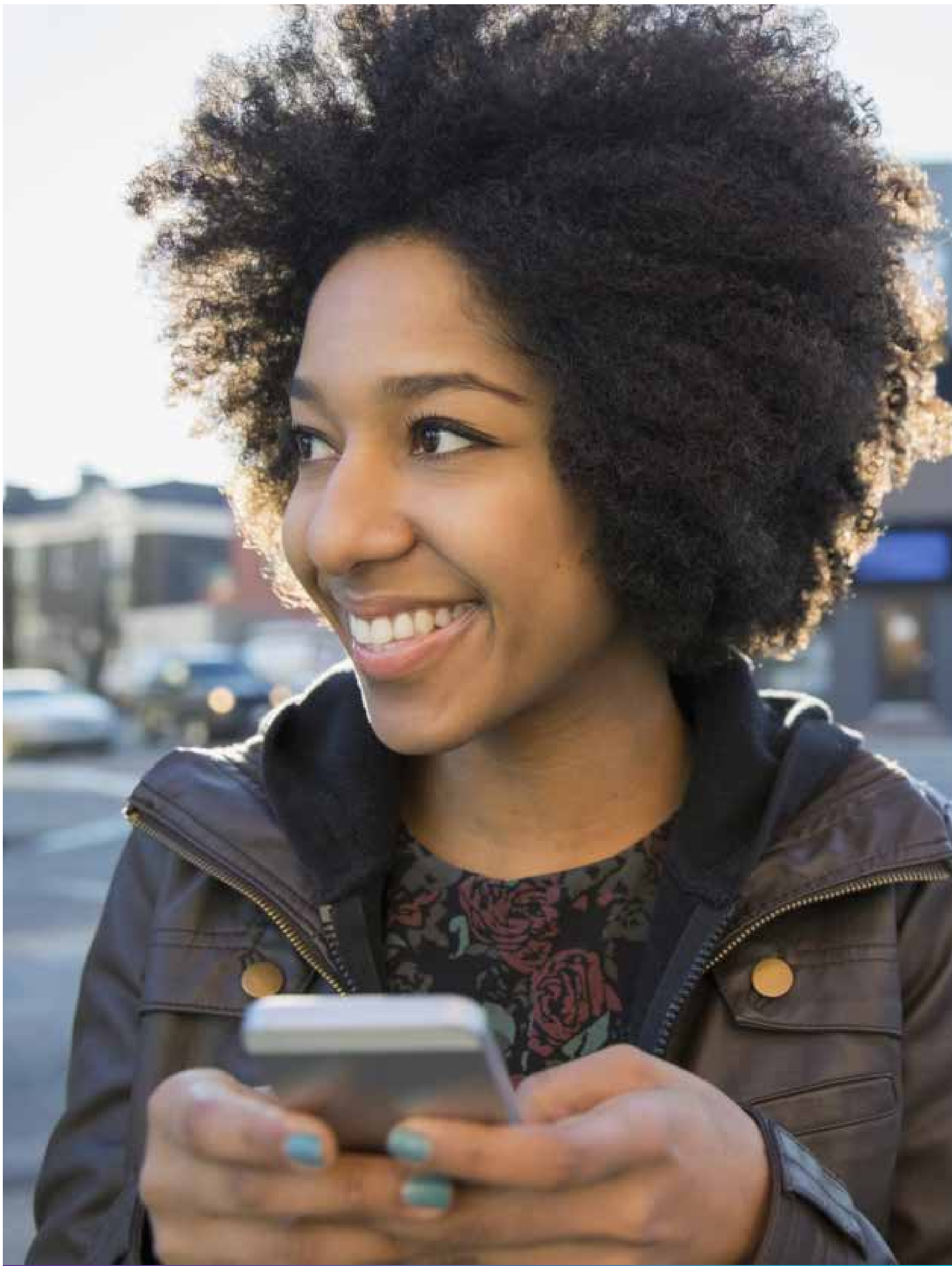
Training for over 11,000 people supported directly and indirectly in 2014

Proximus
Digidak
Technobel
FIJ



Multiservice Info Points

A growing percentage of the population lives below the poverty line. As information and communication technologies have become indispensable in our everyday life and work and are a social inclusion factor, we have developed, with our partner Be.Face an information material. Information sessions are integrated in the local services for disadvantaged people given by local bodies. It includes advices on best purchase packs, using WiFi instead of 3G or 4G, expenditure control etc...



Bright Future

Set up with our partner Be.Face, Bright Future is a mentoring project for talented and motivated students from disadvantaged environments. Volunteers from participating enterprises help facilitate these students' first contact with the business environment, thus assisting them in starting to build a professional network and take the all-important first steps in their working career.

Communities

An active member of our numerous communities

Our aim at Proximus is to place our wide range of technologies at the service of those communities which will benefit most, especially sick children and people with disabilities.

Connecting sick children - Bednet and Take Off

We provide internet access to Bednet and Take Off for videoconferencing that allows long-term sick children to maintain social and educational contact with their class. Thanks to these associations, in 2014, over 325 children were able to continue their schooling, with over 90% of them passing the year.

In 2014, Bednet celebrated its 10th anniversary during an academic session organized at Proximus. In the last decade, Bednet has helped more than 1,000 children, with the number using the service in the future set to rise, especially since the Flanders Government recognized the right to synchronous learning via the internet.

www.bednet.be
www.takeoff-asbl.be

Support for the disabled

We continued our collaboration with Passe-Muraille, an association whose panel of disabled people tests the accessibility of our new devices. According to the disability, the devices carry a specific pictogram displayed both in stores and on our website. In addition, we developed a specific filter on the internet to easily identify the most appropriate devices for each type of disability.

In 2014, we expanded our collaboration with Passe-Muraille, performing an audit on the accessibility of some of our retail outlets for people with disabilities, as well as carrying out training for sales staff regarding the appropriate manner to serve people with specific needs.

www.proximus.be/handicap
www.passe-muraille.be

Our partnership has been renewed with the Belgian Paralympic Committee, whose athletes continue to shine on the international stage.

www.paralympic.be

We again supported Belgian television's CAP48 challenge, a solidarity initiative for disabled people.

www.cap48.be

Medical research

We supported, both technically and financially, the organisation of Télévie, an action aimed at raising funds for cancer research.

www.televie.be

Homeless people

As part of the Winter Plan 2013-2014, we made one of our buildings in Brussels available to accommodate 50 homeless people every night, offering them a bed, a hot meal, breakfast and health, medical and social support. We repeated the successful action in the Winter Plan 2014-2015.

www.samusocial.be

Disadvantaged people

In partnership with Be.Face, a network of responsible companies, we organized and coordinated a collection of warm clothing and blankets from several member companies in Brussels.

Bike to Close the Gap

In June, 20 Proximus employees rode the famous Paterberg for PC Solidarity, a charity project of our partner Close the Gap. The aim of Close the Gap is to ensure that everyone has the opportunity to keep up with the digital age. € 85,000 was raised by the 291 participants, meaning a total of 850 computers could be donated to disadvantaged families to ensure that they too enjoy the benefits of ICT.

Green

Towards a low-carbon society

Climate change affects us all

Combating climate change, especially in terms of reducing carbon emissions, presents a number of clear-cut challenges to us as a society, and to Proximus as a business. However, it also creates opportunities, to innovate and to better contribute to global efforts towards creating a low-carbon society.

Our action areas are:

- **Reducing our impact on the environment and specifically our company's CO_2 emissions by 70% over the period 2007 - 2020**

- **Helping our customers reduce their own environmental impact**

- **Involving our stakeholders by raising awareness and establishing guidelines on climate change and the environment**

External recognition by CDP

This year, for the second time in a row, we received a CPLI (Climate Performance Leadership Index) and a CDLI (Climate Disclosure Leadership Index) award from CDP in recognition of our reporting transparency and our performance in combating climate change. CDP is a globally recognised reference in the field, an international nonprofit organisation with a worldwide system for measuring, sharing and managing environmental information.

In the top 10 telecom companies worldwide recognised for climate performance.

Proximus is now recognised as a world leader in the fight against climate change. Our efforts to reduce both carbon emissions and the business risks of climate change have earned us a place in the CDP Climate Performance Leadership Index 2014. This index lists 187 companies that make significant efforts to combat climate change. We were also placed in the CDP Benelux Climate Disclosure Leadership Index (CDLI).

CDP™
CLIMATE
PERFORMANCE
LEADER 2014

CDP Climate Performance Leadership Index 2014

Information supplied by nearly two thousand listed companies was independently assessed according to the widely respected rating method used by CDP. Proximus is among the ten best-scoring telecom operators worldwide and is well placed in the world ranking of companies that make an effort to combat climate change.

We received the CPLI Award thanks to our adhesion to a clear strategy towards low-carbon business. We are constantly looking for new ways to improve the energy efficiency of our networks, data centres and buildings, to build green fleets and to encourage the use of public transport. As a result, we have succeeded in reducing our carbon emissions dramatically - by 68% from 2007 to 2014 – and we are well on track to reach our target of a 70% reduction by 2020.

In addition, we offer an ever-widening range of products and services that help business customers reduce their ecological footprint.

CDP CLIMATE DISCLOSURE LEADER 2014

CDP Benelux Climate Disclosure Leadership Index

We were also recognised by the CDP Benelux Climate Disclosure Leadership Index (CDLI) for the comprehensive and high-quality climate data we communicate. Our score of 88/100 puts us among the leading companies whose robust climate data can be used as a basis for decisions on measures to achieve a low-carbon economy.

The first step towards managing carbon emissions is to measure them, because in business what gets measured gets managed.

Lord Adair Turner,
former Chairman of the UK's Committee on Climate Change and the FSA.

CO_2 performance across the Group

CO_2 emission calculation is carried out across the Group according to the the GHG Protocol guidelines. The GHG Protocol, a partnership between the World Resources Institute and the World Business Council for Sustainable Development, is the preeminent organization that delineates standards for calculating emissions.

In addition to our Belgian emissions measurement data, we have also been measuring CO_2 emissions at Group subsidiaries abroad since 2010, whose consumption amounts to 5% of the Group total. Our international operations are BICS (worldwide), Telindus Luxembourg, Telindus-ISIT Netherlands and Tango Luxembourg. Carbon emissions from Groupe Telindus France and Telindus Limited UK were not included as those companies were sold during the course of 2014.

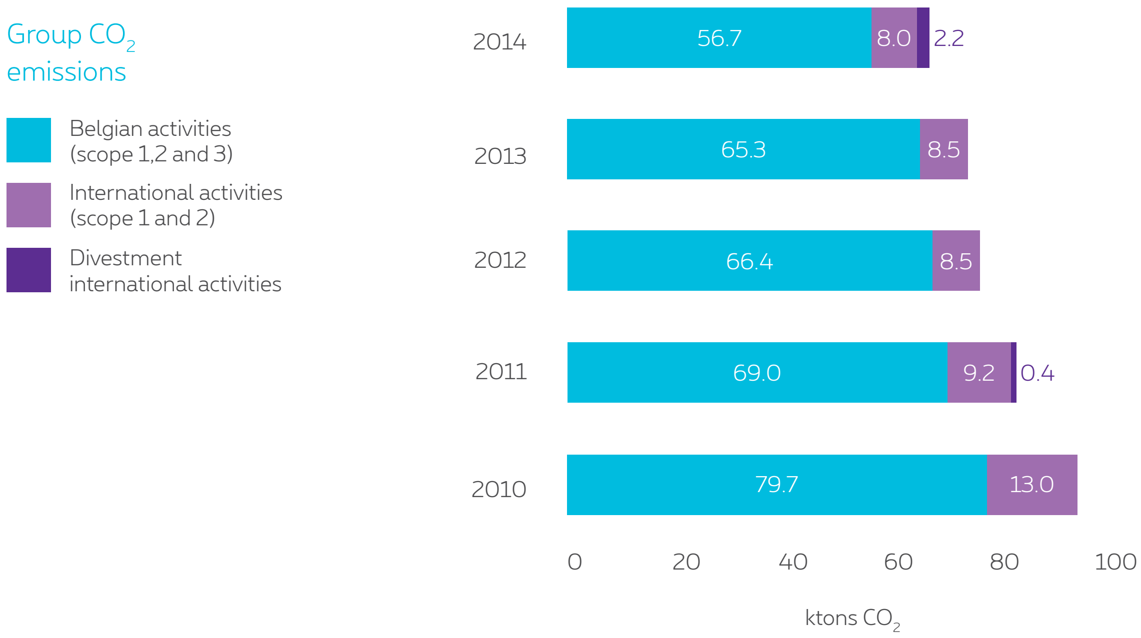
Emission data are compiled according to three different scope areas:

Scope 01 Direct emissions created by the activities of the company itself by burning fuel, mainly for heating and fleet use.

Scope 02 Emissions from electricity generation required to power the company's electricity consumption. These occur in the energy chain during the conversion of fossil fuels into electricity and are considered as indirect emissions.

Scope 03 Other indirect emissions from employee commuting, business travel, and subcontractors' traffic (Proximus network operations).

Group CO_2 emissions



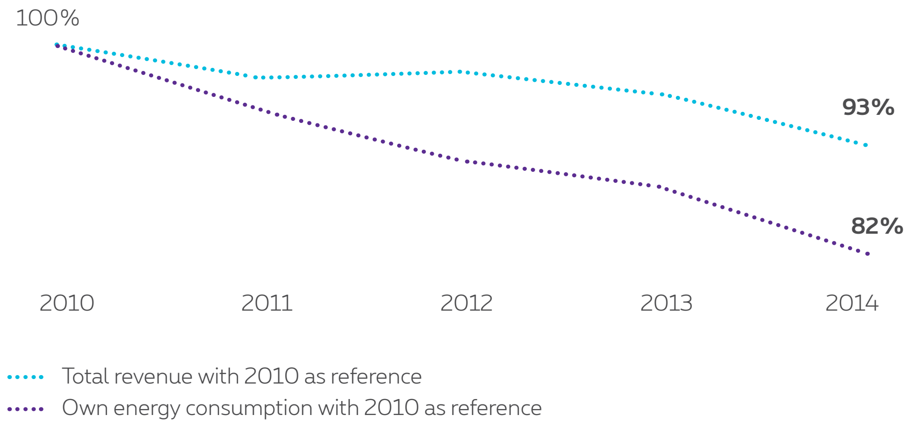
Last year, the company achieved a reduction of 12% compared to 2013. In scope 1 and 2, international activity showed a decrease of 5%. For scope 3, international figures are not included.

Telindus-ISIT Netherlands will also switch to renewable energy in 2015. The energy originates from Dutch wind farms and carries the quality label 'Milieukeur van SMK'.

The gap between energy consumption and revenues is widening

Using 2010 as reference point, it is clear that there is an ever-widening gap between energy consumption and revenues, which indicates a positive rate of performance in terms of energy efficiency measures. Had no measures been taken, energy consumption would have, in theory, followed the same trend as revenues. This gap between revenue and consumption corresponds to an annual energy saving worth up to € 9 million.

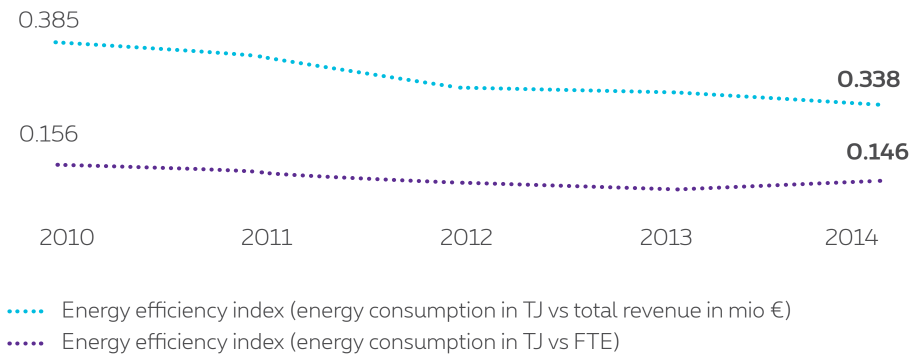
Positive evolution energy consumption vs total revenue



Other energy efficiency indices are evolving positively

Overall energy consumption continued to decline in comparison with revenue while energy consumption per employee (FTE) rose slightly, mainly due to significant staff reductions following the divestment of the subsidiaries Groupe Telindus France and Telindus Limited UK, two ICT services with low energy consumption.

Energy efficiency index (vs FTE en vs total revenue)



Carbon emission reduction in line with our target of 70% (2007 - 2020)

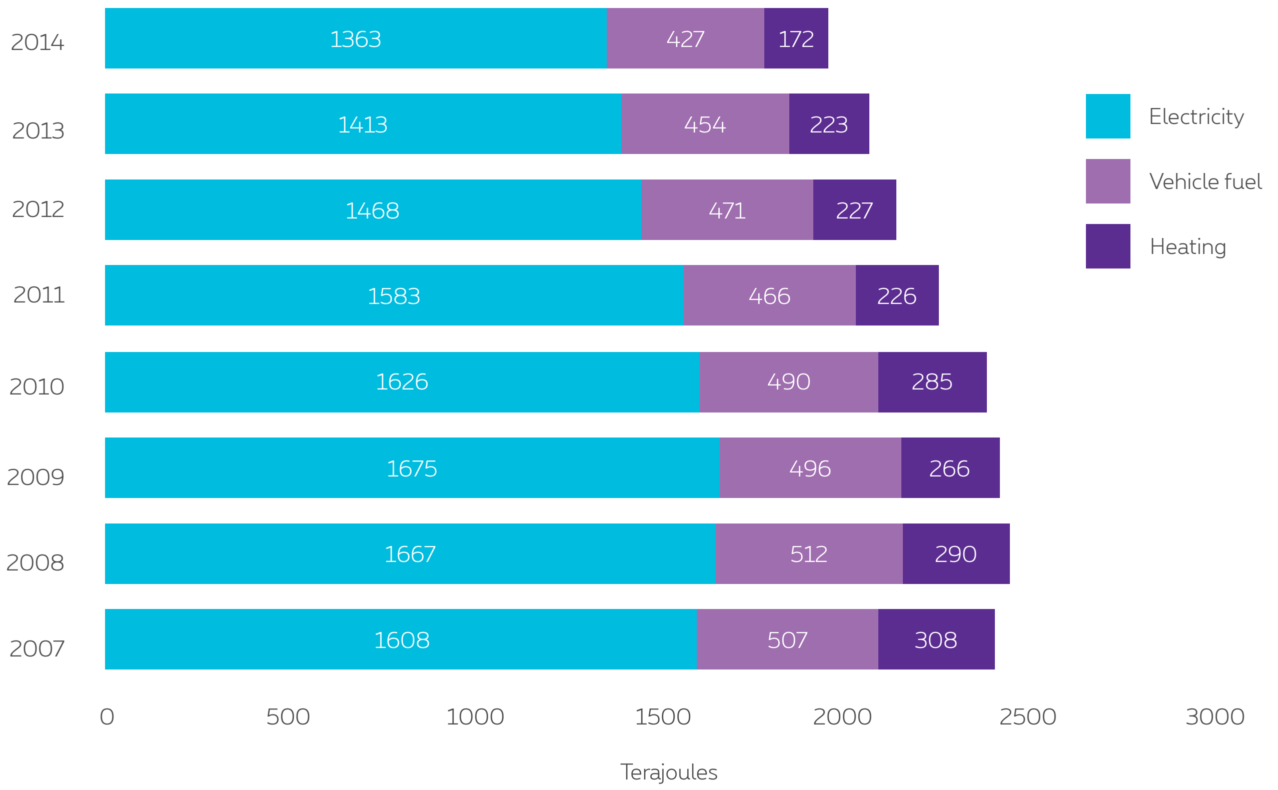
The following is an overview of our main objectives for reducing energy consumption and CO_2 emissions in Belgium (Proximus, BICS, Scarlet, The Phone House).

	Target	Target date	Status
Reduction of our CO_2 emissions (vs. 2007)	70%	2020	Ahead of target (68%)
Certified renewable electricity	100%	2009	Renewed annually
Fixed and mobile network	Raise energy efficiency by 25%	2020	On track Achieved (mobile network)
Data centres	Average PUE* of 1.75 Raise energy efficiency by 25%	2012 2020	Achieved: 1.71 Achieved
Transport	Reach an average of 120 gr/km for CO_2 emissions from new company cars	2012	Achieved: 111 g CO_2/km
	Encourage the use of low carbon transport	2020	On track
Offices	Monitor and improve the energy efficiency of buildings	2020	On track

PUE (Power Usage Effectiveness) is a measure of efficiency of data centre energy use. The lower the PUE, the more efficient the data centre.

Energy consumption down for the 6th year in a row

Energy efficiency is an important part of our environmental policies and management systems. Our energy and CO_2 reduction shows a positive trend for six years in a row. Thanks to the commitment of our teams at all levels of the company, our internal use of energy fell by 6% compared to the previous year and by 19% compared to 2007.



Carbon emission reduction close to 2020 target

CO_2 emissions have declined consistently since 2008 and today we are closer than expected to our target of a 70% reduction by 2020. To achieve this target, we only need to reduce carbon emissions a further 5%, primarily through further efficiency improvements in heating and transportation as well as continued use of certified renewable energy.

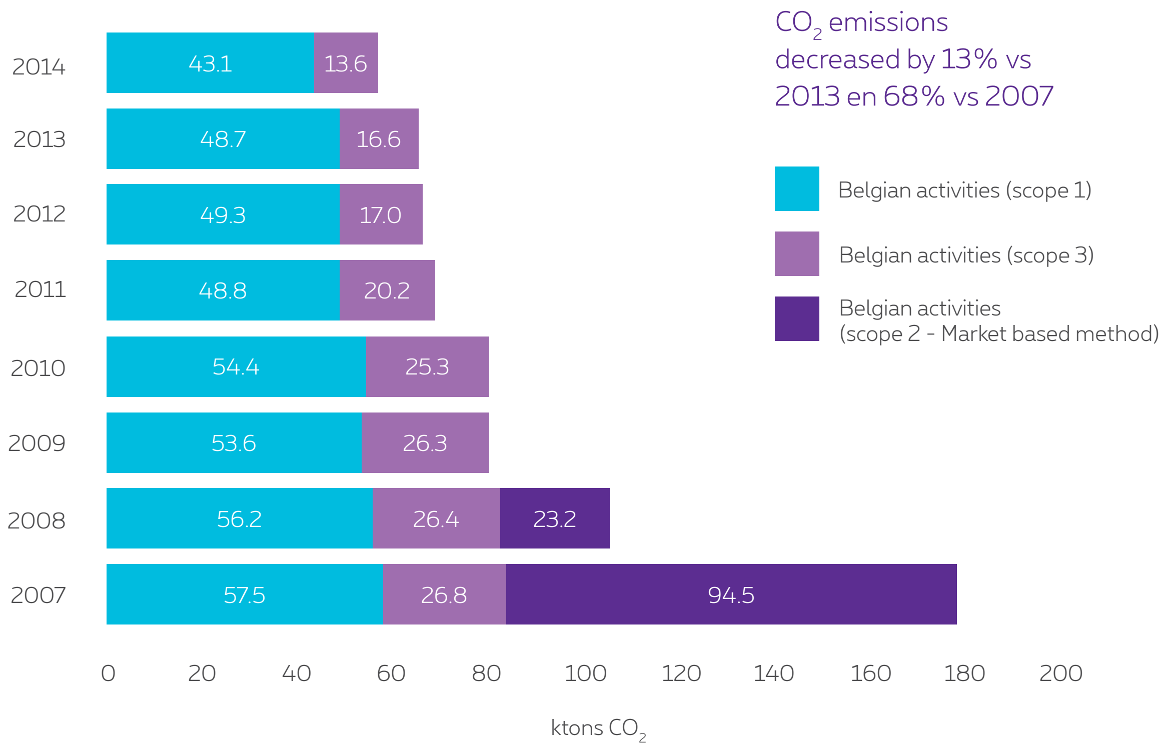
Two data sources for measuring electricity-generated emissions

In measuring carbon emissions from electricity consumption, the new GHG scope 2 standard now requires double reporting for which the CO_2 calculation is based on both a market-based method and a location-based method.

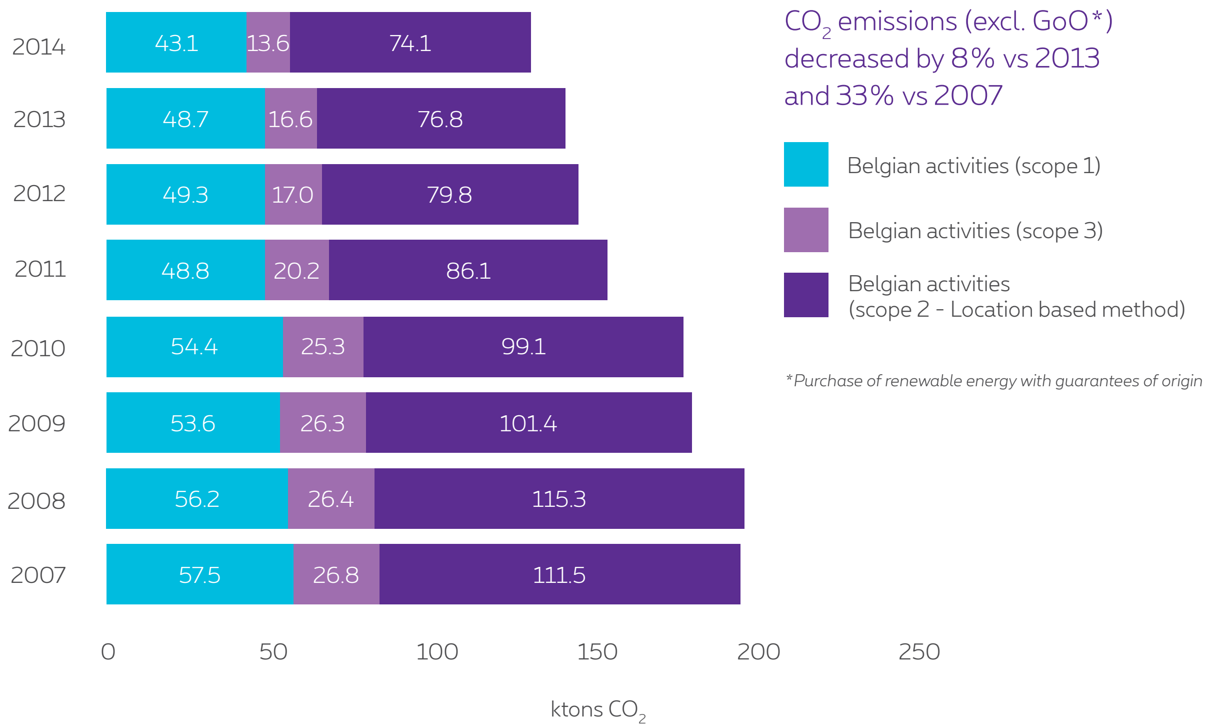
The market-based method reflects the choices the company makes concerning electricity supply, detailed in contracts between the company and its energy suppliers.

The location-based method, on the other hand, reflects the energy mix available at the location where consumption takes place. In this case, the type of electricity the company buys has no influence.

What we really emit...

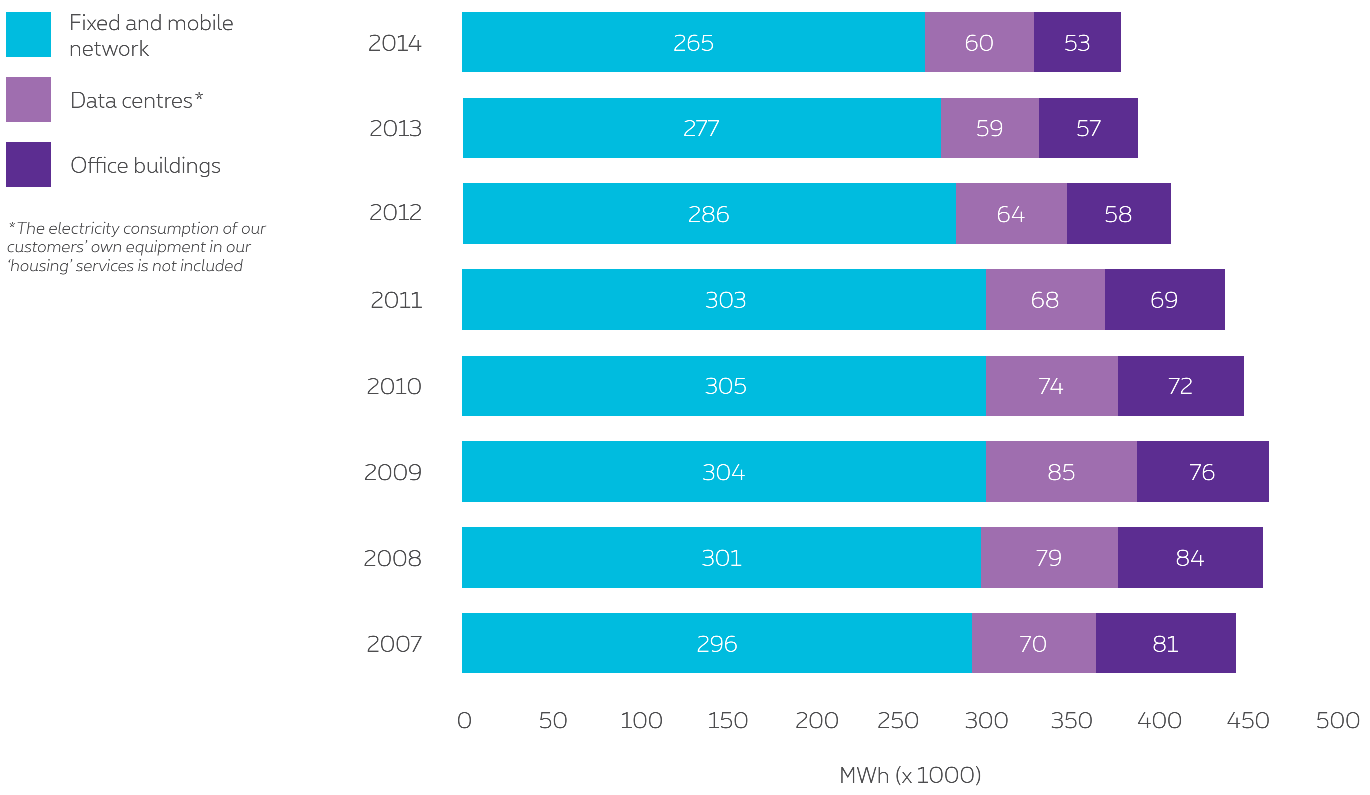


... and what we would emit without taking into account the certified renewable energy we buy



Electricity consumption down by 3% in 2014, and by 16% over the last 4 years

The electricity Proximus uses in Belgium is derived from certified renewable energy sources with guarantees of origin, as well as from a limited solar energy production. The annual amount of green electricity we buy is equivalent to the annual consumption for 108,000 households. Although the use of renewable energy with guarantees of origin is important, our main priority remains investing in energy efficiency projects.



In 2014 we managed to reduce our electricity consumption by 3% in comparison to 2013. Over the last four years this has resulted in an overall reduction of 16%, or the equivalent of the annual consumption for 20,000 households.The additional energy efficiency projects realised in 2014 have resulted in an extra 6 GWh electricity saving annually. Despite the expanding activities of our growing mobile network and data centres, our total energy consumption trend is decreasing.

Data centre consumption is up by 2% while network consumption is down by 4% and office building consumption is down by 6%.

Overall we consumed 13.7 GWh less compared to the previous year. Moreover, we continue to buy 100% certified renewable energy, for example with a new contract for the purchase of locally produced renewable energy for our headquarters, a data centre and the Proximus shops.

Data centres

2014 was the warmest year since the start of RMI measurements in Belgium, causing an increase in our datacentres' PUE as more energy was required for cooling. During the year we invested in a number of initiatives that will further reduce data centre consumption in the future:

• Dry coolers have been installed in our data centre located in Machelen, allowing more efficient free chilling instead of compression chilling when the outside temperature drops below 7°C.

• Installation of a heat pump in our data centre located in Machelen, which circulates heat from the data centre to the rest of the building.

• Refrigeration systems in each data centre have been optimised in order to cool the air as energy efficiently as possible.

These new investments have been made in the framework of the EU Code of Conduct on energy efficiency of data centres that Proximus signed several years ago.

Fixed network

Project Mantra - Proximus migrates to the network of the future

Phasing out obsolete technology is one of the biggest challenges facing network operators in the future, given the extensive new technologies and new network layers that have been added to the existing network over the last two decades.

Proximus has adopted a pioneering role, migrating to a high-tech broadband network that will serve customers' needs better and faster. The new technologies applied are not only much more compact and cheaper, but they also consume considerably less energy. The migration project is known as 'Mantra' and is being implemented in two phases:

• The first phase is the removal or consolidation of the older data networks and traditional telephone exchanges. Specifically, this allows us to sell 24 large technical buildings, realising a 25% reduction of our total technical space. This first phase is to be completed within a timeframe of eight years, of which two have already passed.

• In the second phase, we aim to reduce our copper network by 25%, as we will divest a further third of our total technical space, located in smaller buildings. Ultimately, our network technology will be mainly concentrated in existing street cabinets, complemented by newly designed small containers.

The end result will be a model network based on IP, that will no longer require hundreds of buildings to house it.

Overview main reasons for change

› **Data centres**

• Business growth

• PUE (Power Usage Effectiveness) increased from 1.63 to 1.71

• Further virtualization of our server park

› **Fixed and mobile networks**

• Further deployment of free air cooling

• Replacement of rectifiers

• Innovation of fixed network

• Further dismantling of old network cards

• Business growth of mobile network

› **Offices**

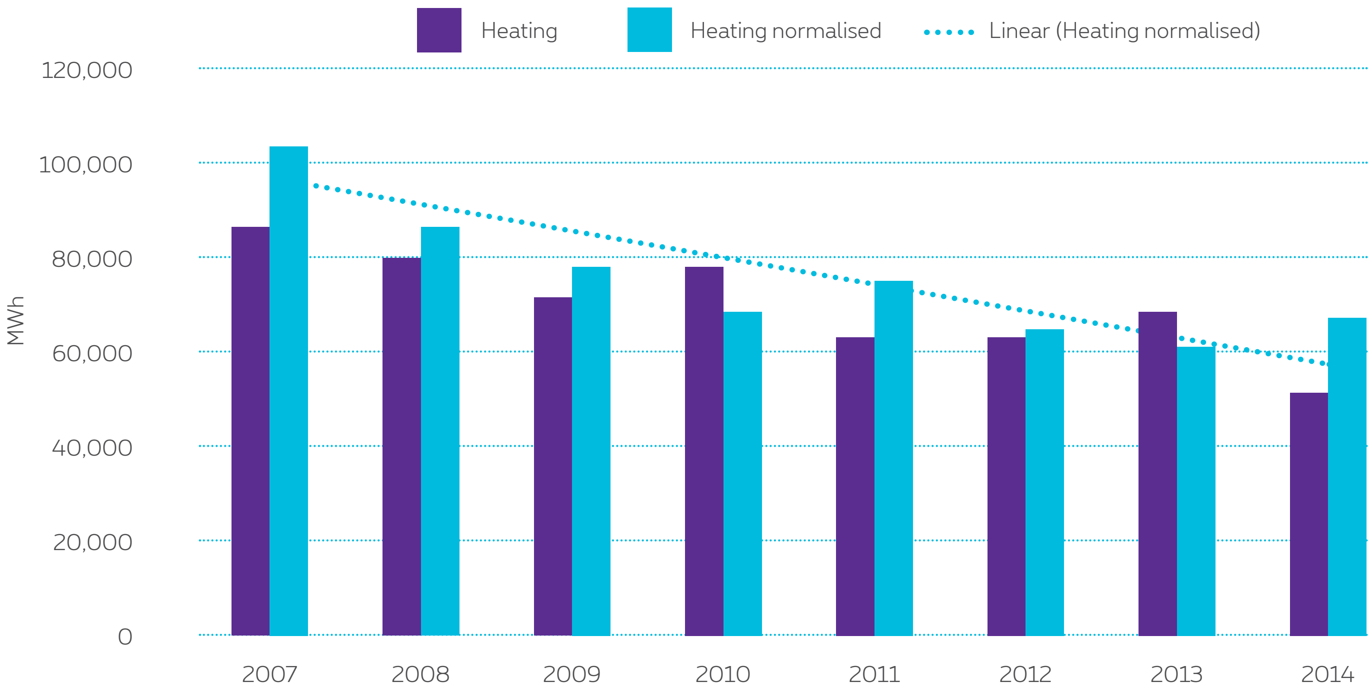
• The new 'Total Optimising Program' (TOP) focuses on reducing consumption, maintenance and operating costs. 100 buildings with abnormal energy consumption have been selected, of which 17 have already been investigated and for which 225 points of action have been defined.

Heating

2014 surpassed the 2011 record to become the warmest year since RMI measurement started. Degree days, which are a measure of temperature over a period of time and are used to calculate how much energy is needed to heat a building, showed that 2014 was 28% warmer than the previous year. Energy consumption in our technical and office buildings was nonetheless 23% lower, while the normalised heating demand increased slightly compared to 2013.

Seven-year trend reduces heating consumption by a total of 36%

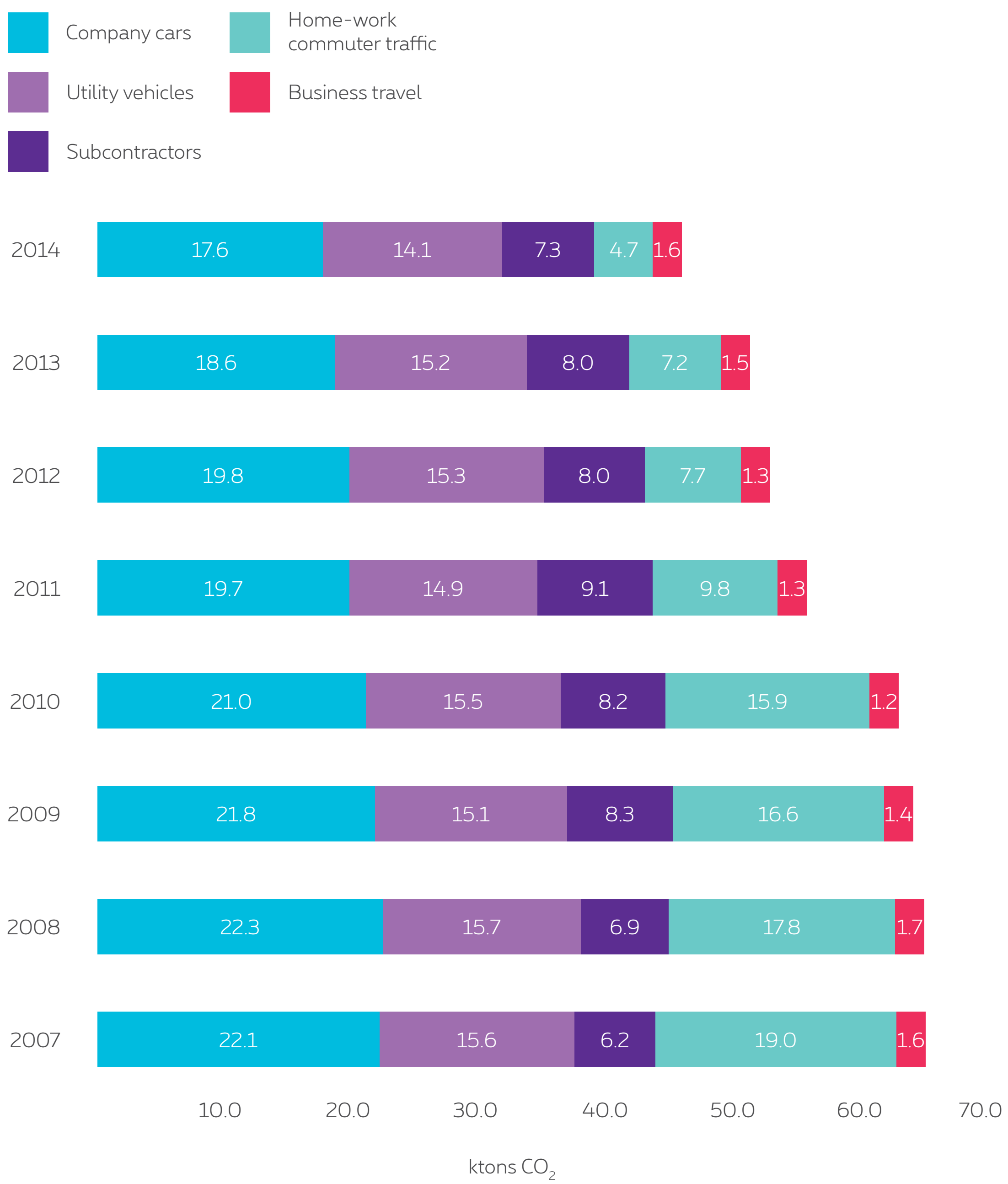
Evolution normalized heating needs



Normalisation based upon the degree days with the average of the last 30 years as reference (1981-2010).
Source degree days: www.aardgas.be

Transport

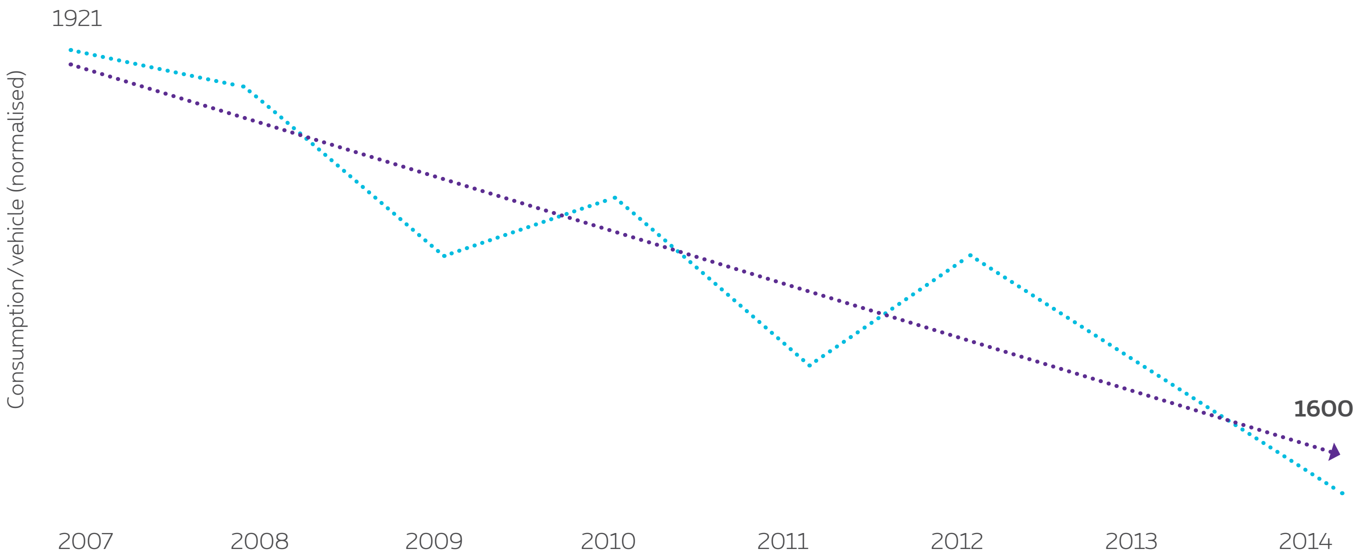
Transport-related carbon emissions down by 10%, or 27% over the last 4 years.



In 2014, CO_2 emissions from transport have decreased by 10%, mainly due to the following actions:

Sector	GHG protocol	Change vs. 2013 in %	Change vs. 2013 in kTon CO_2	The main drivers for change
Utilitary vehicles	Scope 1	-7%	-1.1	Replacement of 1069 small vans from EURO4 to EURO5 with savings of 0.5l / 100km in fuel consumption 447 technicians pick up supplies at local KIALA points and a further 40 technicians' vans are supplied overnight, reducing both mileage and time 13 hybrid or electric cars in service Increase in the number of work-from-home days for some functions
Company cars	Scope 1	-5%	-1.0	The average CO_2 emissions of new cars: 109 -> 111g CO_2 / km The average CO_2 emissions of the entire fleet: 120 -> 113g CO_2 / km 7% more employees who have signed up to green mobility plan, using public transport instead of their car for commuting Introduction of blue mobility plan with limited fuel cards and Railease train tickets for frequently travelling employees Introduction of a limited fuel card for all travelling workers Introduction of the final phase of telecommuting. Number of days working from home has increased fivefold: 57,707 days Number of days teleworking has declined slightly: 4,684 days Max. CO_2 emissions from new cars was reduced to 130g CO_2/km, except for large families and people with disabilities and 155 g CO_2/km for a limited number of executive cars 89 hybrid or electric cars
Business travel	Scope 3	+6%	+0.1	This 6% increase in CO_2 emissions is created exclusively by our international division, BICS, which represents 79% of the Group's long-distance business travel distance. BICS is active throughout the world and this increase is directly linked to business growth
Commuting (excluding company cars)	Scope 3	-34%	-2.4	Introduction of the final phase of telecommuting. Number of days working from home has increased sixfold to 69,894 Number of teleworking days has increased by 50% to 30,538 Staff reductions Better quality rail data and increase in the use of public transport Extended cycle parking
Subcontractors (network)	Scope 3	-9%	-0.7	Slight drop in orders More efficient vehicles 676 technicians pick up supplies through local KIALA points and 75 technicians' vans are supplied overnight, reducing both mileage and time

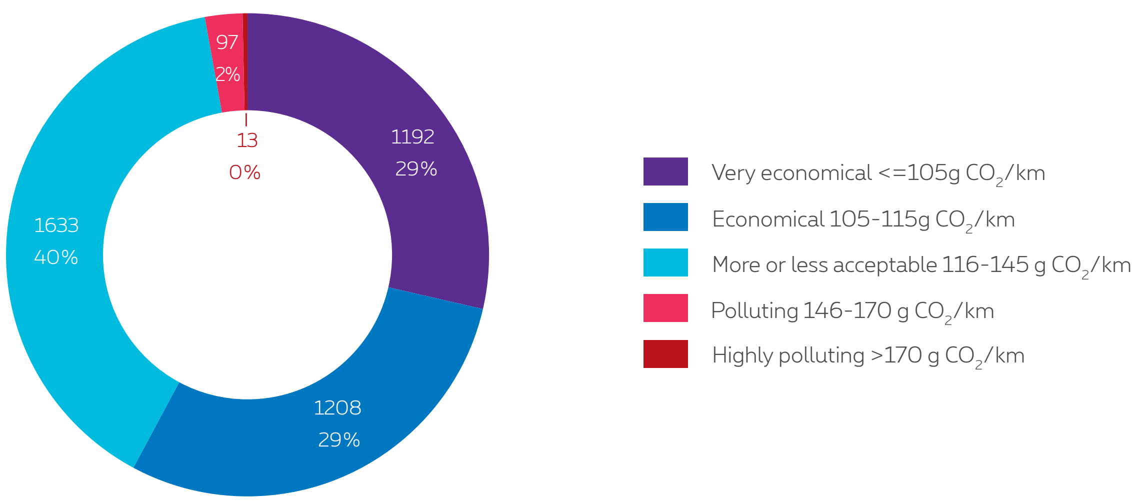
Fuel consumption also down per vehicle



Thanks to our policy of greening our fleet, as well as other initiatives to reduce mileage such as mobility budgets for commuters, working from home and the optimisation of routes for technicians, this clear downward trend is achieved. Besides, bicycles from the public service Villo! were used for more than 1,800 service trips last year in Brussels.

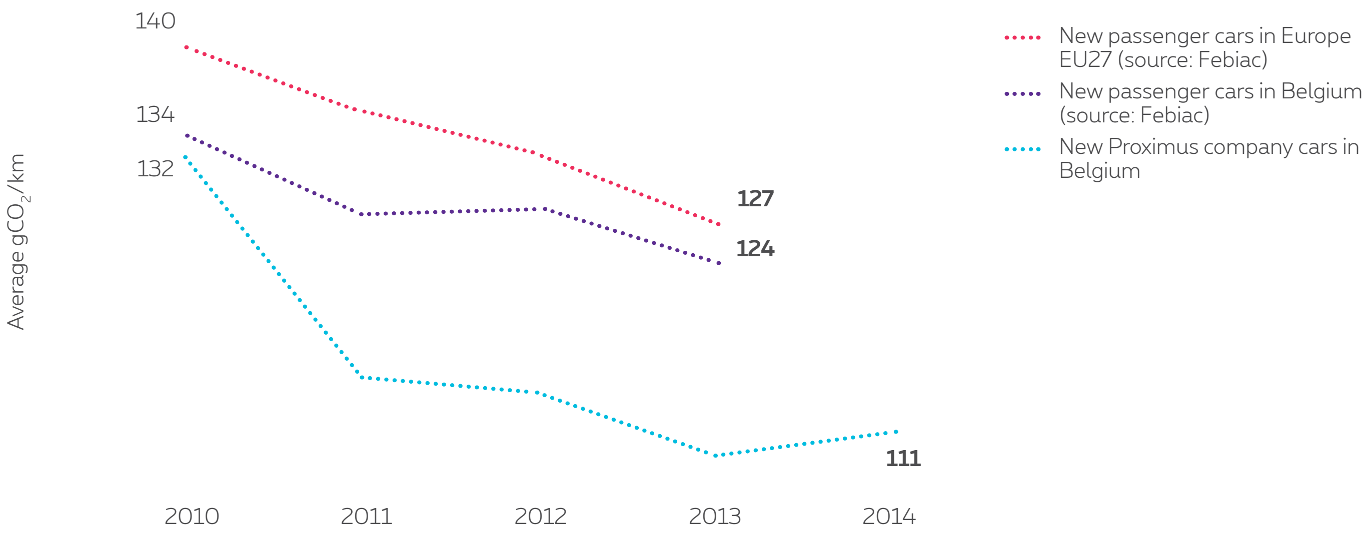
Thanks to the efforts we have made over the last four years, 98% of our company cars now have a CO_2 emission of less than 145 g CO_2/km, up from 56% in 2010. The remaining 2% are cars used by large families, employees with disabilities and certain management functions. Almost 60% of our company cars now emit less than 116 g CO_2/km, while the average emission for the fleet is 113 g CO_2/km.

Number of company cars by CO_2 category



A greener fleet than the EU average

CO_2 emissions trends of new company cars vs. new cars in Belgium and the EU



Environmental Management System

The Proximus Environmental Management System is made up of several components, both parties and resources:

Parties:

• Department of Corporate Social Responsibility (CSR) with a strong focus on green issues and CO_2 reduction

• Department of Corporate Prevention & Protection, including the environmental department

• Internal Audit Department, which reports to the Board of Directors and carries out audits on all environmental aspects at the request of the departments of environment or CSR, the Board of Directors or the Executive Committee

• Government-accredited independent external organizations which audit our waste policy and procedures (packaging, WEEE, batteries).

Resources and tools:

• Environmental Policy

• Procedures, guidelines and plans on environmental issues such as mobility, packaging reduction etc.

• Field visits concerning environmental issues such as hazardous products, waste and control of permits

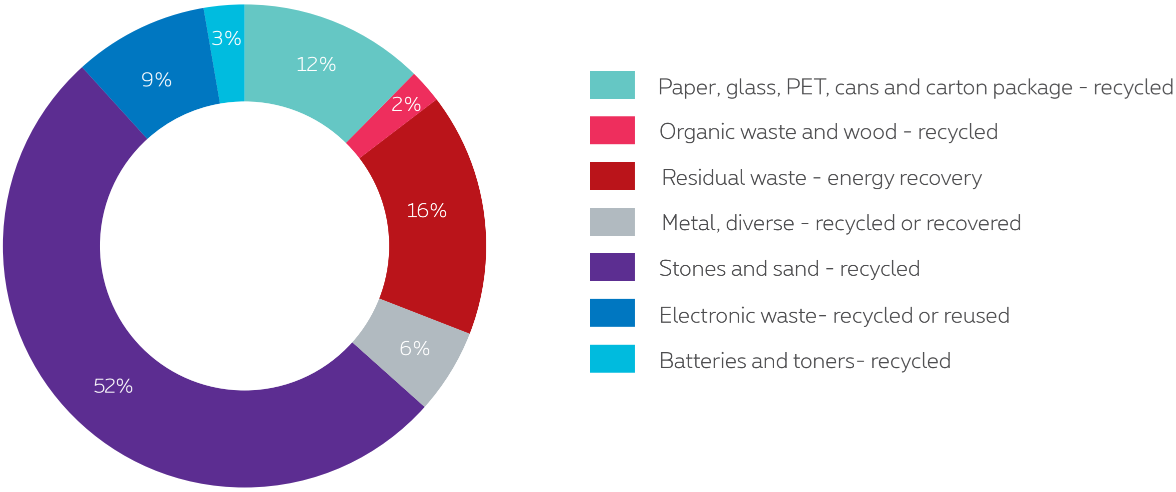
• CSR annual report

• Communication channels: Intranet, news, toolboxes, internal reporting to the Executive Committee

• Integrated Management System, ISO9001 certification and ISO14001 certification for our B2B ICT services in Haasrode, Belgium

Waste

Which types of waste are we talking about?



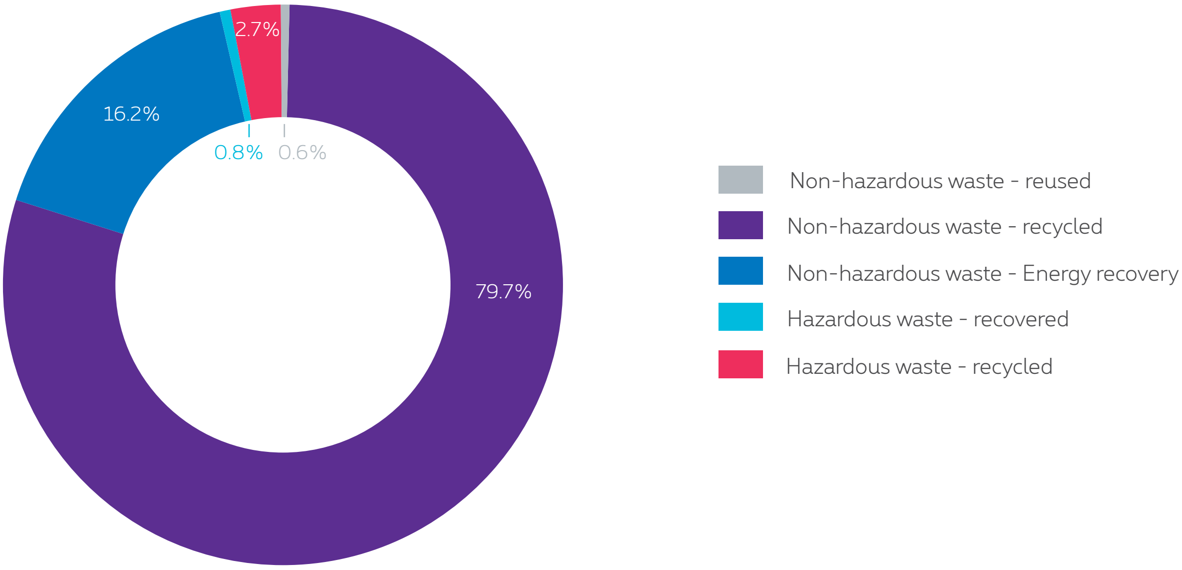
100% of our waste is recyclable, of which 16% is residual waste that provides recoverable energy. The largest proportion of our total - 52% - consists of stones and sand from our network operations. 23% is made up of recyclable metal, glass, plastics, paper, wood, batteries, toners and others. The remaining 9% consists of electronic material that is reused or recycled.

Evolution of residual waste

The residual waste decreased of 1% vs. 2013 and 84% was recycled, reused or recovered.

Some improvements in waste management in 2014

- New prevention plan for the reduction of packaging waste
- Improved packaging of mobile phone SIM cards, namely the replacement of the ABS carrier and information booklet in paper, by an information card packed in polypropylene, which has led to waste savings of 9 tonnes
- Introduction of durable soil sanitation methods. Nutrients and water are heated by solar collectors and pure oxygen is injected into the soil, both processes helping bacteria to speed up decomposition



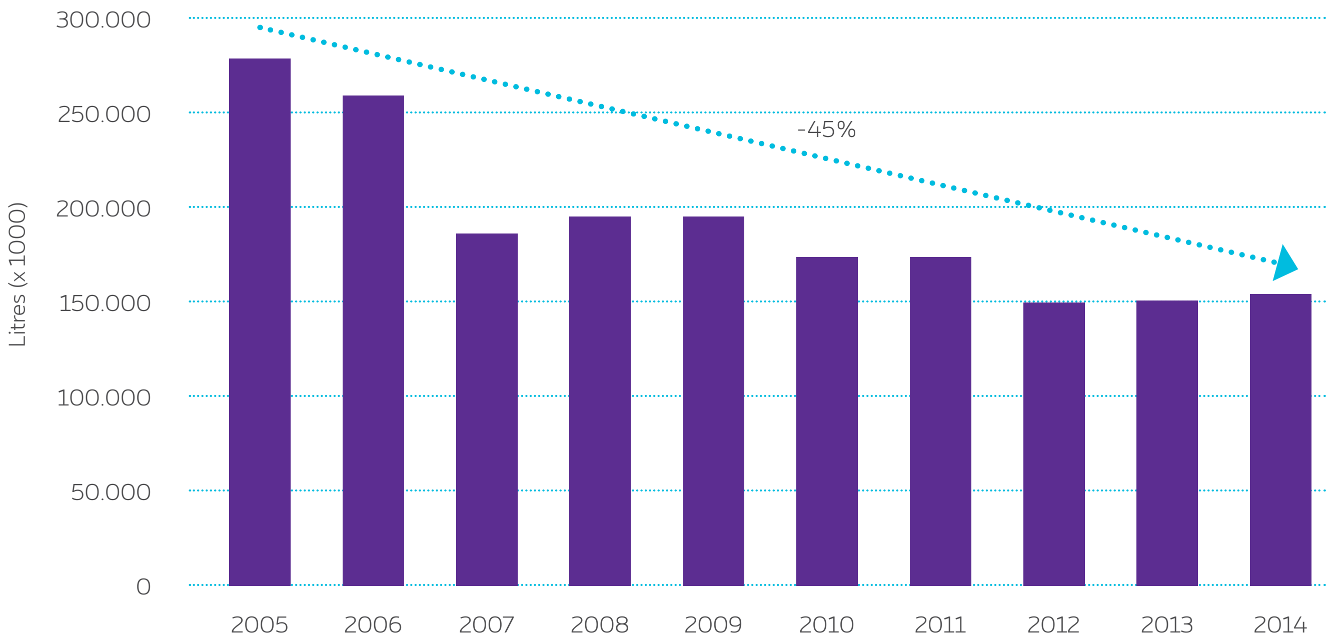
In 2014 the residual waste we sent to processing plants was converted into 827MWh of electricity and 1.25 TJ in heat energy. In addition, by sorting and separating waste, we reduced carbon emissions by 2356 tons, which is 15% more than in 2013.

Water

As a company, we consumed 153 million litres of water in Belgium in 2014. Although water is less of a priority for us than carbon emissions, it is still an important sustainability vector. We have reduced our water consumption by 45% in the last decade. This downward trend is a result of better monitoring, more efficient plumbing systems and a reduction in personnel.

Our new Total Optimising Program (TOP) focuses on reducing consumption, maintenance and operational costs. In this context, special attention is also paid in 2014 and 2015 to buildings with abnormal water consumption.

Evolution water consumption



Helping our customers reduce their impact on the environment

Innovative, sustainable products and services for businesses

Proximus offers dozens of solutions that can help towards a sustainable future by reducing customers' costs, transport and energy footprints. The following products and services were introduced in 2014:

- 'Smart Cities' services for municipalities and cities

- e-Commerce Cloud solution to develop online sales and transactions

- Managed Services Cloud solution to help customers with the daily management of their Private Cloud Infrastructure.

- Bizz Switch: a solution which allows customers to have two mobile numbers on just one smartphone, eliminating the need for two separate phones.

- E-Ticket solutions that reduce the need for cash transactions, collections and transport (eg. Parking areas).

- Dedicated Disaster Recovery Solution – a specific infrastructure in the Proximus cloud supported by a replication mechanism. In case of an on-site problem or accident, the cloud back-up infrastructure is activated, meaning minimal downtime for customers.

- B2B campaign to encourage companies to recycle mobile phones.

- Promotion of Proximus Online Meeting Services, which reduces the need to travel to meetings.

- Our Engage packs have allowed us to use our own experience and knowledge to translate New Way Of Working initiatives into advice and solutions for business customers. *www.proximus.be/engage*

GeSI SMARTer2020: The role of ICT for a sustainable future

The new GeSI SMARTer 2020 report indicates that the use of ICT solutions such as video conferencing, cloud computing and smart building solutions can reduce greenhouse gas emissions by as much as 16.5%.

Source: *http://gesi.org/SMARTer2020*

Help reduce the footprint of retail customers

Energy consumption of our devices

Following the 2013 launch of the energy-efficient V5 TV decoder, in 2014 Proximus introduced the new V5 Mini for Proximus TV customers. Designed with sustainability even more in mind, the V5 Mini has no hard drive, is lighter and more economical.

The introduction of these new TV decoders has contributed to an average reduction in consumption of 8% over the last year. In addition, all devices have a long lifecycle, are repairable, and ultimately recyclable.

Over the next 3 to 5 years, our continued efforts on energy efficiency will lower the average TV decoder consumption at our customers' homes by 50%!

In line with its commitment to the EU Code of Conduct on Energy Efficiency concerning broadband and digital TV equipment, as well as to a voluntary EU industry agreement on reducing TV decoder consumption, Proximus offers customers the V5 decoder, which largely complies with the recommended criteria.

Moreover, our new modem, the bbox 3, was launched in 2014 and is on average 20% more energy-efficient than its predecessor, the bbox 2.

Proximus Cloud for all customers with fixed internet

Thanks to this new service, customers can have secure access to their files from anywhere, and they can store documents and synchronize their PC, laptop, tablet or smartphone and share them with family and friends via Proximus TV.

www.youtube.com/watch?v=IaTqMJqrJXY

More than 1 million Proximus customers have converted to e-invoicing

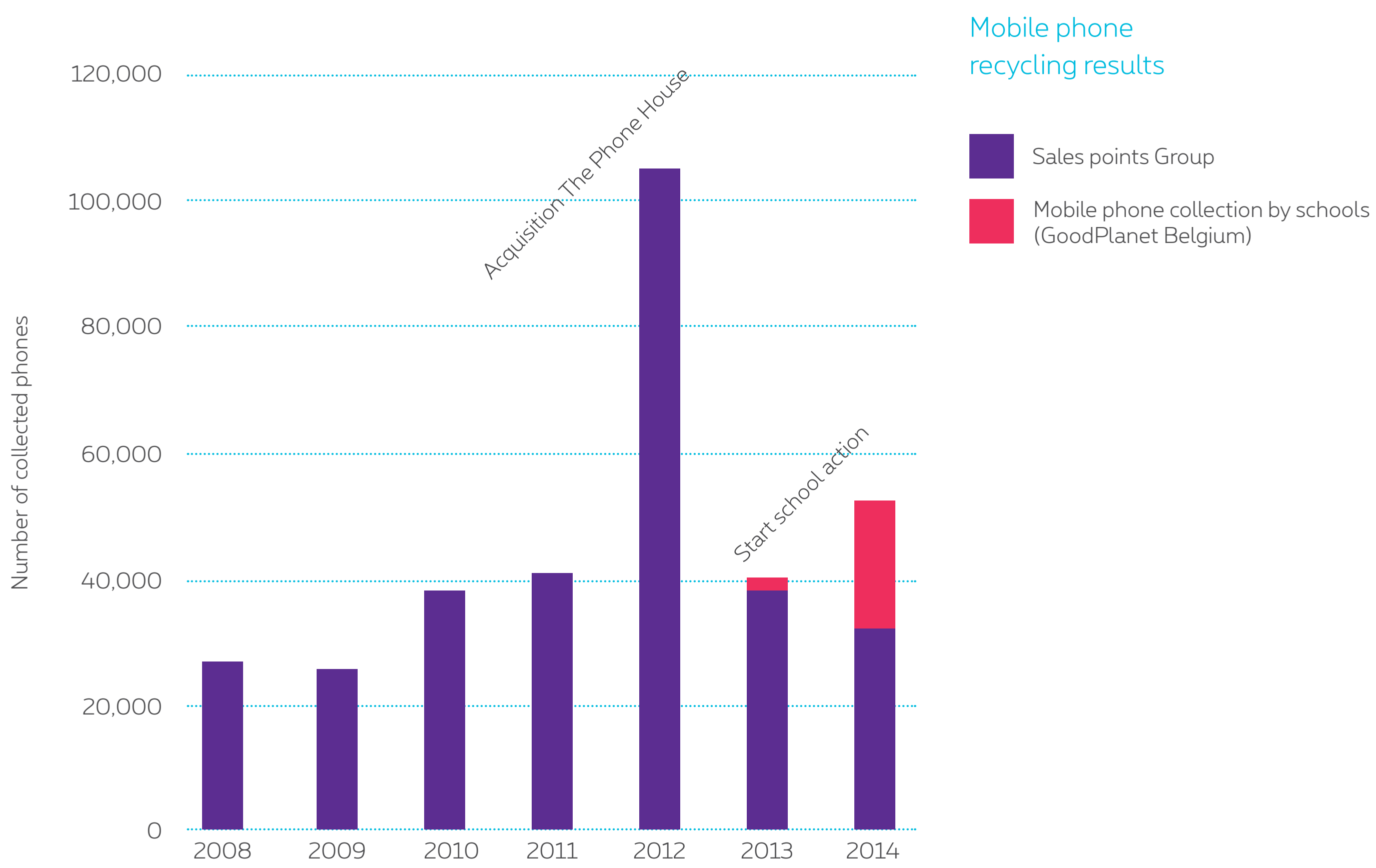
Proximus is committed to the responsible use of paper and has been offering its customers the option of electronic invoicing for over a decade. Invoice management via the MyProximus website is simple and reliable, offering a handy overview of the last 24 bills, as well as reducing both paperwork and the risk of losing invoices. Customers can even pay their bill via the MyProximus link to their bank, or through their own internet banking service. In addition, Proximus encourages its customers not to print out their electronic invoices unless absolutely necessary. This translates to an annual saving of 36 million sheets, or a paper mountain almost 4 km high! By the end of 2014, 38% of invoices were transmitted electronically, compared to 23% in 2013.

A certain amount of the savings is donated to the project “Kids for a GoodPlanet”. With this project, Proximus helps schools participate in educational workshops on nature and biodiversity, also run by GoodPlanet Belgium.

www.goodplanet.be/kidsforagoodplanet

Recycle old mobile phones and smartphones

Recycling or reusing mobile phones allows us to save energy and material resources spent on the production of new devices, as well as offering cheaper access to mobile technology for those who cannot afford brand new phones.



Raising awareness on climate change - involving our stakeholders

Our green partner GoodPlanet Belgium

Proximus and GoodPlanet Belgium continue successful mobile phone collection in schools

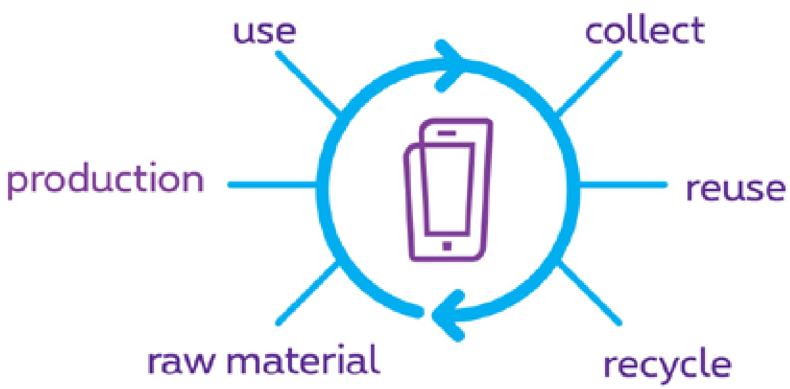
Today, mobile phones and smartphones have become a ubiquitous part of everday life. In 2014, more than 1.8 billion mobile phones were sold worldwide. However, not even 2% of all units are recycled, which gave the impetus for a collaborative action between GoodPlanet Belgium, Proximus and Recupel to organise a major collection initiative in all Flemish schools, accompanied by an awareness campaign about the life-cycle of the mobile phone.

95% of young Europeans have a mobile phone or smartphone. With the average life-span of a phone at just one year, our message to schools was not to leave unused devices lying somewhere in a drawer, or even worse, throw them in the bin. Like other electronic devices, mobiles too can be reused. As a reward, and to demonstrate this, participating schools receive quality 'second-life' laptops, tablets and desktops, for free.

www.goodplanet.be/gsm

Some figures (school year 2013-2014 and the first half of school year 2014):

- 21,500 mobile phones collected
- 250 schools participated
- 77,000 students reached (plus their parents)
- 570 laptops, desktops or tablets donated by Proximus



"Our 2014 mobile phone collection was an unexpected success. More than just a collection, the initiative has a huge impact, combining education, a reward system of IT equipment and a focus on sustainability in schools.- The ideal mix for a successful campaign! We already have more than 500 entries for the current campaign."

Matthias Ghyselen,
GoodPlanet Belgium

Our employees

Mobility Survey

Our wide-scale mobility survey asked our employees about their habits, experiences and proposals concerning mobility. The results show, among other things, that more than 66% of our staff chose a mode of transport other than the car to come to work. The results of the survey will be used to refine our mobility policy further.

Proximus and a 'New Way of Working'

The New Way of Working (NWOW) is a powerful lever that increases productivity, enhances competitiveness and leverages employee talent. It also has a positive impact on the environment and on mobility due to its focus on a sustainable transition to teleworking, mobility budget, less traffic, online meetings and a better work-life balance.

Our suppliers

Every day more than five thousand suppliers contribute to the success of Proximus. Their professionalism and knowledge of the sector enable the company to keep offering new and reliable products to its customers. At the annual Supplier Day on October 16, 2014, Proximus honoured the best success stories among suppliers in the categories of Innovation, Sustainability and Quality of Supply, demonstrating our gratitude for their outstanding work.

Logistics service H. Essers was elected in the Sustainability Category for its efforts to reduce its ecological footprint and develop sustainable solutions. The BREEAM certification they achieved, installing solar panels and investing in wind energy, is an example of this. H. Essers also collaborates with the social sector and organizes courses on environmental awareness as well as ecologically responsible and safe driving for all its drivers.

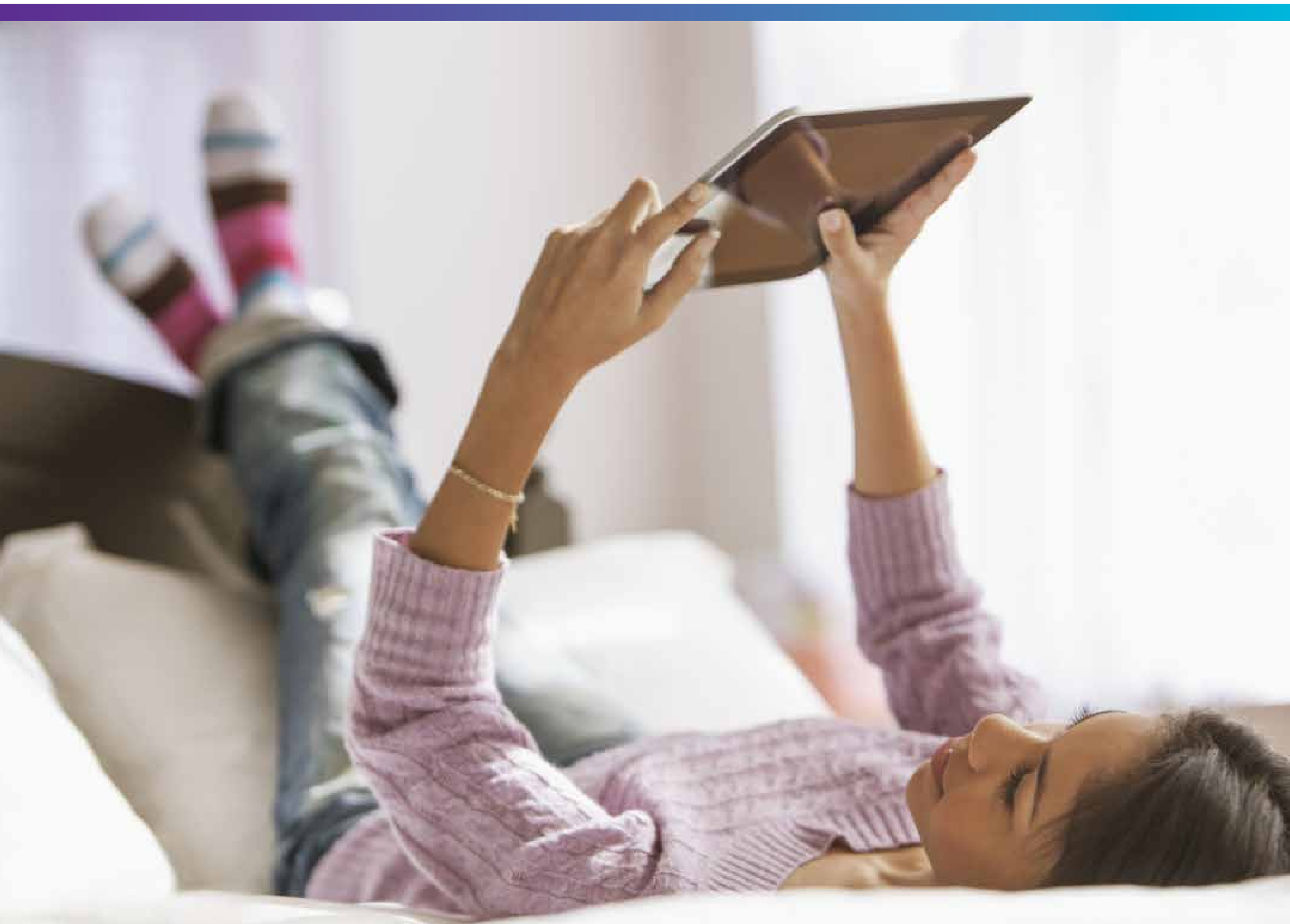
Key Figures - Belgacom Group

		Note	2012	2013	2014	
General Information	Total revenue (Mio EUR)		6,462	6,318	6,112	
	Net income (Mio EUR)		711	630	654	
	Total number of employees - Full Time Equivalent		15,859	15,699	14,187	
	Total number of employees - average headcount		16,956	16,147	14,770	
	Mobile network coverage - 4G			51.7%	85%	
	Digital TV coverage		92.2%	93.3%	94.0%	
Education	% of Belgian population (16-74 years old) who has never used the Internet		15.4%	15.1%	12.9%	
	% of Belgian disadvantaged population using Internet on a regular basis		64.3%	68.1%	71.6%	
	Number of people trained on ICT skills in Belgium	1	8,585	10,388	11,611	v
	Kids trained by our employees on 'safe use of Internet' in Belgium	8	14,726	12,456	10,195	v
Communities	Community Investment amount: financial, in kind, time (Mio. EUR)	9	1.9	1.4	1.5	
	Community investment amount in % of net income	9	0.3%	0.2%	0.2%	
Environment	Energy efficiency index (energy consumption vs total revenue) - Group	6	0.355	0.350	0.338	
	Energy efficiency index (energy consumption vs FTE) - Group		0.144	0.141	0.146	
	Electricity (Terajoules) - *Belgium/Group*	6	1468/1532	1413/1475	1363/1427	
	% renewable energy with GO - *Belgium/Group*		100%/98%	100%/97%	100%/97%	
	Heating (Terajoules) - *Belgium/Group*		227/234	223/228	172/176	
	Vehicle fleet fuel (Terajoules) - *Belgium/Group*		471/524	454/509	427/462	
	Reduction of CO_2 emissions (vs 2007 baseline) - *Belgium only*		63%	63%	68%	
	CO_2 emissions (KTons) - *Belgium/Group*		66/75	65/74	57/65	v
	CO_2 emissions scope 1 - heating and fleet fuel (KTons) - *Belgium/Group*		49/54	49/53	43/46	v
	CO_2 emissions scope 2 - electricity (KTons) - *Belgium/Group*		0/4	0/4	0/5	v
	CO_2 emissions scope 3 (KTons) - *Belgium only*	5	17	17	14	v

		Note	2012	2013	2014	
Environment	Waste (Tons) - Proximus only		10,651	12,402	12,582	v
	% of hazardous waste - proximus only		2.1%	2.0%	3.5%	v
	% waste reused/recycled - proximus only		78%	83%	84%	v
	Non-hazardous waste - recycled or reused (Tons) - proximus only	7			10,104	v
	Non-hazardous waste - with energy recovery (Tons) - proximus only	7			2,032	v
	Hazardous waste - recycled or recovered (Tons) - proximus only	7			445	v
	Mobile phones collected in Belgium for reuse and recycling	2	104,461	39,932	51,812	
	Water ('000L)		151,537	148,796	152,687	
Developing a responsible supply Chain	Suppliers at risk detected on total number of suppliers assessed on CSR risk	4	12/235	59/140	43/109	v
	% of suppliers at risk with improvement plan follow up (y+1)	4	92%	100%	100%	
Promoting a positive working culture	Employee satisfaction with Belgacom as employer	3	79%	n/a	n/a	
	Employee engagement with Belgacom as employer		72%	76%	76%	
	% of employees having followed at least 1 training		92%	81%	73%	
	Average number of training hours per employee		22	23	26	
	% of women in total workforce		30%	30%	31%	
	% of women in top management		17%	18%	19%	
	% of employees > 50 years old		35%	34%	38%	
	Occupational accidents rate (index)	4	8.3	8.5	7.6	
	Ilness rate (including long-term illness)		6.1%	6%	6.4%	
	Number of employees working part-time		3,209	2,534	2,579	
	Voluntary turnover rate (employee-based)		1.87%	1.56%	1.27%	
	Involuntary turnover rate (employer-based)		1.0%	0.95%	0.54%	
	Internal career moves		850	472	1,099	
	External recruitments		842	540	317	

v : EY provided a limited external assurance on these indicators for the year 2014
1. Adaptation of Technobel calculation method for 2012 and 2013
2. Figures of Proximus, The Phone House, Tango and the mobile phone recycling action in schools in cooperation with Goodplanet Belgium. 2012 and 2013 figures were revised.
3. Calculation method changed in 2012
4. All figures relate to Proximus (representing over 90% of our workforce)
5. Scope 3 includes employee commuting, outsourced transport (network) and business travel for our Belgian operations (no reporting for international affiliates)
6. Restatement of 2012/2013 figures due to better data quality
7. New KPI's in line with the GRI4.0 standard
8. Based on figures of schools subscriptions - effective attendence of kids has not been checked
9. Proximus Art Collection is not taken anymore into account

Financial Report 2014



Key Figures

Income Statement (EUR million)	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Total income before non-recurring items	5,540	5,458	6,100	6,065	5,978	5,990	6,603	6,406	6,462	6,318	6,050
Non-recurring income	0	238	0	0	8	74	436	11	0	0	62
Total income	5,540	5,696	6,100	6,065	5,986	6,065	7,040	6,417	6,462	6,318	6,112
Non-recurring expenses	-41	-355	0	-46	-93	-62	8	-26	-15	-14	-27
EBITDA (1) before non-recurring items	2,394	2,214	2,149	2,077	1,990	1,955	1,984	1,912	1,801	1,713	1,720
EBITDA (1)	2,353	2,098	2,149	2,031	1,905	1,967	2,428	1,897	1,786	1,699	1,755
Depreciation and amortization	-742	-726	-802	-774	-743	-706	-809	-756	-748	-782	-821
Operating income (EBIT)	1,611	1,372	1,347	1,256	1,161	1,261	1,619	1,141	1,038	917	933
Net finance income / (costs)	-27	64	104	1	-109	-117	-102	-106	-131	-96	-96
Income before taxes	1,584	1,436	1,451	1,258	1,053	1,144	1,517	1,035	907	822	835
Tax expense	-508	-339	-358	-300	-254	-241	-233	-262	-177	-170	-154
Non-controlling interests	152	139	121	0	-1	-1	17	17	19	22	27
Net income (Group share)	922	959	973	958	800	904	1,266	756	712	630	654

Cash flows and Capital Expenditures (EUR million)	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Cash flows from operating activities	1,899	1,883	1,643	1,581	1,552	1,406	1,666	1,551	1,480	1,319	1,482
Cash paid for acquisitions of intangible assets and property, plant and equipment	-556	-696	-676	-625	-764	-597	-734	-757	-773	-852	-951
Cash flows from / (used in) other investing activities	78	389	-2,279	255	-380	-12	48	-7	-16	38	180
Free cash flow (2)	**1,421**	**1,575**	**-1,313**	**1,210**	**409**	**797**	**980**	**788**	**691**	**505**	**711**
Cash flows from / (used in) financing activities	-1,658	-1,102	751	-720	-570	-1,030	-728	-1,051	-809	-353	-364
Net increase / (decrease) of cash and cash equivalents	**-237**	**473**	**-562**	**490**	**-161**	**-233**	**252**	**-264**	**-118**	**152**	**347**

Balance sheet (EUR million)	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Balance sheet total	5,368	5,831	7,300	7,325	7,782	7,450	8,511	8,312	8,243	8,417	8,522
Non-current assets	3,963	3,808	5,504	5,072	5,564	5,505	6,185	6,217	6,192	6,254	6,339
Investments, cash and cash equivalents	406	884	327	785	618	408	627	356	285	415	710
Shareholders' equity	2,223	2,221	2,391	2,520	2,271	2,521	3,108	3,078	2,881	2,846	2,779
Non-controlling interests	407	370	8	6	5	7	235	225	211	196	189
Liabilities for pensions, other post-employment benefits and termination benefits	760	1,010	886	831	777	677	565	479	570	473	504
Net financial position	110	534	-1,636	-1,167	-1,835	-1,716	-1,451	-1,479	-1,601	-1,815	-1,800

Belgacom share - key figures	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Basic earnings per share before non-recurring items (EUR)	2.65	2.76	2.87	2.96	2.71	2.79	2.57	2.40	2.27	2.02	1.96
Basic earnings per share (EUR)	2.57	2.78	2.87	2.87	2.45	2.82	3.94	2.36	2.24	1.98	2.04
Diluted earnings per share (EUR)	2.57	2.77	2.87	2.87	2.45	2.82	3.94	2.36	2.23	1.98	2.04
Dividend per share, gross (in EUR)	1.38	1.52	1.60	1.68	1.68	1.68	1.68	1.68	1.68	1.68	1.68
Interim/special dividend per share, gross (in EUR)	0.55	0.00	0.29	0.50	0.50	0.40	0.50	0.50	0.81	0.50	0.50
Weighted average number of ordinary shares (3)	358,612,854	345,406,186	338,621,113	334,017,553	326,179,820	320,475,553	321,138,048	319,963,423	318,011,049	318,759,360	320,119,106
Share buyback (EUR million)	0	300	200	78	352	0	0	100	0	0	0

Data on employees	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Number of employees (full-time equivalents)	16,933	16,335	18,180	17,942	17,371	16,804	16,308	15,788	15,859	15,699	14,187
Average number of employees over the period	17,108	16,388	18,163	17,995	17,465	16,878	16,270	15,699	15,952	15,753	14,770
Total income before non-recurring items per employee (EUR)	323,847	333,034	335,869	337,031	342,291	354,917	405,859	408,046	405,084	401,080	409,639
Total income per employee (EUR)	323,847	347,577	335,869	337,031	342,746	359,322	432,685	408,760	405,084	401,080	413,826
EBITDA (1) before non-recurring items per employee (EUR)	139,945	135,103	118,294	115,400	113,934	115,849	121,953	121,764	112,924	108,735	116,473
EBITDA (1) per employee (EUR)	137,549	128,010	118,294	112,847	109,058	116,551	149,247	120,834	111,973	107,851	118,798

Ratios	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Return on Equity	42.2%	43.1%	40.7%	38.8%	37.5%	35.6%	30.9%	24.9%	25.0%	22.5%	22.8%
Gross margin	73.6%	71.5%	67.1%	66.8%	67.0%	65.2%	60.0%	60.7%	59.6%	59.5%	60.0%
Net debt / EBITDA before non-recurring items	0.0	-0.2	0.8	0.6	0.9	0.9	0.7	0.8	0.9	1.06	1.05

(1) Earnings Before Interests, Taxes, Depreciation and Amortization,
(2) Cash flow before financing activities,
(3) i,e, excluding Treasury shares
(4) The net income and the Shareholders' equity are adjusted to exclude the non-recurring income /expenses and the related tax impacts,
(5) The gross margin is adjusted to exclude non-recurring income,

Consolidated management report

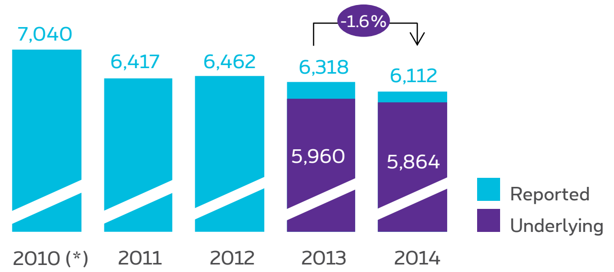
Management discussion and analysis of financial results

Belgacom Group

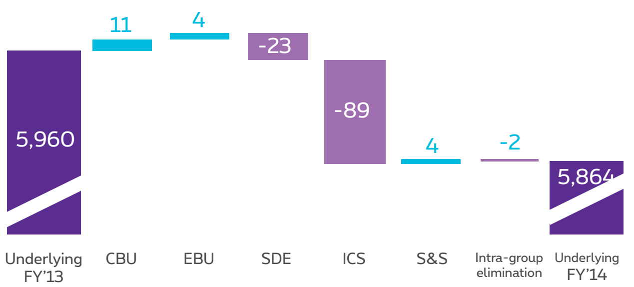
• Group underlying[1] revenue 1.6% lower than for 2013 mainly driven by lower BICS[2] revenue
• With Mobile revenue showing good recovery, Belgacom's underlying core[3] revenue remained fairly stable versus 2013
• Group underlying EBITDA of EUR 1,653 million, i.e. -2.5 % lower than for 2013
• EUR 711 million Free Cash Flow in 2014, positively impacted by the sale of consolidated subsidiaries and buildings.

Revenue

Revenue (in mio €)



Underlying Revenue Evolution (in mio €)



(*) The 2010 Group revenue includes a non-recurring income of EUR 436 million. This results from the acquisition of control of BICS on 1 January 2010, which led to the re-measurement of the Group's previously held interest in BICS.

The Belgacom Group ended the year 2014 with **total reported revenue of EUR 6,112 million, or -3.3% versus 2013**. The year-on-year variance was, however, significantly influenced by incidentals such as non-recurring items, capital gains on building sales[4] and the revenue loss due to divestures[5].

1 *Adjusted for incidentals to get a better view on Belgacom's ongoing business performance. See page 27 for more details.*
2 *Belgacom International Carrier Services*
3 *Group revenue excluding revenue from Belgacom International Carrier Services (BICS)*
4 *In 2014, the Belgacom Group realized EUR 46 million capital gains on the sale of technical buildings in the framework of its network simplification program, this compares to EUR 31 million realized in 2013.*
5 *Divesture of Telindus France, Sahara Net, and the activities of Scarlet Netherlands and Telindus UK*

Adjusted for these incidentals, Belgacom Group's underlying revenue for 2014 totaled EUR 5,864 million, -1.6% or EUR 96 million lower than the previous year. The decrease was for a large part driven by Belgacom's International Carrier segment[6], due to a decline in low-margin Voice volumes. **The BICS segment aside, Belgacom generated through its core business underlying revenue of EUR 4,287 million, which was fairly stable (-0.2%) versus the prior year**. This results from higher revenue from the retail Consumer and Enterprise segments, offset by lower Wholesale revenue posted in the Service Delivery Engine and Wholesale segment.

In 2014, the **quarterly Core revenue variance improved from -3.2% for the first quarter, to +3.5% for the fourth quarter** of 2014. The trend improvement showed in both the Consumer and Enterprise segments and was the result of a significant recovery of the Mobile service revenue, strong sales of Mobile terminals and higher revenue from TV and ICT. These sound business trends largely offset the revenue pressure by regulatory[7] measures, which reduced the 2014 revenue by an estimated amount of EUR 50 million, or –1.2% of Belgacom's underlying core revenue.

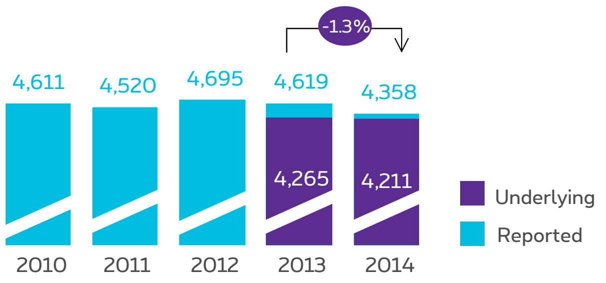
In particular, the **Mobile service revenue showed a significant turnaround** from the prior year, in spite of a continued competitive Mobile market. Whereas 2013 showed a -13% Mobile service revenue decline compared to 2012; the revenue erosion in 2014 was limited to -2.8%. The enhancement shown in the course of 2014 was the combined result of a growing Mobile postpaid customer base, and Mobile ARPU trends showing good improvement due to a fading effect from the reduced Mobile pricing plans, a steep increase in Mobile data usage, and an improving Mobile price tiering of customers.

Furthermore the **revenue from Fixed products was up from the prior year**, with good revenue growth from Proximus TV and Fixed Internet, both benefitting from a continuously growing customer base. Within the Enterprise Business Unit the revenue from ICT in particular showed a solid progression benefitting from a large outsourcing contract signed end-2013. The growth from TV, Fixed Internet and ICT more than offset the lower Fixed Voice revenue.

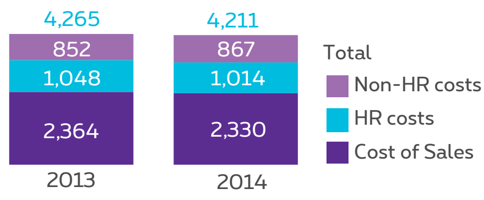
6 *See page 25 for more information on BICS results*
7 *Regulatory price reductions on Roaming rates and reduced Mobile Termination Rates in Luxembourg.*

Operating expenses

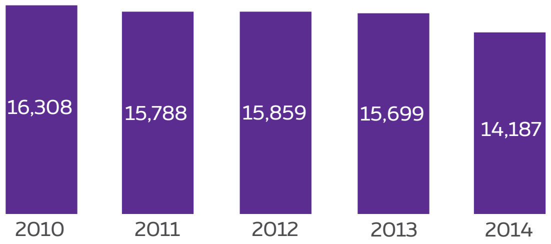
Operating expenses (in mio €)



Total underlying Operating expenses (in mio €)



Headcount evolution (in FTE)



The Belgacom Group's total operating expenses for 2014 amounted to EUR 4,358 million. **Adjusted for incidentals[8], the underlying operating expenses amounted to EUR 4,211 million, or 1.3% lower compared to the year before.**

The 2014 **underlying Cost of Sales of the Belgacom Group totaled EUR 2,330 million**, i.e. 1.4% lower than the previous year, on an underlying basis. This positive evolution was the result of lower Cost of Sales from Belgacom's International Carrier business, in line with its lower revenue. The Cost of Sales for both the Consumer and Enterprise segment were up from the prior year primarily driven by the cost linked to higher sales of Mobile terminals, and within the Enterprise segment ICT-related costs, more than offsetting the cost efficiencies obtained through better value management

The 2014 **underlying[9] HR expenses of EUR 1,014 million** were down by 3.3% versus 2013. An important driver of the lower HR cost was the lower headcount compared to the prior year, mainly resulting from natural attrition.

End-2014, the Belgacom Group employed 14,187 FTE's, i.e. 1,512 FTE's less than the previous year (of which 1.214 FTE's due to divestures).

8 *Mainly related to disposed companies and capitalization of customer installations as of 2014*
9 *Adjusted for the impact from divestures and HR items of transient nature*

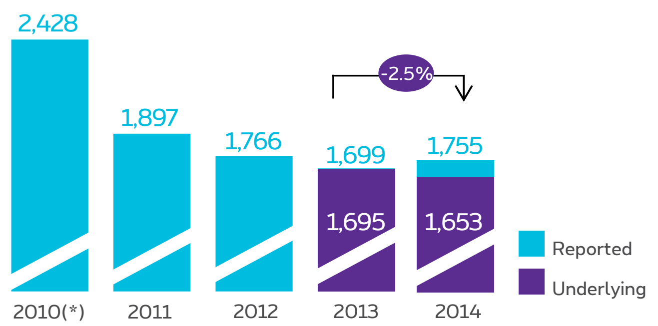
In 2014 the HR expenses were not impacted by an inflation-based salary indexation. Furthermore, the underlying HR expenses were positively impacted by the compensation by the Belgian State for statutory employees who retired in 2014.

The 2014 **underlying non-HR expenses for the Belgacom Group were up by 1.7% or EUR 14 million to a total of EUR 867 million**.

The non-HR expenses were down in the first three quarters of the year on the benefits achieved through the implementation of Belgacom's Fit-for-Growth strategy. In the fourth quarter, however, these benefits were more than offset by a provision for a Walloon Region pylon tax, and some non-structural higher costs, mainly within the Staff & Support segment.

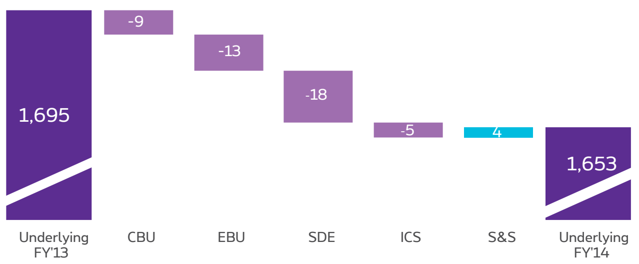
EBITDA

EBITDA (in mio €)



(*) The 2010 Group EBITDA includes a non-recurring income of EUR 436 million. This results from the acquisition of control of BICS on 1 January 2010, which led to the re-measurement of the Group's previously held interest in BICS.

Underlying EBITDA Evolution (in mio €)



The Belgacom Group reported EUR 1,755 million EBITDA for 2014, or 3.3% more than what was reported for 2013. This year-on-year increase resulted from incidentals such as higher capital gains on building sales and gains on disposed subsidiaries[10]. These excluded, **the Belgacom Group posted EUR 1,653 million underlying EBITDA for 2014, 2.5% less than the EUR 1,695 million underlying EBITDA for 2013**. This compares to the 8.7%[11] EBITDA decline posted in 2013, which reflected the full impact of the Belgian Mobile price disruption and the new Belgian Telecom law.

The 2014 trend improvement in underlying EBITDA resulted from stabilizing core revenue, mainly achieved by the turnaround of Mobile revenues, and was further supported by a tight company-wide cost management as part of the company's Fit for Growth strategy.

Regulatory measures negatively impacted the 2014 EBITDA by a total estimated amount of EUR 43 million, or -2.6% on underlying EBITDA.

10 See page 27 for more info on Incidentals impacting the year-over-year variance
11 Communicated like-for-like variance 2013 vs 2012

Tax Expense

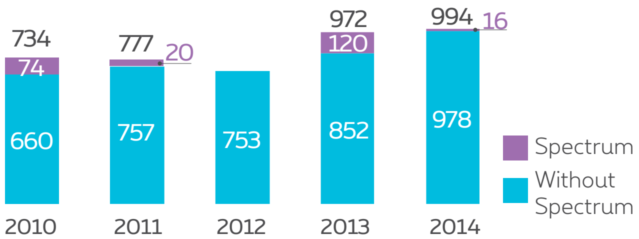
Effective tax rate

* *Normalized effective tax rate, excluding the non-recurring non-taxable gain of EUR 436 million*

The effective tax rate was 18.4% for the year 2014. This was slightly lower than the effective tax rate of 20.7% for the year 2013, and is mainly due to incidentals recorded in 2014. Belgacom's tax rate results from the application of general principles of Belgian tax law.

CAPEX

Capex (in mio €)



During the full-year 2014, Belgacom invested a total of EUR 994 million, or EUR 978 million excluding a EUR 16 million additional spectrum investment in the 900MHz/1800MHz band. This additional spectrum allows for better voice quality management and the possibility to offer LTE at its maximum capabilities in terms of speed and capacity. Belgacom will become the largest spectrum holder in Belgium allowing further improvement in the customer experience delivered by Proximus.

Spectrum excluded, Belgacom invested EUR 126 million more than in 2013. A part of it was due to the three-year broadcasting rights to Belgian Jupiler Pro league football acquired in June 2014, which was capitalized in the second quarter of 2014.

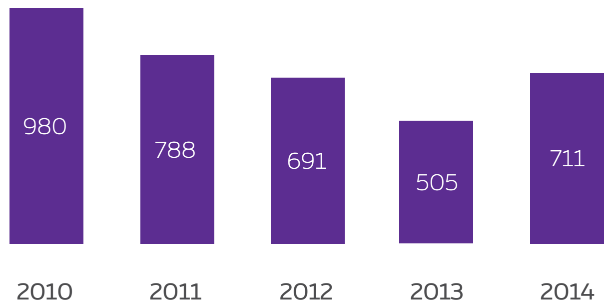
As set out in Belgacom's network strategy presented at the start of 2014, Belgacom continued investing in its Fixed and Mobile networks, as well as in improving its IT systems. Through these investments, Belgacom ensures very high standards in customer experience for Mobile calling and surfing, across all technologies, maintaining a superior Mobile-network quality. By the end of 2014, Proximus reached 85% outdoor population coverage for LTE. By deploying LTE mainly in the 1800 MHz spectrum, Proximus provides best-in-class customer experience, offering a measured average speed of 22 Mbps on LTE devices in free mode. This was at least 45% faster than the comparable average speed of the competition.

2014 also saw the start of a three-year program to roll-out the vectoring technology on the VDSL2 network, increasing the dedicated Internet speed offered to customers to 70 Mbps. For its enterprise customers, Belgacom connected 80% of industrial zonings to its fiber network, enabling ultra-fast data transfer.

As part of its transformation & simplification plans, Belgacom also continued to invest in both its Network Simplification program and in more efficient IT-systems. Among other achievements, this resulted in faster order input, more efficient field force interventions and better in-depth testing of IT releases.

Free Cash Flow

Free Cash Flow* (in mio €)

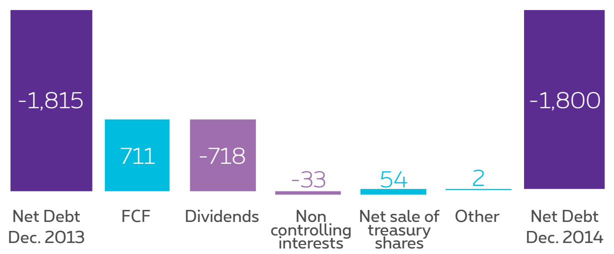


(*) Cash flow before financing activities

For full-year 2014 the Group's Free Cash Flow amounted to EUR 711 million, which was EUR 206 million up versus previous year. The higher FCF was mainly the result of more cash received from the sale of consolidated subsidiaries and buildings, lower needs for core working capital and lower income tax payments, partly due to timing differences. This was partly offset by more cash paid in 2014 for the acquisition of intangible assets and property, plant and equipment.

Net financial position

Net financial position (in mio €)



Compared to end-2013, the net financial debt decreased by EUR 15 million to EUR 1,800 million at the end of December 2014. The cash provided by the Free Cash Flow and the sale of Treasury shares slightly exceeded the dividend returned to shareholders and non-controlling interests.

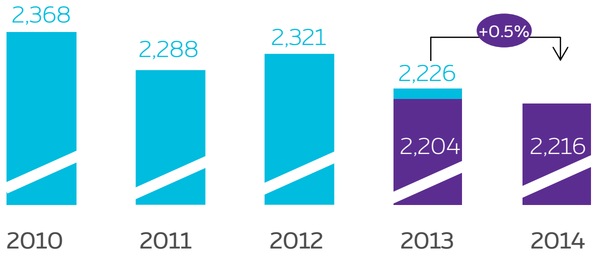
The outstanding long-term gross financial debt amounted to EUR 2.5 billion end 2014. In April 2014 a 10-year bond of EUR 600 million was issued.

Consumer Business Unit - CBU

• Full-year underlying revenue slightly up from the prior year
• Solid growth in Proximus TV revenue and Fixed internet
• Positive trend change in Mobile service revenue, high Mobile handset revenue
• Segment result decline limited to -0.8% compared to 2013

CBU revenue

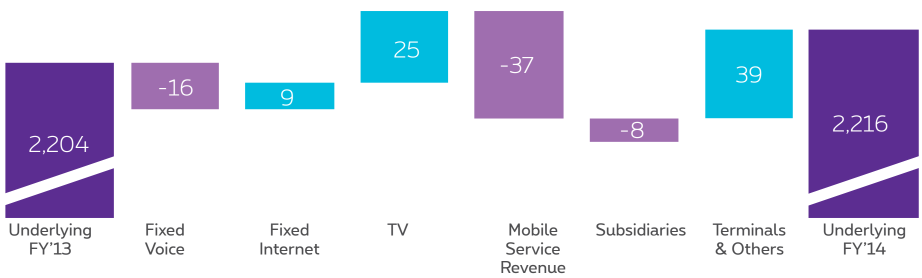
Revenue(*) (in mio €)



(*) historical numbers of 2010-2012 are based on revenue before non-recurring items. 2013 and 2014 shows underlying revenue, i.e. excluding non-recurring revenue and other incidentals such as impact from divested companies.

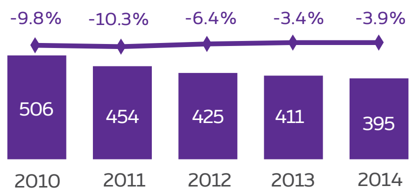
For the full-year 2014, CBU's underlying[12] revenue totaled EUR 2,216 million, +0.5% or EUR 11 million up from the prior year. After a tough 2013, during which CBU was fully hit by the disruptive change in the Belgian telecom law and a Mobile price war, 2014 returned to stabilisation. This showed in the improving Mobile services revenue trend: from a -7.0% year-on-year in the first-quarter 2014 to -1.9% for the last quarter of the year.
Full-year 2014 Mobile Service revenue decline was limited to -4.8%, improving from a -13.1% decline in 2013. This decline was offset by the good revenue growth for Fixed services, in particular for TV and Fixed Internet, and by higher revenue from Mobile devices. Regulatory measures reduced the 2014 revenue by an estimated amount of EUR 23 million (-1.0%). This entails the effect from a further decline of Roaming tariffs and lower Mobile Termination Rates for Tango in Luxemburg.

Underlying revenue evolution (in mio €)

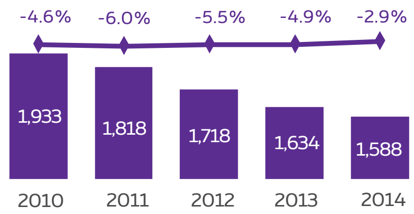


12 Excluding M&A impacts

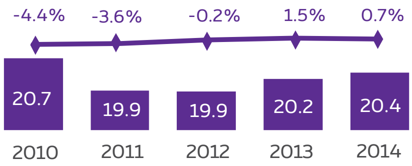
Fixed voice revenue (in mio €)
& YoY variance



Fixed voice customers (in '000)
& YoY variance

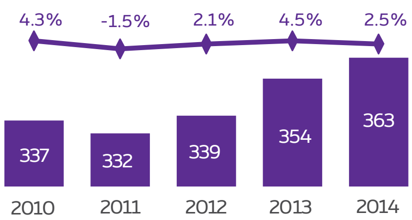


Fixed voice ARPU (in €)
& YoY variance

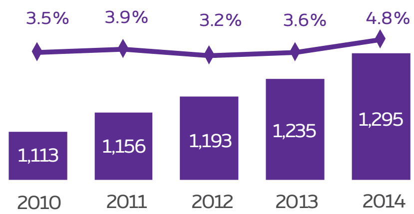


The Consumer business unit generated EUR 395 million from **Fixed Voice**, or 3.9% less compared to 2013. The revenue pressure was mainly driven by a slowing down, though continued Fixed line erosion. In 2014, the consumer Fixed Voice customer base decreased by 47,000 lines. This was an improvement versus the 2013 line loss of -84,000, as result of a mitigated churn, good gross customer gain through Packs and targeted promotions. As a result, the Consumer segment ended 2014 with a total of 1,588,000 lines, 2.9% lower than the prior year. The ARPU increased slightly to EUR 20.4 (+0.7%), positively impacted by price changes in 2014.

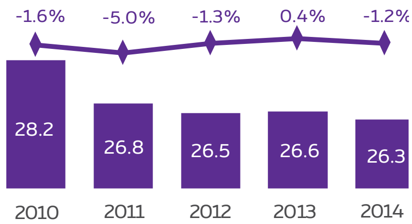
Fixed Internet revenue (in mio €)
& YoY variance



Fixed Internet customers (in '000)
& YoY variance

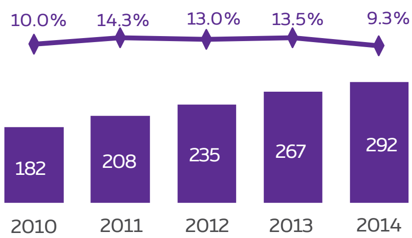


Fixed internet ARPU (in €)
& YoY variance

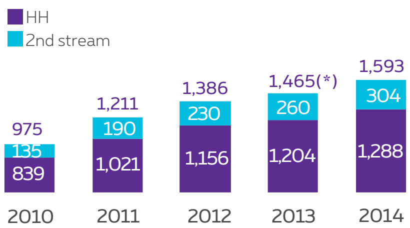


In 2014, CBU's revenue from **Fixed Internet** continued to show growth, up 2.5% to EUR 363 million, driven by a growing customer base for its main brand Proximus, supported by successful Pack offers, and by a growing customer base for Scarlet. In line with its 'Fit for Growth' strategy, Belgacom improved its net Internet customer growth. In the course of 2014, 59,000 new customers subscribed to either Internet from Proximus or Scarlet, up from the 42,000 added in 2013. By end 2014, the Consumer segment counted 1,295,000 Internet customers, or up 4.8% from the prior year. With Internet becoming more advantageous in a Pack, the 2014 ARPU decreased year-on-year by 1.2% to EUR 26.3.

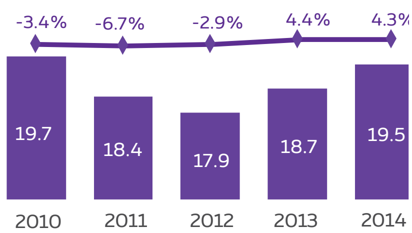
TV revenue (in mio €)
& YoY variance



TV customers (in '000)



Fixed TV ARPU (in €)
& YoY variance

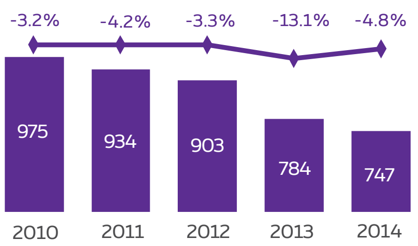


(*) Due to a one-off clean-up of pending orders, the total TV customer base as reported end 2013 was reduced by 14,000 TV subscriptions.

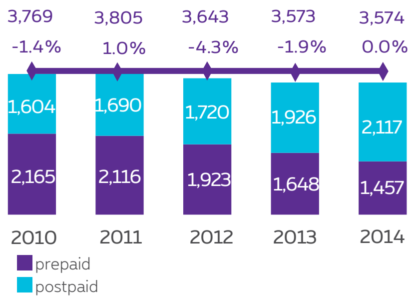
Proximus TV revenue continued to grow in 2014, up by 9.3% to EUR 292 million. This revenue growth resulted mainly from a growing customer base with Proximus attracting 84,000 new households in 2014 to Proximus TV, supported by successful convergent Pack sales. By end 2014, Proximus' TV customer base counted 1,288,000 TV households, or 1,593,000 subscriptions when including multiple set-top boxes. Furthermore, TV-options such as football subscriptions and TV-replay contributed to the success of Proximus TV.

These additional services were supportive for the 4.3% TV ARPU increase to EUR 19.5.

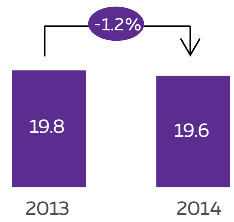
Mobile Service Revenue (in mio €) & YoY variance



Mobile customers (in '000) & YoY variance



Mobile Blended ARPU (in €) & YoY variance (*)



(*) As of 2014, Belgacom calculates the Mobile ARPU by excluding Free Mobile data cards. Only the figures for 2013 have been restated.

The revenue generated by Belgacom's Consumer segment from Mobile services (i.e. combined revenue from Mobile Voice, Mobile Data and SMS) totaled EUR 747 million for 2014. The 4.8% decline was a significant improvement from the 13.1% decline reported for 2013, which showed full impact from the Mobile market disruption triggered by the new Telecom law adopted on 1 October 2012.

Even though the Belgian Mobile market remained very competitive in 2014, there were also signs of stabilization. Belgacom's consumer segment solidly grew its Postpaid customer base by 191,000 to reach a total of 2,117,000 Postpaid subscriptions. This includes 380,000 Internet Everywhere cards.

At the same time, the erosion of prepaid cards slowed down to a decline by 190,000 cards, from a 283,000 loss in 2013.

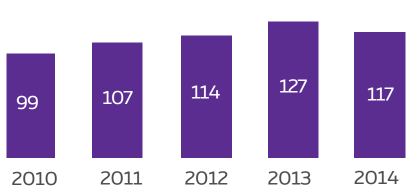
Overall, the Consumer Mobile customer base totaled end 2014 3,574,000 Mobile cards, i.e. stable compared to end 2013. The postpaid/prepaid customer mix however improved to 59%/41%, compared to 54%/46%.

With customers' re-pricing effect fading, and gradual better tiering of customers, the erosion of the blended Mobile ARPU was mitigated to a -1.2% decline to EUR 19.6 versus −5.7%[13] in 2013.

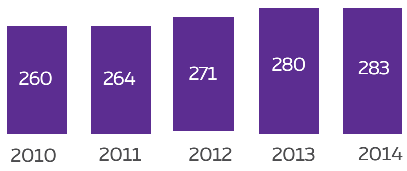
13 Estimated year-on-year variance based on the new ARPU definition since 2014

Subsidiaries: Tango & Scarlet

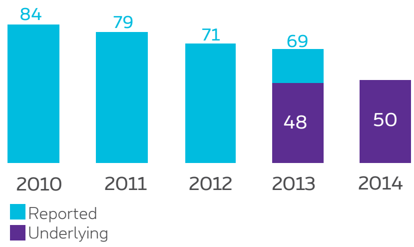
Tango revenue (in mio €)



Tango Mobile customers (in '000)



Scarlet revenue (in mio €)



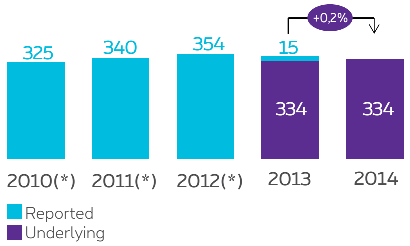
Tango, Belgacom's Luxembourgish telecom operator, generated for the full-year 2014, revenue of EUR 117 million, a 7.5% decrease from the prior year caused by the regulated decrease of Mobile Termination Rates, as from 1 February 2014 set at 0.98€ct/min from 8.2 €ct/min before.

This MTR-driven decline was partly offset by the revenue growth coming from the growing postpaid, triple and quadruple-play customer base. The prepaid customer base declined due to a reduction in the life-time of prepaid offers. Overall, there was a slight increase in Tango's mobile customer base, with a positive shift from prepaid to postpaid.

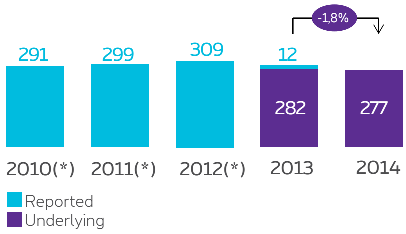
Scarlet's positive turnaround continued, backed by Belgacom's multi-brand strategy. Scarlet closed the year 2014 with a 2.7% underlying revenue growth to EUR 50 million. This was driven by a good performance of Scarlet's new product portfolio containing a no-frills fixed triple-play offer and Mobile postpaid, and by marketing efforts driving increased brand awareness.

CBU operating expenses

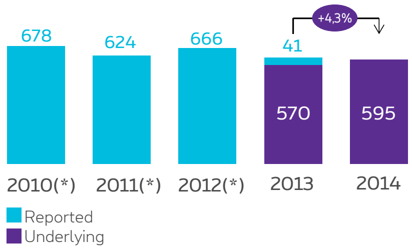
HR Expenses (in mio €)



Non-HR Expenses (in mio €)

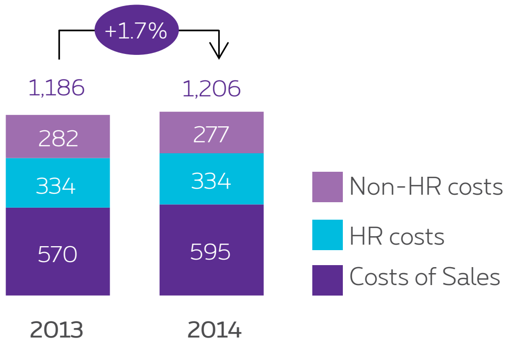


Cost of Sales Expenses (in mio €)



(*) Only 2013 has been restated to 'underlying' expenses to enable a like-for-like comparison for 2014. For the prior years the graphs show reported numbers before non-recurring items.

Total underlying expenses (in mio €)



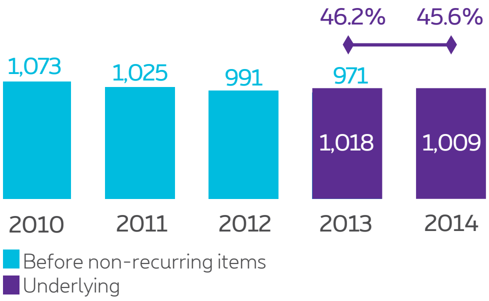
The **total underlying expenses** from the Consumer segment were EUR 1,206 million or 1.7% higher than the previous year due to higher Cost of Sales.

The 2014 **Cost of Sales** increased by 4.3%, to reach EUR 595 million. The cost increase linked to higher sales of Mobile terminals and joint-offers was partly offset by lower costs for interconnection.

The Consumer segment recorded EUR 334 million **HR costs**, stable compared to the prior year. **Non-HR costs** totaled EUR 277 million were 1.8% lower compared to 2013, supported by the continued focus on cost efficiency.

CBU segment result and contribution margin

Segment result (*) (in mio €) & margin



(*) For historical numbers of 2010 to 2012 the figures are based on segment result before non-recurring items. 2013 and 2014 shows total underlying segment result, i.e. excluding non-recurring revenue and other incidentals such as impact from divested companies.

CBU's **underlying segment result** for 2014 amounted to EUR 1,009, limiting the year-on-year decline to EUR -9 million or -0.8% versus the comparable basis of 2013. This was a significant improvement from the prior year[14] subsequent to the improved revenue trend in Mobile and from good cost containment.

The decline of CBU's underlying segment result for 2014 was mainly due to the unfavourable impact of the revenue mix on the Direct margin, with lower revenue from Fixed Voice and Mobile services compensated for by revenue from TV, Internet and Mobile terminals. This decline was limited by the reduced non-HR expenses.

Furthermore, CBU's 2014 segment result included a negative impact from regulation for an estimated amount of EUR 16 million (-1.6%).

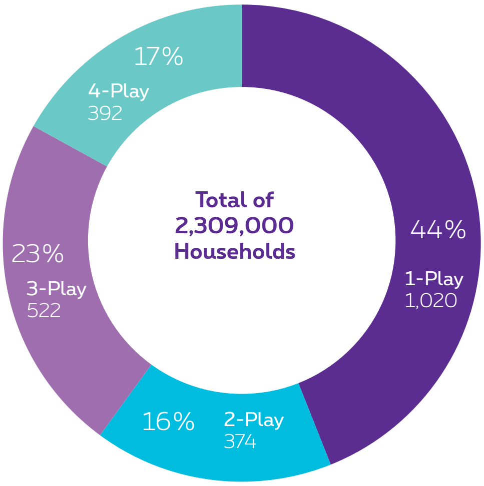
The 2014 full-year contribution margin[15] was 45.6%.

14 CBU's 2013 segment result was down by 5.4% versus 2012, on comparable basis.
15 Belgacom does not apply a full cost allocation. Network and IT costs are therefore mainly centralized within SDE&W

CBU X-play household reporting

The progress on Proximus' long-term convergence and value strategy is measured through a household-based reporting. In contrast to the traditional reporting per product group, the X-play [16] Household reporting focuses on operational and financial metrics in terms of Households serviced by Proximus, and the number of Plays and RGUs offered per household.

CBU Households per x-play Q4'14:



(number of HH in '000)

By end 2014, Proximus serviced 2,309,000 households, of which, 56% was a multi-play[17] household, or +2.4pp more versus end 2013.

Within the household mix, Proximus' convergence success was especially visible in the continued progress it made in the number of households that take 3 or 4 Plays. In 2014, Proximus' household mix improved, growing its 3-play customer base by 7,000 households and 4-play customer base by 49,000. As such, Proximus ended the year with 522,000 households having 3-play (+1.4 %) and 392,000 4-play households (+ 14.3%). As a consequence, Proximus strengthened its customer base with households having typically a lower churn rate, i.e. a full churn rate of 7.7% for a 3-Play, and 2.4% for a 4-Play.

The average RGU[18] continued to show some progress throughout 2014, with the average over all X-play households going up to 2.35 in the fourth quarter 2014, up year-on-year by 4.8%, with the increase coming from 3-Play (to 3.17 RGUs) and 4-Play (to 4.64 RGUs), mainly driven by Mobile postpaid family offers.

16 A Play is defined as a subscription to either Fixed Voice, Fixed Internet, Fixed TV or Mobile postpaid (paying Mobile cards)
17 I.e. Households that subscribed for at least 2 Plays
18 Revenue Generating Units

Furthermore, the number of multi-play households having both Proximus Fixed and Mobile services, i.e. convergent households, grew to 51.8%, 3.4p.p. more than a year ago.

An important enabler for CBU to increase the number of multi-play households and the number of plays per household is selling Plays in a Pack. The success of bundling plays in a Pack, giving customers attractive pricing and value for money, was also evident in 2014. CBU added 86,000 households with Packs; as such, the number of households with at least one Pack totaled 1,079,000 end-2014.

CBU Households per Play & Net adds YoY

	2013					2014					2014		
HH in ('000)	Fixed Voice	Fixed Internet	TV	Mobile Postpaid	Sum #HH	Fixed Voice	Fixed Internet	TV	Mobile Postpaid	Sum #HH	Average #RGUs/ HH	Annualized full churn rate of HH (**)	% Fixed + Mobile Postpaid (***)
1-Play	479 -79	63 3	N/A(*)	556 -9	1,099 -86	413 -67	69 6	N/A(*)	538 -18	1,020 -79	1.16 0.01	21.2% -0.3p.p.	
2-Play					401 -26					374 -26	2.04 0.00	11.1% -0.5p.p.	22.9% -0.2p.p.
3-Play					515 -6					522 7	3.17 0.02	7.7% -0.9p.p.	36.2% 2.6p.p.
4-Play					343 48					392 49	4.64 0.05	2.4% 0.9p.p.	100.0%
Total					2,359 -70					2,309 -49	2.35 0.11	13.6% -0.7p.p.	51.8% 3.4p.p.

(*) TV is not sold standalone, only in combination with Fixed Internet and/or Fixed Voice
(**) Cancellation is only taken into account when the household cancels all its plays
(***) % multi-play HH that have at least one Mobile component; i.e. a convergent household

In 2014, the Consumer Business Unit generated EUR 2,216 million underlying revenue, of which EUR 1,507 million or 68% came from X-play households.

Multi-play households contributed for 74% to this revenue, a favorable evolution of 2.8 p.p. from last year. The revenue from 4-play households showed continued growth, ending 2014 with EUR 458 million, up by 16.2% from the prior year. This results from the combined favorable evolution of the number of 4-play households together with an average revenue per 4-play household (ARPH) increasing to EUR 104, +1.7% compared to 2013.

The 3-play revenue increased as well, up by 1.4% compared to 2013 due to a better product mix and increased RGU. This positive revenue evolution was in part offset by lower revenue from households with one or two plays.

Revenues (*) per x-play in EUR million

	Full Year		YoY change	
	2013	2014	€ million	%
Total	1,484	1,507	22	1.5%
1-Play	421	385	-36	-8.5%
2-Play	235	223	-12	-5.1%
3-Play	434	441	6	1.4%
4-Play	394	458	64	16.2%

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

Average revenue in EUR per x-play household (ARPH)

	Full Year		YoY change	
	2013	2014	€ million	%
Total	51.6	53.8	2.3	4.4%
1-Play	30.6	30.3	-0.3	-0.9%
2-Play	47.6	47.7	0.1	0.2%
3-Play	69.8	71.1	1.3	1.9%
4-Play	102.2	104.0	1.8	1.7%

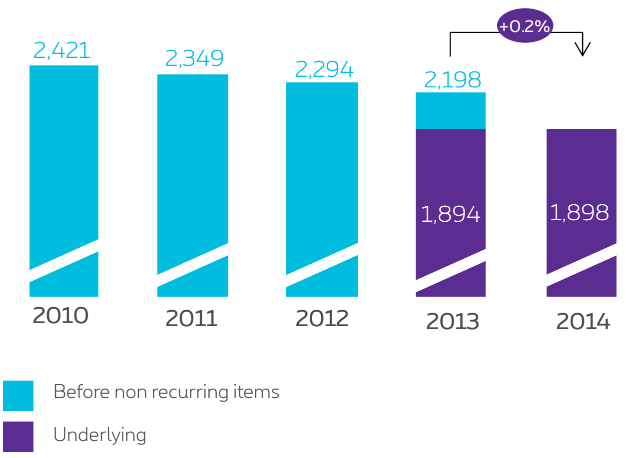
(*) unaudited revenue, might be subject to small changes

Enterprise Business Unit – EBU

- Stable 2014 underlying[19] revenue for the Enterprise segment
- Turnaround in Mobile service revenue and growing organic ICT revenue
- Solid growth in Mobile customer base: +183,000 in 2014
- Full-year underlying segment result slightly down, positive turn-around mid-2014

EBU revenue

Revenue(*) (in mio €)



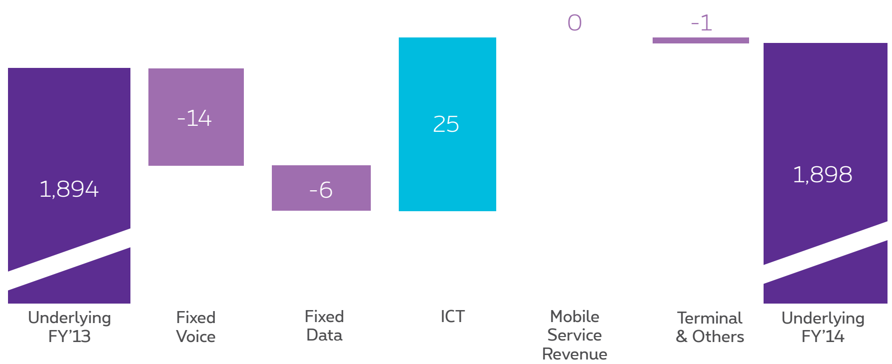
(*) historical numbers of 2010 to 2012 are based on revenue before non-recurring items. 2013 and 2014 shows underlying revenue, i.e. excluding non-recurring revenue and other incidentals such as impact from divested companies.

For the full-year 2014, EBU's underlying[20] revenue totaled EUR 1,898 million, remaining stable compared to the prior year. Over the year, the quarterly revenue trend strongly improved, starting the year with a -3.1% underlying decline for the first quarter, and ending the year with a +3.6% growth for the last quarter.

The trend improvement in the course of 2014 was mainly driven by the revenue recovery from Mobile services after a tough 2013 due to a Mobile price war. Furthermore, underlying ICT revenue was up by 5.6% in 2014, driven by a solid revenue from the Telindus activities and in particular a large outsourcing contract signed end-2013 and a number of large product deals. These favorable results more than offset the lower revenue from Fixed Voice and Fixed Data, which showed similar declines to the prior year.

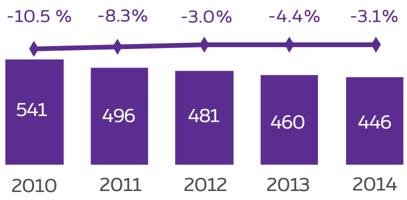
Regulatory[21] measures lowered EBU's 2014 revenue by an estimated amount of EUR 26 million or -1.4% of EBUs underlying revenue.

Underlying revenue evolution (in mio €)

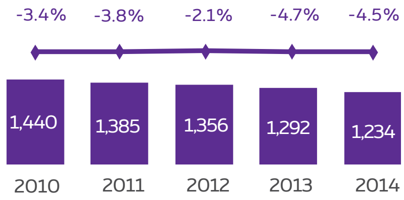


19 Adjusted for M&A impacts
20 Excluding M&A impacts
21 Regulated reduction of Roaming rates

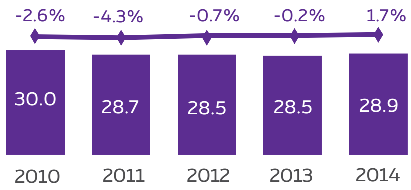
Fixed voice revenue (in mio €) & YoY variance



Fixed voice customers (in 000's) & YoY variance



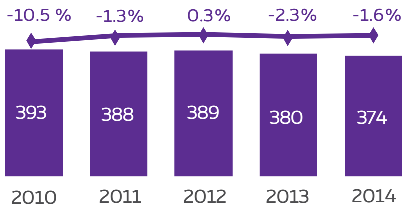
Fixed voice ARPU (in €) & YoY variance



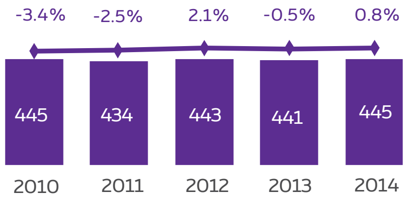
For 2014, EBU reported EUR 446 million revenue in Fixed Voice, showing an improving decline of -3.1% versus 2013. The key driver of the revenue decline was a continued Fixed Voice line erosion triggered by companies rationalizing on Fixed line connections. This effect was only partly compensated for by price indexations in 2014.

In 2014 the Fixed Line erosion totaled -58,000 lines, better than the -64,000 for 2013. This brought the 2014 EBU total Fixed Voice Line customer base to 1,234,000, or -4.5% on a yearly basis. This was partly compensated for by a higher Fixed Voice ARPU of EUR 28.9 up 1.7% year-over-year; as a result of price changes.

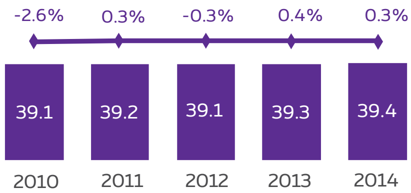
Fixed data revenue (in mio €) & YoY variance



Fixed Internet customers (in 000's) & YoY variance



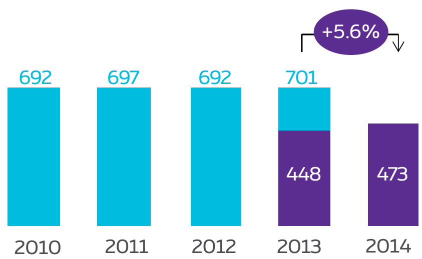
Fixed internet ARPU (in €) & YoY variance



The 2014 revenue from Fixed Data, consisting of Fixed Internet and data connectivity revenue, was EUR 374 million, 1.6% below that of 2013. This was due to a continued migration from older technologies such as leased lines to the Belgacom Explore platform, for which pricing is more favorable for customers.

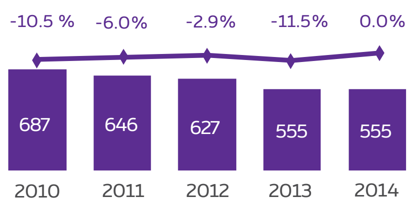
Fixed Internet revenue remained fairly stable year-on-year, with ARPU staying stable at EUR 39.4 and the EBU Fixed Internet customer base showing slight growth. End-2014 EBU had 445,000 Fixed Internet customers, an increase of 4,000 lines or +0.8% year-on-year growth in a saturated and competitive market.

ICT Revenue (in mio €)

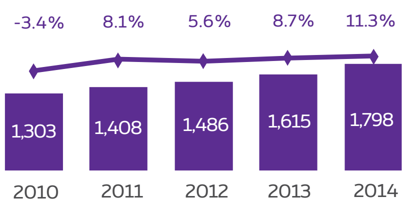


EBU reported EUR 473 million ICT revenue for 2014. Adjusted for the revenue loss from divested companies, this means a solid 5.6% growth compared to 2013, including the benefit from a large outsourcing contract signed end-2013.

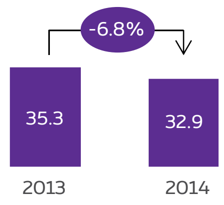
Mobile Service revenue (in mio €) & YoY variance



Mobile customers (in 000's) & YoY variance



Mobile Blended ARPU (in €) & YoY variance (*)



(*) As of 2014, Belgacom calculates the Mobile ARPU by excluding Free Mobile data cards. Only the figures for 2013 have been restated.

Mobile service revenue showed a significant improvement over the previous year, with EUR 555 million for 2014, i.e. stable compared to 2013. The revenue trend showed solid improvement throughout the year, a good recovery from the Belgian Mobile market disruption. The 2014 Mobile service revenue was still impacted by regulatory price measures for Roaming, though this was fully compensated for by a steep increase in data roaming volumes, particularly in the summer holiday season.

One of the main drivers of the strong trend improvement in Mobile service revenue was the continuously growing Mobile customer base, and especially a better price tiering within the Business customer segment, growing its mid- and high end customer base firmly. This was achieved through an improved retention of high-value customers and successful joint-offer actions in those price segments.

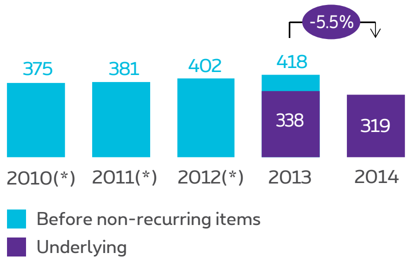
Under the Proximus brand, EBU added 183,000 new Mobile cards, of which 102,000 were Mobile Voice and paying data cards. This was also supported by a low Mobile churn level of 10.7%, down from 11.9% in 2013. In aggregate, EBU ended 2014 with a total of 1,798,000 Mobile cards, 11.3% more than end 2013.

Another reason for the improving Mobile Service revenue was the sharp uptake in Mobile data usage, in part driven by a greater smartphone penetration and a growing number of 4G-users. Further support came from the fading effect from Mobile customer re-pricing, higher data volumes, and improved price tiering. These impacts were also reflected in the improving trend for EBU's blended net Mobile ARPU, declining 6.8% in 2014 to EUR 32.9, compared to a -14%[22] decline in 2013.

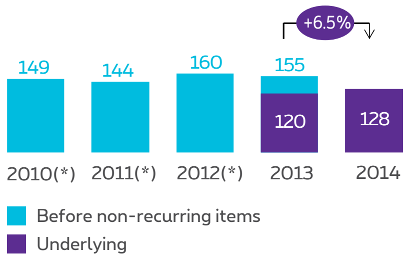
22 *Estimated year-on-year variance based on the new ARPU definition since 2014*

EBU operating expenses

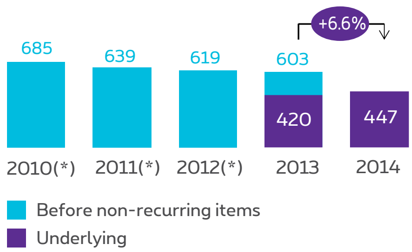
HR Expenses (in mio €)



Non-HR Expenses (in mio €)

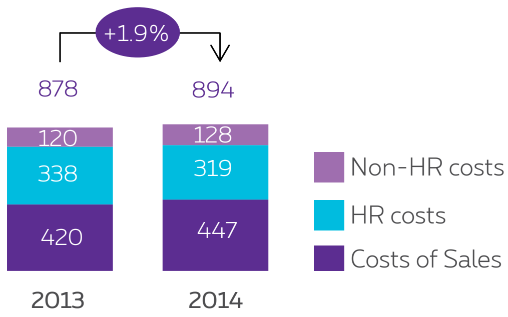


Cost of Sales Expenses (in mio €)



(*)historical numbers of 2010 to 2012 are based on revenue before non-recurring items. 2013 and 2014 shows underlying revenue, i.e. excluding non-recurring revenue and other incidentals such as impact from divested companies.

Total underlying expenses (in mio €)



The **total underlying operating expenses** for the Enterprise Business Unit for 2014 were EUR 894 million, 1.9% higher compared with the previous year. This resulted from higher Cost of Sales and, to a lesser extent, non-HR expenses, partly offset by lower HR costs.

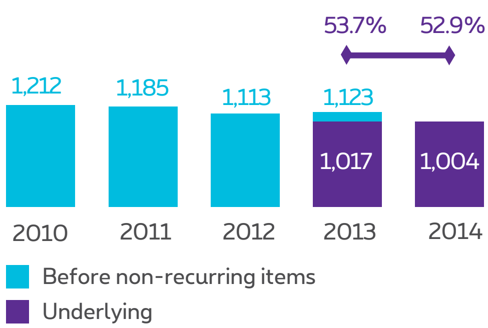
For 2014, EBU reported EUR 447 million in underlying Cost of Sales, i.e. 6.6% more than for 2013. This results from ICT-related product costs and higher Mobile Terminals costs.

Year-over-year the underlying HR expenses decreased by 5.5% to EUR 319 million in 2014, mainly due to a lower personnel base.

Underlying non-HR expenses were up by 6.5% to EUR 128 million due to higher external hiring to improve customer experience, bad-debt impact and higher advertising costs.

EBU segment result and contribution margin

Segment result (*) (in mio €) & margin



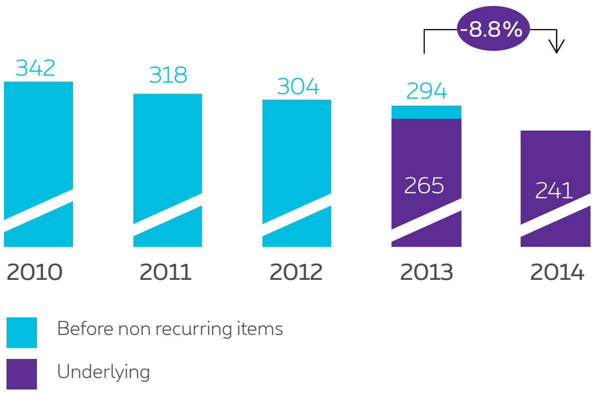
(*) historical numbers of 2010 to 2012 are based on segment result before non-recurring items. 2013 and 2014 shows underlying segment result, i.e. excluding non-recurring revenue and other incidentals such as the impact from divested companies.

EBU's 2014 underlying segment result totaled EUR 1,004 million, limiting the underlying year-on-year decline by 1.3% versus 2013. The strong trend improvement from the previous year, with 2013 down 8.8% from 2012 on a comparable basis, was mainly driven by the strong recovery in Mobile services revenue, and by lower HR-expenses. The underlying contribution margin[23] for 2014 was 52.9%, 0.8pp lower versus the prior year

23 Belgacom does not apply a full cost allocation. Network and IT costs are therefore mainly centralized within SDE&W

Service Delivery Engine & Wholesale – SDE&W

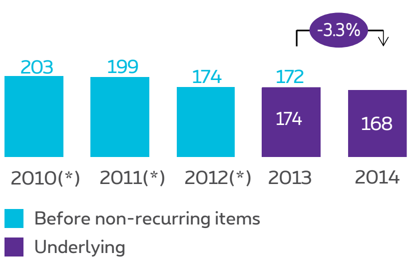
Revenue(*) (in mio €)



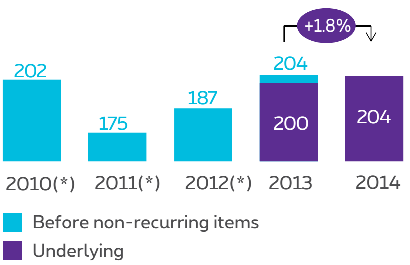
(*) historical numbers of 2010 to 2012 are based on revenue before non-recurring items. 2013 and 2014 shows underlying revenue, i.e. excluding non-recurring revenue and other incidentals such as impact from divested companies.

Revenue within the SDE&W segment relates mainly to wholesale activities from Belgacom. Over the full-year 2014 the SDE&W revenues amounted to EUR 241 million, or 8.8% below those of 2013. The pressure comes from eroding Carrier Wholesale Services revenue, which has been seeing a continued decline in wholesale broadband lines, leased lines and traffic volumes. Moreover, the growth in Roaming volumes only partly compensated the commercial price reductions. In 2014 the commercial wholesale offer to Base ('Snow') somewhat offset these negative impacts.

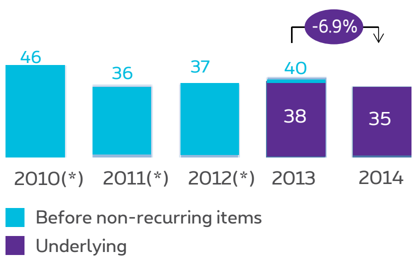
HR Expenses (in mio €)



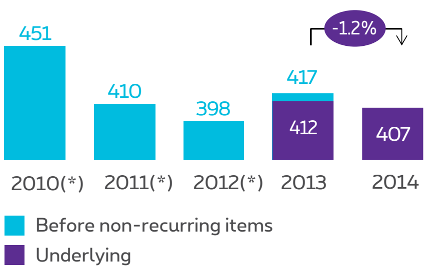
Non-HR Expenses (in mio €)



Cost of Sales Expenses (in mio €)

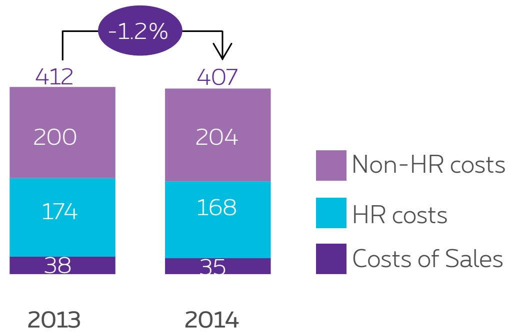


Total Expenses (in mio €)



(*) Only 2013 has been restated to 'underlying' expenses to enable a like-for-like comparison for 2014. For the prior years the graphs show reported numbers before non-recurring items.

Total underlying expenses (in mio €)



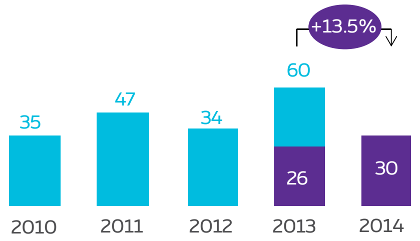
SDE&W, being the company-wide support for all IT and network-related matters, typically has a negative segment result. Whereas the revenue from SDE&W is mainly generated in the Wholesale department, the HR and non-HR expenses cover a much broader scope of the Belgacom Group

In line with the company's strategy to optimize the overall workforce cost, SDE&W focused on lowering both its HR and non-HR-related operating expenses. SDE&W posted EUR 168 million in **HR expenses** for 2014, down 3.3% from the previous year on lower headcount and a favorable impact of compensation for 2014 statutory retirees. The **non-HR expenses** increased to EUR 204 million, 1.8% more than for the prior year. The benefits from cost optimization actions on external workforce costs and maintenance were more than offset by a provision taken in the fourth quarter 2014 for the Walloon Region tax on pylons.

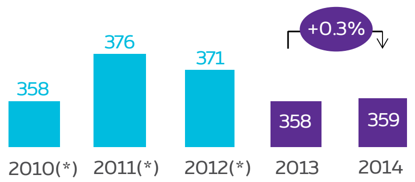
The erosion on the segment result was 12.5% versus the previous year, totaling EUR -166 million.

Staff & Support – S&S

Revenue(*) (in mio €)



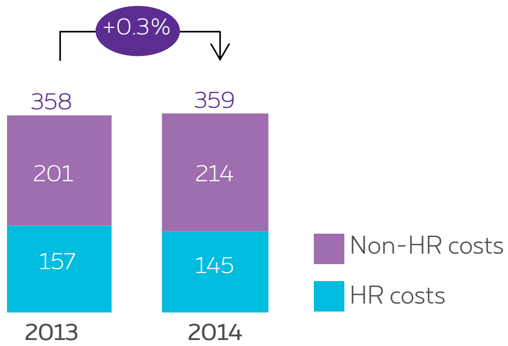
Total Expenses (in mio €)



(*) historical numbers of 2010 to 2012 are based on revenue before non-recurring items. 2013 and 2014 shows underlying revenue, i.e. excluding non-recurring revenue and other incidentals such as impact from divested companies.

On an underlying basis, i.e. excluding capital gains from building sales, the 2014 revenue of S&S totaled EUR 30 million, EUR 4 million or 13.5% up compared to the prior year.

Total underlying expenses (in mio €)



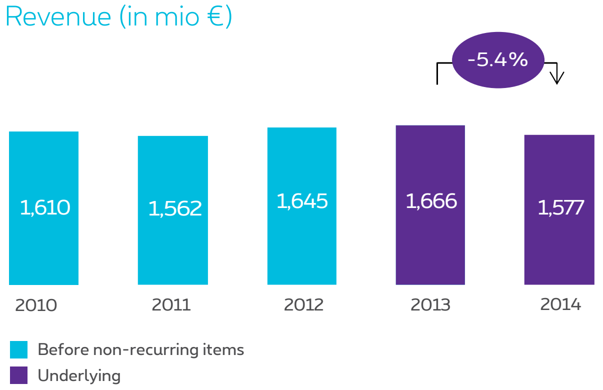
The 2014 total expenses remained fairly stable in relation to the previous year. The **HR expenses** of EUR 145 million recorded for 2014 were 7.6% below those for 2013 mainly as result of a lower personnel base. The **non-HR expenses** for 2014 totaled EUR 214 million, a 6.4% increase compared to the year before. This increase was mainly related to non-HR expenses posted in the fourth quarter 2014, concerning mainly expenses of a non-structural nature, including a EUR 4 million negative impact from the re-measurement to fair value of financial instruments related to commodities.

International Carrier Services – BICS

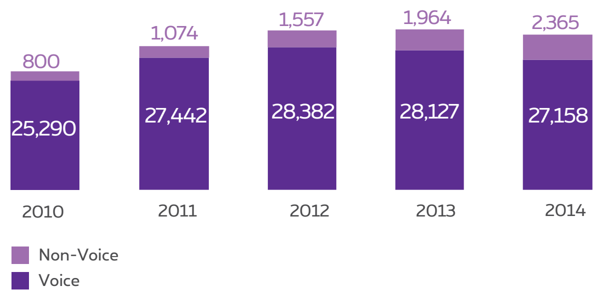
- Revenue down from prior year due to lower Voice traffic
- Continued strong uptake of Mobile data
- Gross margin decline limited to −2.6% from 2013
- 2014 EBITDA margin slightly up to 8.5%

ICS revenues and volumes

Revenue (in mio €)

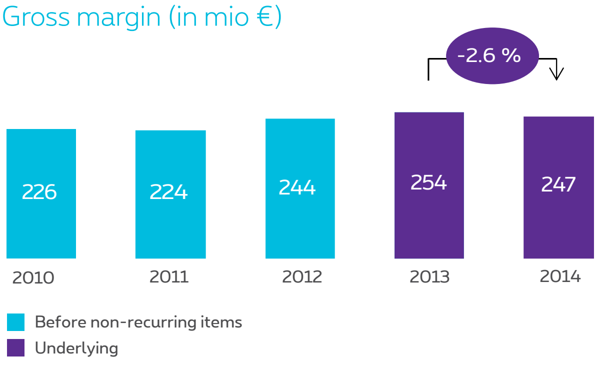


ICS Volumes (in mio)

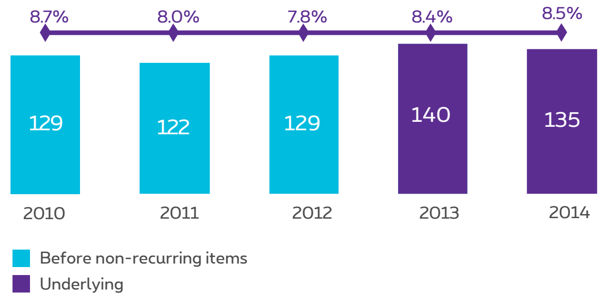


The 2014 underlying revenue from BICS totaled EUR 1,577 million, -5.4% or EUR 89 million lower than for 2013. This resulted from lower Voice revenue, down 7.6% on lower Voice traffic showing effect from the lost traffic to the Asian region that BICS captured late 2012. In 2014, BICS handled 27,158 million minutes, -3.4% below the level of the previous year. In contrast, the non-voice revenue continued to grow, up by 10.2% in 2014. Moreover, BICS' revenue continued to be impacted by European-wide MTR reductions, only slightly offset by a favorable dollar effect on Voice selling.

Gross margin (in mio €)



Segment result (in mio €) & margin



In spite of a negative revenue evolution, BICS managed to mitigate the impact on Gross Margin, which eroded by -2.6% or EUR -7 million versus the previous year. This was the balance from a growing non-Voice gross margin, up by 14.4% in 2014, and a decline of the Voice gross margin by 16.4%. This was mainly the consequence of the lower volume of high-margin Voice traffic to the Asian region.

The lower Gross margin was slightly compensated for by a 1.1% reduction in expenses. This led to a 2014 segment result of EUR 135 million, or 3.9% lower than in 2013.

From reported to underlying Revenue and EBITDA (rounded numbers)

Group - Revenue

(EUR million)	FY'13	FY'14
Reported	6,318	6,112
Underlying	5,960	5,864
Incidentals - Total	-359	-248
Non Recurring Items	0	-62
Other incidentals	-359	-187

Group - EBITDA

(EUR million)	FY'13	FY'14
Reported	1,699	1,755
Underlying	1,695	1,653
Incidentals - Total	-4	-102
Non Recurring Items	14	-34
Other incidentals	-18	-67

Incidental Elements Split	Revenue		EBITDA	
	FY'13	FY'14	FY'13	FY'14
Total of Incidental Elements	-359	-248	-4	-102
Non-recurring items:	0	-62	14	-34
Gain/losses from disposals *e.g. Telindus France, BICS*	0	-62	16	-25
Other *mainly resulting from a partial settlement of a post-employment benefit plan.*	0	0	-2	-10
Other incidentals:	-359	-187	-18	-67
Impact from disposed companies	-325	-141	-2	-3
• *CBU: Scarlet Netherlands (March 2014) and Sahara Net (May 2014)*	-21	-7	5	0
• *EBU: Divesture of Telindus France and the activities of Telindus UK*	-304	-134	-8	-3
Capitalization customer installations • Capitalization of network installation activities for customer connections as from of 1 January 2014.	0	0	23	0
Transformation & Rebranding	0	0	0	11
Capital gains on building sales	-31	-46	-31	-45
HR-items of transient nature	0	0	0	-8
Litigation provisions & reversals	-3	0	-8	-22

Quarterly results

Group - Financials

(EUR million)	Q113	Q213	Q313	Q413	2013	Q114	Q214	Q314	Q414	2014
REPORTED										
Revenues	1,586	1,583	1,568	1,582	6,318	1,480	1,631	1,486	1,515	6,112
EBITDA	441	430	430	398	1,699	411	556	433	354	1,755
UNDERLYING										
Revenues	1,497	1,499	1,490	1,474	5,960	1,403	1,483	1,472	1,506	5,864
• Consumer Business Unit	548	562	544	550	2,204	532	551	557	577	2,216
• Enterprise Business Unit	480	476	462	476	1,894	466	474	465	493	1,898
• Service Delivery Engine & Wholesale	68	66	66	65	265	64	60	60	58	241
• Staff & Support	7	7	7	5	26	7	8	7	8	30
• International Carrier Services	417	413	437	401	1,666	357	415	410	395	1,577
• Inter-segment eliminations	-23	-24	-27	-22	-96	-23	-25	-26	-25	-98
Costs of materials and charges to revenues (*)	-590	-594	-589	-591	-2,364	-529	-593	-581	-627	-2,330
Personnel expenses and pensions (**)	-266	-258	-265	-259	-1,048	-255	-258	-258	-243	-1,014
Other operating expenses (***)	-205	-213	-209	-226	-852	-205	-203	-202	-257	-867
EBITDA	435	434	427	398	1,695	414	429	431	380	1,653
Segment EBITDA margin	29.1%	29.0%	28.6%	27.0%	28.4%	29.5%	28.9%	29.2%	25.2%	28.2%

(*) Cost of materials and services related to revenue are referred to as "Cost of sales" in the document
(**) Personnel expenses and pensions are referred to as "HR costs" in the document
(***) Other operating expenses are referred to as "Non-HR costs" in the document

CBU - Financials

(EUR million)	Q113	Q213	Q313	Q413	2013	Q114	Q214	Q314	Q414	2014
REPORTED										
Revenues	553	567	549	556	2,226	536	553	557	577	2,223
Segment Result	254	248	263	210	975	251	257	261	242	1,011
UNDERLYING										
Revenues	548	562	544	550	2,204	532	551	557	577	2,216
From Fixed	262	264	265	265	1,055	263	264	269	274	1,070
• Voice	104	103	102	101	411	99	98	99	99	395
• Internet	87	89	90	89	354	89	91	91	93	363
• TV	64	66	67	69	267	70	71	74	77	292
• Terminals (excl. TV)	7	6	6	5	23	5	5	5	5	20
From Mobile	226	230	218	219	893	209	227	225	235	896
• Mobile Services	197	205	193	190	784	183	190	187	186	747
• Terminals	29	25	25	29	109	26	36	38	49	149
Subsidiaries	41	44	44	45	175	41	40	42	43	167
• Scarlet	12	12	12	12	48	13	12	13	12	50
• Tango	29	32	32	33	127	28	28	30	31	117
Other	19	23	17	22	81	18	20	21	24	83
Costs of materials and charges to revenues	-139	-155	-128	-149	-570	-131	-145	-143	-175	-595
Personnel expenses and pensions	-84	-82	-84	-83	-334	-85	-85	-85	-80	-334
Other operating expenses	-65	-70	-67	-80	-282	-64	-67	-67	-79	-277
Segment result	260	255	265	238	1,018	251	254	262	243	1,009
Segment contribution margin	47.4%	45.5%	48.7%	43.2%	46.2%	47.3%	46.1%	47.1%	42.1%	45.6%

CBU - Operationals

	Q113	Q213	Q313	Q413	2013	Q114	Q214	Q314	Q414	2014
FROM FIXED										
Number of access channels (thousands)	2,895	2,883	2,872	2,870	2,870	2,866	2,863	2,866	2,882	2,882
• Voice	1,693	1,673	1,653	1,634	1,634	1,615	1,602	1,592	1,588	1,588
• Broadband	1,203	1,210	1,219	1,235	1,235	1,250	1,261	1,274	1,295	1,295
Traffic (millions of minutes)	1,086	988	901	971	3,945	940	875	827	882	3,525
• National	787	696	639	689	2,810	666	611	585	623	2,486
• Fixed to Mobile	190	184	164	174	712	166	162	149	157	633
• International	110	108	98	108	423	107	102	93	103	406
TV (thousands)	1,412	1,428	1,447	1,465	1,465	1,495	1,525	1,558	1,593	1,593
• Unique Customers	1,170	1,184	1,198	1,204	1,204	1,225	1,244	1,264	1,288	1,288
• of which multiple settop boxes	242	245	249	260	260	269	281	294	304	304
ARPU (EUR)										
• ARPU Voice	20.1	20.2	20.3	20.3	20.2	20.3	20.2	20.4	20.6	20.4
• ARPU broadband	26.3	26.7	26.9	26.4	26.6	26.1	26.3	26.3	26.3	26.3
• ARPU Belgacom TV	18.3	18.6	18.7	19.0	18.7	19.0	19.0	19.7	20.0	19.5
FROM MOBILE										
Number of active customers (thousands)***	3,566	3,588	3,568	3,573	3,573	3,564	3,566	3,559	3,574	3,574
• Prepaid	1,824	1,753	1,695	1,648	1,648	1,580	1,535	1,495	1,457	1,457
• Postpaid	1,742	1,835	1,872	1,926	1,926	1,984	2,032	2,064	2,117	2,117
• Among Which Paying cards	1,531	1,590	1,608	1,641	1,641	1,665	1,691	1,702	1,737	1,737
• Among Which Internet Everywhere cards	211	245	264	285	285	318	341	362	380	380
Annualized churn rate										
• Prepaid	41.5%	34.6%	35.4%	35.4%	36.4%	33.4%	34.3%	35.9%	34.2%	34.3%
• Postpaid	20.6%	14.8%	13.1%	14.1%	15.7%	14.2%	14.0%	15.7%	16.2%	14.9%
• Blended	33.3%	26.5%	26.1%	26.5%	28.0%	25.3%	25.7%	27.4%	26.6%	26.1%
Net ARPU (EUR)*										
• Prepaid	13.3	14.0	12.6	12.5	13.1	11.8	12.6	11.7	11.7	12.0
• Postpaid	27.2	28.0	27.3	26.6	27.3	25.9	26.7	26.9	26.5	26.5
• Blended	19.5	20.6	19.7	19.4	19.8	19.0	19.9	19.7	19.7	19.6
MoU (min)	102.2	109.4	108.1	110.4	107.6	112.5	121.3	121.5	123.9	119.9
SMS (units)	279.8	283.0	249.2	272.3	271.4	262.1	259.4	231.2	253.9	252.0

*As of 2014, Belgacom calculates the Mobile ARPU excluding Free Mobile data cards and excluding M2M. 2013 figures have been restated.
**As of 2014, pending orders are excluded from the total TV customer base. Q4 2013 TV customer figures have been restated accordingly. There is no impact on the 2013 quarterly net adds and the 2013 ARPU's
***As of 2014, The calculation of active customers is based on the monthly activity rate instead of a rolling avg activity rate. The definition of an active customer remains unchanged.

CBU - X-Play reporting

	Q113	Q213	Q313	Q413	2013	Q114	Q214	Q314	Q414	2014
Households per Play - Total (thousands)	2,409	2,403	2,378	2,359	2,359	2,352	2,332	2,312	2,309	2,309
1 - Play	1,163	1,153	1,124	1,099	1,099	1,087	1,060	1,031	1,020	1,020
• Fixed Voice	534	515	498	479	479	460	445	428	413	413
• Fixed Internet	62	61	62	63	63	66	66	67	69	69
• TV	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
• Mobile Postpaid	567	576	563	556	556	561	549	536	538	538
2 - Play	417	408	405	401	401	394	390	383	374	374
3 - Play	522	519	516	515	515	515	514	518	522	522
4 - Play	307	323	333	343	343	356	368	379	392	392
Revenues per x - play (EUR million)	366	374	375	369	1,484	366	374	381	386	1,507
1 - Play	108	108	105	100	421	96	96	97	97	385
2 - Play	60	59	59	57	235	56	56	56	55	223
3 - Play	108	109	110	108	434	108	109	111	113	441
4 - Play	91	98	102	104	394	106	113	117	122	458
Average revenue per x - play household (ARPH) (in EUR)	50.2 €	51.9 €	52.3 €	51.8 €	51.6 €	51.8 €	53.3 €	54.7 €	55.7 €	53.8 €
1 - Play	30.4 €	31.2 €	30.8 €	29.8 €	30.6 €	29.2 €	29.9 €	30.8 €	31.3 €	30.3 €
2 - Play	47.3 €	47.8 €	48.1 €	47.2 €	47.6 €	46.8 €	47.4 €	48.1 €	48.5 €	47.7 €
3 - Play	68.8 €	69.9 €	70.6 €	69.9 €	69.8 €	69.6 €	70.9 €	71.8 €	72.1 €	71.1 €
4 - Play	99.6 €	103.0 €	103.4 €	102.6 €	102.2 €	101.6 €	103.9 €	105.0 €	105.3 €	104.0 €
Average #RGUs per household - Total	2.15	2.18	2.21	2.24	2.24	2.26	2.29	2.32	2.35	2.35
1 - Play	1.14	1.15	1.15	1.16	1.16	1.15	1.16	1.16	1.16	1.16
2 - Play	2.04	2.04	2.04	2.04	2.04	2.04	2.04	2.04	2.04	2.04
3 - Play	3.12	3.13	3.14	3.15	3.15	3.15	3.16	3.16	3.17	3.17
4 - Play	4.52	4.55	4.57	4.60	4.60	4.61	4.63	4.63	4.64	4.64
Annualized full churn rate (household level) - Total	16.4%	13.5%	13.7%	13.7%	14.3%	12.9%	12.2%	14.1%	14.8%	13.6%
1 - Play	26.0%	19.9%	19.4%	20.3%	21.5%	20.4%	19.4%	21.7%	23.0%	21.2%
2 - Play	11.3%	11.0%	12.3%	11.8%	11.6%	9.4%	9.7%	13.0%	12.4%	11.1%
3 - Play	7.6%	8.3%	9.6%	8.7%	8.6%	6.9%	6.4%	8.1%	9.3%	7.7%
4 - Play	1.2%	1.4%	1.7%	1.7%	1.5%	2.1%	1.9%	2.5%	2.9%	2.4%
% Convergent households - Total (% of HH having Mobile + Fixed component)	45.3%	46.7%	47.5%	48.4%	48.4%	49.2%	50.1%	51.0%	51.8%	51.8%
1 - Play										
2 - Play	23.9%	23.9%	23.6%	23.1%	23.1%	22.7%	22.4%	22.7%	22.9%	22.9%
3 - Play	30.3%	31.5%	32.5%	33.6%	33.6%	34.4%	35.5%	36.1%	36.2%	36.2%
4 - Play	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

EBU - Financials

(EUR million)	Q113	Q213	Q313	Q413	2013	Q114	Q214	Q314	Q414	2014
REPORTED										
Revenues	554	554	533	557	2,198	539	555	479	502	2,075
Segment Result	260	263	245	256	1,024	245	301	250	218	1,015
UNDERLYING										
Revenues	480	476	462	476	1,894	466	474	465	493	1,898
From Fixed	333	327	320	330	1,311	326	327	319	343	1,315
• Voice	117	116	113	113	460	114	113	110	110	446
• Data (Internet & Data Connectivity)	96	96	94	95	380	94	94	93	94	374
• Terminals (excl. TV)	6	6	6	6	23	6	6	5	6	22
• ICT	114	110	107	117	448	112	116	111	134	473
From Mobile	143	144	137	141	565	137	143	143	145	568
• Mobile Services	141	142	135	137	555	135	140	141	139	555
• Terminals	2	2	2	4	10	2	3	2	6	13
Other	4	5	5	5	19	3	4	4	5	16
Costs of materials and charges to revenues	-104	-101	-104	-111	-420	-107	-108	-104	-128	-447
Personnel expenses and pensions	-86	-85	-85	-82	-338	-80	-82	-80	-77	-319
Other operating expenses	-30	-29	-29	-32	-120	-31	-31	-30	-37	-128
Segment result	260	261	244	251	1,017	248	254	251	251	1,004
Segment contribution margin	54.2%	54.9%	52.9%	52.7%	53.7%	53.3%	53.5%	53.9%	51.0%	52.9%

EBU - Operationals

	Q113	Q213	Q313	Q413	2013	Q114	Q214	Q314	Q414	2014
FROM FIXED										
Number of access channels (thousands)	1,781	1,760	1,746	1,732	1,732	1,719	1,707	1,692	1,678	1,678
• Voice	1,338	1,318	1,305	1,292	1,292	1,277	1,264	1,249	1,234	1,234
• Broadband	444	442	441	441	441	442	443	443	445	445
Traffic (millions of minutes)	695	654	592	630	2,571	641	602	564	595	2,402
• National	457	422	382	410	1,672	416	386	363	385	1,549
• Fixed to Mobile	161	156	140	151	607	153	149	138	147	587
• International	77	76	69	70	292	72	67	63	64	266
ARPU (EUR)										
• ARPU Voice	28.5	28.6	28.2	28.5	28.5	29.1	29.1	28.6	29.0	28.9
• ARPU Broadband	39.0	39.3	39.5	39.2	39.3	39.3	39.7	39.4	39.1	39.4
FROM MOBILE										
Number of active customers (thousands)*	1,512	1,545	1,584	1,615	1,615	1,679	1,724	1,760	1,798	1,798
• Among which other than M2M and Free data	1,272	1,292	1,318	1,328	1,328	1,359	1,391	1,407	1,430	1,430
• Among which M2M	184	188	196	211	211	236	244	260	270	270
• Among which Internet Everywhere Cards	56	64	70	76	76	83	89	93	98	98
Annualized churn rate	14.2%	13.6%	10.0%	10.4%	11.9%	11.4%	9.8%	8.8%	12.3%	10.7%
Net ARPU (EUR)**										
• Postpaid	36.8	36.3	34.1	34.2	35.3	33.0	33.6	33.1	32.1	32.9
MoU (min)	310.2	315.8	290.9	311.1	306.8	313.0	316.0	296.5	315.4	310.2
SMS (units)	117.7	118.9	113.1	125.3	119.0	126.8	129.1	123.1	134.6	128.5

**As of 2014, The calculation of active customers is based on the monthly activity rate instead of a rolling avg activity rate. The definition of an active customer remains unchanged.*
***As of 2014, Belgacom calculates the Mobile ARPU excluding Free Mobile data cards and excluding M2M. 2013 figures have been restated.*

SDE&W - Financials

(EUR million)	Q113	Q213	Q313	Q413	2013	Q114	Q214	Q314	Q414	2014
REPORTED										
Revenues	67	66	66	65	264	64	60	60	58	241
Segment Result	-36	-36	-37	-34	-143	-36	-27	-38	-42	-143
UNDERLYING										
Revenues	68	66	66	65	265	64	60	60	58	241
Costs of materials and charges to revenues	-10	-9	-9	-10	-38	-9	-9	-9	-9	-35
Personnel expenses and pensions	-45	-42	-45	-42	-174	-42	-42	-44	-40	-168
Other operating expenses	-50	-52	-50	-49	-200	-49	-44	-45	-66	-204
Segment result	-37	-37	-38	-36	-147	-36	-35	-38	-57	-166

SDE&W - Retail Operationals and MVNO customers

	Q113	Q213	Q313	Q413	2013	Q114	Q214	Q314	Q414	2014
FROM FIXED										
Number of access channels (thousands)										
• Voice (1)	10	10	10	10	10	10	10	9	9	9
• Broadband (1)	1	1	1	1	1	1	1	1	1	1
FROM MOBILE										
Number of active Mobile customers (thousands)										
• Retail (1)	8	7	9	9	9	10	10	10	10	10
• MVNO	5	7	7	6	6	6	7	10	11	11

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

S&S - Financials

(EUR million)	Q113	Q213	Q313	Q413	2013	Q114	Q214	Q314	Q414	2014
REPORTED										
Revenues	18	7	10	25	60	7	64	7	8	86
Segment Result	-71	-82	-78	-64	-296	-78	-28	-79	-95	-280
UNDERLYING										
Revenues	7	7	7	5	26	7	8	7	8	30
Costs of materials and charges to revenues	0	0	0	0	0	0	1	0	0	1
Personnel expenses and pensions	-40	-38	-40	-40	-157	-37	-37	-37	-34	-145
Other operating expenses	-50	-50	-50	-50	-201	-49	-50	-52	-63	-214
Segment result	-82	-82	-82	-85	-332	-79	-78	-82	-89	-328

ICS– Financials

(EUR million)	Q113	Q213	Q313	Q413	2013	Q114	Q214	Q314	Q414	2014
REPORTED										
Revenues	417	413	437	401	1,666	357	434	410	395	1,597
Segment Result	35	37	38	31	140	30	53	38	32	153
UNDERLYING										
Revenues	417	413	437	401	1,666	357	415	410	395	1,577
Costs of materials and charges to revenues	-355	-347	-370	-340	-1,412	-298	-352	-346	-333	-1,330
Personnel expenses and pensions	-11	-11	-12	-12	-45	-11	-11	-12	-12	-47
Other operating expenses	-16	-18	-17	-18	-69	-17	-17	-14	-18	-66
Segment result	35	37	38	31	140	30	35	39	32	135
Segment contribution margin	8.3%	8.9%	8.6%	7.7%	8.4%	8.3%	8.3%	9.4%	8.0%	8.5%

ICS – Operationals

Volumes (in million)	Q113	Q213	Q313	Q413	2013	Q114	Q214	Q314	Q414	2014
Voice	7,267	6,701	7,287	6,872	28,127	6,243	7,259	6,981	6,675	27,158
Non-Voice (SMS/MMS)	451	461	540	512	1,964	499	583	629	654	2,365

Risk management

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

Taking risks is inherent in doing business and successfully managing risks delivers return to Belgacom stakeholders. Belgacom believes that risk management is fundamental to corporate governance and the development of sustainable business. The Group has adopted a risk philosophy that is aimed at maximizing business success and shareholder value by effectively balancing risk and reward. The objective of risk management is not only to safeguard the Group's assets and financial strength but also to protect Belgacom's reputation. Financial risk management objectives and policies are reported in note 33 of the consolidated financial statements, published on the Belgacom website. Risks related to important ongoing claims and judicial procedures are reported in note 5.13 of the statutory as well as note 35 of the consolidated financial statements. The enterprise and financial reporting risks are detailed below, together with the related mitigating factors and control measures. Note that this is not intended to be an exhaustive analysis of all potential risks Belgacom might be facing.

1. Enterprise risks

The Group's Enterprise Risk Management (ERM) covers the spectrum of risks ("potential adverse events") and uncertainties that Belgacom could encounter. Belgacom ERM is a structured and consistent framework for assessing, responding to and reporting on risks that could affect the achievement of Belgacom strategic development objectives. It seeks to maximize value for shareholders by aligning risk management with the corporate strategy, assessing the emerging risk from regulation, new technologies or the market, and developing risk tolerance and mitigating strategies. Belgacom ERM has been reviewed and updated every year since 2006. This risk assessment and evaluation takes place as an integral part of Belgacom annual strategic planning cycle. The resulting report on major risks and uncertainties is then reviewed by the Executive Committee, the CEO and the Audit and Compliance Committee. Among the risks identified in the ERM exercise of 2014, the following risk categories were prioritized: human resources flexibility, competitive market dynamics, and Long term ambitions versus Short term return and customer experience.

Principal risks	Description	Mitigation actions
Competitive market dynamics	Cable remains a serious competitor with a performant access technology to which Belgacom answers with significant investment in its network. A disruptive attitude at price level and/or alternative solutions from OTT could prevent Belgacom to monetize investments in new technologies.	Belgacom applies a disciplined pricing strategy, being careful not to trigger further market value destruction. Belgacom has other levers than price thanks to its convergence strategy and investments in a superior Mobile network, providing a competitive advantage.
Human resources (HR) cost flexibility	Taking into account the specific HR context, the strict HR rules and the mandatory negotiations with the Unions, Belgacom might miss the much needed flexibility to further reduce the workforce cost and thus not able to keep the EBITDA at an acceptable level.	Belgacom has recently adapted and simplified the organisation structures in order to evolve towards a high performance organisation. The "Good to Gold" program is strengthening the company culture that is supported by 3 new values "Collaboration, Agility and Accountability". Initiatives are ongoing to reinforce internal employability and to reduce workload by simplification of systems and processes.
Long term ambitions Vs Short term returns	Risk of incompatibility between the necessity of heavy investments in infrastructure due to technology changes and short term return requirements	Belgacom is investing massively in its fixed & Mobile networks in order to provide superior quality to its customers. A significant decrease of the operating costs will assure Belgacom the compatibility between the short term EBITDA performance and its technology ambitions
Customer experience	The customer experience in its relationship with Belgacom products & services is a key success factor. Not succeeding is often meaning early churn and negative brand image	The customer satisfaction is and stays the top priority for Belgacom and its employees. Numerous actions have been taken to simplify the product & services offer and also to meet clients expectations in their end to end (from contact to billing) relation with Belgacom

1.1. Competitive market dynamics

Belgacom business is mainly focused on Belgium, a small country with only a few large telecom players, among which Belgacom is the incumbent. Belgacom is operating in both growing (e.g. smartphones, Mobile data, M2M, IT), maturing (e.g. Fixed Internet, dTV, post-paid Mobile), and saturated (e.g. Fixed voice, prepaid Mobile) markets. In such circumstances, market value is vulnerable to disruptive behaviour among competitors. Moreover, Belgacom main competitors Mobistar, BASE and Telenet, are subsidiaries of Orange, KPN, and Liberty Global respectively, all large international operators. Also Nethys and Brutélé (commercial name VOO) are an important local cable competitor in the South of the country. Regarding TV services, Belgacom plays a challenger role, facing strong cable competition.

A new market entrant or radical price competition could decrease Belgacom's market share and negatively impact revenue and profit. For instance, Belgium's new Telecom Law, applicable since 1 October 2012 resulted in a significant increase in Mobile customer churn. This, combined with aggressive competitor Mobile pricing (in both retail and wholesale), forced Belgacom to revise its Mobile pricing offer at the end of 2012 and in 2013, greatly increasing the value for customers for similar monthly price commitments. With churn levels normalizing in 2013 and 2014 and Mobile customer net additions back to positive, Belgacom applies a disciplined customer pricing strategy, being careful not to trigger further market value destruction. In case of market share loss due to a significant further reduction of competitor prices, however, Belgacom could be forced to revise its Mobile pricing plans accordingly, which might result in additional pressure on Mobile revenue. Nevertheless, as a result of its long-term strategy and continued network investments, Belgacom built itself an advantageous competitive position providing the company with other levers than just price. Belgacom offers Mobile services on a highest quality Mobile network, and its convergence strategy provides the company with a solid ground to compete, offering attractive multi-play solutions to its customers while reducing churn.

Another differentiator is the willingness of Belgacom to take the lead in Mobile innovation. In this regard, it was the first operator to launch 4G in Belgium, ending 2013 with 258 cities and municipalities covered. Belgacom intends to get an appropriate return on its investments by introducing speed-tiering of its Mobile price plans. This translates in making the full speed capabilities of the 4G technology accessible only via its high-end Mobile price packages. Subscribers to the mid- and low-end Mobile offers and having a 4G-enabled device will also enjoy higher speeds. In 2014, decreasing revenues and margins in Mobile have been bottoming out, driven by a significant uptake in Mobile data. This Mobile data growth was pushed by the acceleration of 4G network rollout and the increase in smartphone penetration.

In the fixed market, Belgacom faces strong competition from the cable operators. Potential consolidation among cable operators or between cable and Mobile network operators could further strengthen competitors' positions and open the cable network for new players. Substitution of fixed line services (e.g. by apps and social media like Skype, Facebook, etc.), TV content (such as Stievie) could put further pressure on revenues and margins. Cable operators choose for vertical integration of the value chain, by buying content or even participations in broadcast channels. Belgacom is responding to these threats through a convergent and bundled approach and by offering new services (e.g. TV Replay, Belgacom Cloud, Smart and Safe Living). Belgacom is opting for an aggregator model, putting at disposal the best content to its customers.

In 2014, Belgacom reviewed its branding and opted to put forward Proximus as the main brand. The price-sensitive segment is still addressed via its subsidiary Scarlet. The latter offers attractively priced Mobile and triple-play products.

In the SME market, besides the competitors also active in the Consumer market, we also face competition from niche players in the different product markets. Belgacom remains a reference in this quite stable market through its convergent offers, mixing fixed and Mobile, as well as telecom and IT. In the large-company market, Belgacom faces competition from internationally oriented operators like Orange Business Services, Colt, Verizon Business and BT Belgium and from integrators such as Dimension Data, Getronics, Cegeka and RealDolmen. The scattered competitive landscape drives price competition, and might further impact revenue and margins.

In the international carrier services market, voice margins per minute have been under significant pressure over the past few years as a result of price competition, consolidation of competitors and the ease with which customers are able to change providers. If pressure on voice margins should continue and/or if the Group does not offset price decreases with increased volume, Belgacom's ICS growth rate, operating revenue and net profit could come under pressure. In addition, the pressure on the Mobile data market might increase and therefore affect the growth profile of the International Carrier Services.

1.2. Human resources flexibility

With Belgacom's revenue under pressure for the past few years, the costs of the company need to be significantly reduced in order to preserve the EBITDA. A significant part of Belgacom's expenses is driven by the costs of the workforce (whether internal or outsourced, expensed or capitalised), for which the company faces a global increase that is not sustainable for the future.

Taking into account the specific HR context, the strict HR rules and the mandatory negotiations with the Unions, Belgacom might miss the much needed flexibility to further reduce the workforce cost.

Although Unions have already approved in the course of 2014 several measures to reduce workforce cost, additional initiatives will be needed for the future.

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

At Belgacom Group level, about one in three employees are statutory, benefitting from substantially higher protection against dismissal than that applicable to private sector employees. This may restrict Belgacom's ability to improve efficiency and increase flexibility to levels comparable to those of its competitors.

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

To address the much needed structural measures, Belgacom's human resources department is in negotiations with the Unions. The aim of these negotiations is to enhance the employability of the employees, to obtain more flexibility to move employees within the organization, to adapt the workforce faster in line with the actual workload and to align remuneration items with common market practices.

Belgacom has recently adapted and simplified the organisational structures in order to evolve towards a high performance organisation. The "Good to Gold" program is strengthening the company culture that is supported by 3 new values "Collaboration, Agility and Accountability". Initiatives are ongoing to reinforce internal employability and to reduce workload by simplification of systems and processes.

The simplification program will prepare the company for the coming wave of retiring employees (), minimizing the need for replacement by developing strategic workforce planning, fluent mobility and drastically simplifying and/or automating Belgacom's product and services, processes, systems and organization.

1.3. Long term ambitions Vs short term returns

Finding the right balance between long term ambitions and short term return is always challenging in competitive and transforming businesses.

In this context, making today the necessary new technology investments is crucial in order to create and secure future revenue streams but this could come into conflict with the required short term cost cuts needed to respect return requirements.

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

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

- The absolute Capex level of the company has been increased to invest more in networks and systems of the future. This increase allows transformational and multi -year programs.
- The company focusses on a limited number of strategic investment clusters where the full company means are prioritized to support the top strategy objectives, our 'blue chips'. Belgacom has also launched efficiency programs to gradually reduce Opex.
- A long term incentive scheme is in place to favour long term value creation mind set among top management of which most annual objectives will be at Group level to favour short and long term company interests.

1.4. Customer experience

A lack of customer focus could negatively impact loyalty and generate (early) churn consequences.

Delivering a superior customer experience is a key-focus for Belgacom and goes hand-in-hand with simplification. "Customer Experience" starts from outside the organization, from the perspective of the customer and takes initiatives to offer him the best experience in all interactions (human and digital) with us including the usage of his products. The objective is to deliver an experience in line with the Proximus brand promise. "Simplification" addresses the complexity within our organization to make it more customer-focused, more efficient and more agile. Proximus wants to be a company "Easy to do business with" and deliver "End to end first time right", minimizing the customer effort while maximizing his satisfaction.

Customers will always benefit from our best and most recent proposals and possibilities. For example, if a customer has a VDSL line, the latest equipment with the best possible experience will be provided. Furthermore, massive investments have been realized in products and networks (4G, Vectoring…), in-home connectivity solutions and TV experience to bring the customer to a better experience. Proximus products are designed to work on all Proximus convergent networks and platforms with a clear focus on offering a seamless experience whatever the device the customer is using.

E-Channel and e-services have been optimized for more stability and better performance with an improved surf experience (information finding and buying). Moreover thanks to MyProximus, more customers are managing their own products and administration: it's easy & quick for them and generate less manual intervention from Belgacom personnel.

The following main achievements have been realised in 2014:

• Improved accessibility and staff friendliness leading to a better customer satisfaction

In 2014, Belgacom's call centers considerably improved the speed of answer, increasing the percentage of calls that are handled within 2.5 minutes by 9pp.

This is the result of a flawless commitment on the part of the teams, who benefited from effective coaching and the deployment of powerful new system for entering customer orders. Another illustration is the level of satisfaction regarding installation of products and services that has never been so high and in constant positive evolution the last 5 years. Quality of the products and solutions for Belgacom professional customers is also scoring very high positively contributing to the brand image.

• Getting it right first time

First time right is a main focus to reduce the customer effort and improve internal efficiency. Specific actions have been taken to improve the way customers are served while reducing needless calls.

• Improved communication

Belgacom communication has also evolved to reflect more the closeness wanted with the customers. The company is also much more present on social media with increasing followers and a personalised touch.

• 'Convergence' transformation program

Within our commercial Contact Centres, 2014 has been marked by an ambitious transformation program aimed to have complete convergence of the teams (contact centres, sales forces…). For a better customer service, it is necessary to meet customers' demands, whether in the fixed or Mobile field. This versatility is now a reality for the great majority of our staff. It makes it possible to considerably reduce call transfers to other services

To ensure and to improve the Enterprise segment customer experience, the Enterprise Business Unit (EBU) will continue to be focussed on:

• Satisfaction of our Medium Business and Corporate customers through the different stages of the customer lifecycle/journey

• Level & quality of service

Satisfaction with account management, project management, service management (ICT) and professional products, score already very high. Respect of SLAs and repair interventions ("Time To Repair") in general for professional products is highly appreciated by corporate customers. Belgacom will continue to enhance this customer experience by further simplifying our networks, portfolio and processes and by developing new convergent solutions for both residential and professional customers.

In this context, simplification remains a key priority as it enables the company to be more customer centric, faster and more efficient.

2. Financial reporting risks

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

2.1. New transactions and evolving accounting standards

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

It is the responsibility of the Corporate Accounting department to follow the evolution in the area of evolving standards (both local GAAP and IFRS). Changes are identified and the impact on the Belgacom financial reporting is proactively analysed.

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

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

2.2. Changes in tax law and regulations

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

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

2.3. Financial statement closing process

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

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

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

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

Internal control system

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

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

Belgacom's internal control system is characterized by an organization with a clear definition of responsibilities, next to sufficient resources and expertise, and also appropriate information systems, procedures and practices. Obviously, Belgacom cannot guarantee that this internal control will be sufficient in all circumstances as risks of misuse of assets or misstatements can never be totally eliminated. However, Belgacom organizes a continuous review and follow-up of all the components of its internal controls and risk management systems to ensure they remain adequate.

Belgacom considers the timely delivery to all its internal and external stakeholders of complete, reliable and relevant financial information in conformity with International Financial Reporting Standards (IFRS) and with other additional Belgian disclosure requirements as an essential element of management and governance. Therefore, Belgacom has organized its internal control and risk management systems over its financial reporting in order to ensure this objective is met.

1. Control environment

1.1. Organization of internal control

In accordance with the bylaws, Belgacom has an Audit and Compliance Committee (A&CC), which consists of five non-executive Directors, the majority of whom must be independent. In line with its charter, it is chaired by an independent Director.

The members of the A&CC have sufficient expertise in financial matters to discharge their functions. One of its members, Mr Paul Van de Perre, is competent in accounting and auditing as he holds a MBA in Economics and is a certified accountant (IAB).

The A&CC's role is to assist and advise the Board of Directors in its oversight on (i) the financial reporting process, (ii) the efficiency of the systems for internal control and risk management of Belgacom, (iii) the Belgacom's internal audit function and its efficiency, (iv) the quality, integrity and legal control of the statutory and the consolidated financial statements of Belgacom, including the follow up of questions and recommendations made by the auditors, (v) the relationship with the Group's auditors and the assessment and monitoring of the independence of the auditors, (vi) Belgacom's compliance with legal and regulatory requirements, (vii) the compliance within the organization with the Belgacom's Code of Conduct and the Dealing Code.

The A&CC meets at least once every quarter.

1.2. Ethics

The Board of Directors has approved a Corporate Governance Charter and a Code of Conduct "The way we do responsible business". All employees must perform their daily activities and their business objectives according to the strictest ethical standards and principles, using the Group values (Collaboration, Agility and Accountability) as guiding principle.

The Code "The way we do responsible business", which is available on www.belgacom.com, sets out the above-mentioned principles, and aims to inspire each employee in his or her daily behaviour and attitudes. The ethical behaviour is not limited to the text of the Code. The Code is a summary of the main principles and is thus not exhaustive.

In addition, Belgacom in general and the Finance department in particular have a tradition of a high importance to compliance and a strict adherence to a timely and qualitatively reporting.

1.3. Policies and procedures

The principles and the rules in the Code "The way we do responsible business" are further elaborated in the different internal policies and procedures. These Group policies and procedures are available on the Belgacom intranet-sites. Every policy has an owner, who regularly reviews and updates if necessary. Periodically, and at moment of an update, an appropriate communication is organized.

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

1.4. Roles & responsibilities

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

The main role of the Finance Division is to support the divisions and affiliates by providing accurate, reliable and timely financial information for decision making, to monitor the business profitability and to manage effectively corporate financial services. The establishment of the external financial reporting falls under the responsibility of the Corporate Accounting department.

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

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

1.5. Skills & expertise

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

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

2. Risk analysis

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

3. Risk mitigating factors and control measures

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

4. Information and communication

4.1. Financial reporting IT systems

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

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

4.2. Effective Internal communication

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

4.3. Reporting and validation of the financial results

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

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

5. Supervision and assessment of internal control

The effectiveness and efficiency of the internal control are regularly assessed in different ways and by different parties:

- Each owner is responsible for reviewing and improving its business activities on a regular basis: this includes a.o. the process documentation, reporting on indicators and monitoring of those.
- In order to have an objective review and evaluation of the activities of each organization department, Belgacom's Internal Audit department conducts regular audits across the Group's operations. The independence of Internal Audit is ensured via its direct reporting line to the Chairman of the A&CC. Audit assignments performed may have a specific financial processes scope but will also assess the effectiveness and efficiency of the operations and the compliance towards the applicable laws or rules.
- The A&CC reviews the quarterly interim reporting and the specific accounting methods. The main disputes and risks facing the Group are considered; the recommendations of internal audit are followed-up; the compliance within the Group with the Code of Conduct and Dealing Code is regularly discussed.
- Except for some very small foreign affiliates, all legal entities of the Belgacom Group are subject to an external audit. In general, this audit includes an assessment of the internal control, and leads to an opinion on the statutory financials and on the (half-yearly and annual) financials reported to Belgacom for consolidation. In case the external audit reveals a weakness or identifies opportunities to further improve the internal control, recommendations are made to management. These recommendations, the related action plan and implementation status are at least annually reported to the A&CC.

Other information

Rights, commitments and contingencies as of 31 december 2014

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

Use of financial instruments

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

Circumstances which may considerably impact the development of the Group

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

Research and development activities

In general, the research and development activities cover 4 key steps in the adoption cycle of a technology:

- Study of the technology's potential: determination of the technological and commercial opportunities and its positioning in the technology portfolio.
- Introduction of the technology: as the technology is selected, an engineered solution is necessary for deployment, exploitation and day-to-day management.
- Evolution of the technology: once deployed, the technology will continue to evolve in accordance with its potential and market demand.
- The preparation of the introduction of new services.

In 2014, the research and development activities covered the following:

- Study of the potential of new technologies:
    - The study to define future target transport network architectures and supporting technologies was continued, aiming to cope with disruptive traffic growth, higher resiliency, as well as backbone network simplification.
    - Belgacom has performed an extensive study on the possibility and potential of a structural replacement of copper lines by optical fibre between the switching locations and the street cabinets. This would allow to reduce the technical buildings, both in number and in size, and to operate the network in a more efficient way.
    - A study and Proof of Concept has been started to investigate the potential of deploying fibre closer to the homes, by re-using the last meters of the existing copper pair for connecting the home (solution based on G.Fast standards).
    - First studies were started on the potential of introducing evolved concepts in the network like Network Function Virtualization and Software Defined Networks.
    - Belgacom also investigated new developments for video and TV, such as new codecs and technologies for higher resolution and higher picture quality.
    - Belgacom participates in an R&D project together with other industrial partners and universities to investigate advanced solutions for video streaming, including 4K.
    - In the light of the future Internet of Things, Belgacom investigated new long-range technologies and networks to provide Machine-to-Machine services and to connect objects wirelessly to the internet

- Introduction of new technologies:
  - Belgacom introduced 4G+ (or LTE-Advanced) in its Mobile network. With a compatible smartphone, 4G+ can substantially increase download speeds.
  - Belgacom improved the user experience on Wi-Fi Hotspots by deploying EAP-SIM technology (Extensible Authentication Protocol) and also by intelligently lifting the download speed limits. The EAP-SIM technology provides for an automatic connection to the Proximus Wi-Fi Hotspots for compatible user devices based on their SIM card.
  - Belgacom and Alcatel-Lucent have further continued their partnership on the development of VDSL technology. As a result of this partnership, Belgacom started to introduce the "Vectoring" technology on its fixed broadband lines. Vectoring allows for cancelling out interference in a copper cable and as such increases substantially the data speed that can be offered.
- Evolution of the technology in terms of improvement and existing services extension:
  - 'Dynamic Line Management' is a technology which was developed in-house providing higher throughput for fixed broadband. This has been further improved to also increase the Upstream bitrate. VDSL has been further developed to provide also a broadband service to those customers that have a connection on a long distance from the street cabinet.
- The preparation of the introduction of new services:
  - Fibre to the Home: after conducting 3 pilots (in Brecht, Bredene and the Up-Site tower in Brussels), Belgacom has prepared now for deploying fibre in new zonings. For this purpose a new quality monitoring system has been developed, allowing to test the connections already during construction phase.

Next to these initiatives in the various phases of technology development, Belgacom also has enforced its innovation activities in a more generic way.

Belgacom collaborates with universities, industrial partners and several other bodies, such as iMinds (independent research institute founded by the Flemish government), and I.W.T. (Agentschap voor Innovatie door Wetenschap en Technologie). In addition, Belgacom is participating in collaborative projects supported by the Seventh Framework Programme for Research and Development and the Competitiveness and Innovation Framework Programme (respectively the ICONE and the SPECIFI projects). In this way, Belgacom has been participating in several R&D programs in various domains.

In 2014, a new Technology Trends team has been set-up. The goals are to scan and analyse the long term technical evolutions and disruptions, and to capture major trends in innovation & venturing linked to technology as well as the outcomes from standardization and industry policies bodies. The purpose is to feed innovation programs and to make sure that the major trends are embedded in the company strategy, blue prints and communicated towards the main stakeholders.

As part of its open innovation strategy, Belgacom has set up an internal and external incubation program. Internally, a start-up like light governance enables new ideas to be incubated and validated technically and market-wise before getting into industrialization. Externally, several sources are tackled to feed the innovation funnel. Close collaborations with local investment vehicles as well as national and international investment funds will ensure the technology watch. Also, participating in start-up incubator and accelerator initiatives in which Belgacom's assets are put at the disposal of the start-ups, will help the entire eco-system to grow in the interest of all stakeholders. Other external sources- amongst which are industry peers and equipment vendors- are completing the open innovation strategy.

Treasury shares

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

Capital management

The purpose of the Group's capital management is to maintain net financial debt and equity ratios that allow for security of liquidity at all times via flexible access to capital markets, in order to be able to finance strategic projects and to offer an attractive remuneration to shareholders. The latter was updated by the Belgacom Board of Directors of 25 February 2010 and Belgacom now commits to return, in principle, most of its annual cash flow before financing activities (or "Free Cash Flow"), to its shareholders. The return of free cash flow either through dividends or share buybacks will be reviewed on an annual basis, in order to keep strategic financial flexibility for future growth, organically or via selective merger and acquisition projects, with a clear focus on value creation. This also includes confirming appropriate levels of distributable reserves. Furthermore, as approved by the Belgacom Board of Directors on 27 February 2014, Belgacom's Board of Directors intends to pay out a stable dividend of EUR 1.50 per share (interim dividend of EUR 0.50 and ordinary dividend of EUR 1.00) for the next 3 years to come (2014, 2015 & 2016), provided Belgacom's financial performance is in line with its expectations.

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

Post-balance sheet events

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

On behalf of the Board of Directors,
Brussels, February 26, 2015

Dominique Leroy
Chief Executive Officer

Stefaan De Clerck
Chairman of the Board of Directors

Consolidated Financial Statements

Consolidated balance sheet

(EUR million)	Note	As of 31 December 2013	2014
ASSETS			
NON-CURRENT ASSETS		**6,254**	**6,339**
Goodwill	3	2,320	2,272
Intangible assets with finite useful life	4	1,185	1,180
Proprety, plant and equipement	5	2,558	2,680
Investments in associates and joint ventures	6	6	4
Other participating interests	7	6	8
Deferred income tax assets	8	105	102
Other non-current assets	10	74	94
CURENTS ASSETS		**2,163**	**2,183**
Inventories	11	163	117
Trade receivables	12	1,289	1,182
Current tax assets	8	137	63
Other current assets	13	148	111
Investments	14	60	8
Cash and cash equivalents	15	355	702
Assets classified as held for sale	16	11	0
TOTAL ASSETS		**8,417**	**8,522**

(EUR million)	Note	As of 31 December 2013	2014
LIABILITIES AND EQUITY			
EQUITY	**17**	**3,042**	**2,969**
Shareholders' equity	**17**	**2,846**	**2,779**
Issued capital		1000	1,000
Treasury shares		-527	-470
Restricted reserve		100	100
Remeasurement reserve		-51	-128
Stock compensation		13	8
Retained earnings		2,310	2,270
Foreign currency translation		1	0
Non-Controlling interests	**17**	**196**	**189**
NON-CURRENT LIABILITIES		**2,865**	**3,332**
Interest-bearing liabilities	18	1,950	2,386
Liability for pensions, other post-employment benefits and termination benefits	9	473	504
Provisions	19	204	154
Deferred income tax liabilities	8	128	110
Other non-current payables	20	111	178
CURRENT LIABILITIES		**2,511**	**2,221**
Interest-bearing liabilities	18	316	162
Trade payables		1,320	1,358
Tax payables	8	132	111
Other current payables	21	731	591
Liabilities associated with assets classified as held for sale	16	13	0
TOTAL LIABILITIES AND EQUITY		**8,417**	**8,522**

Consolidated income statement

(EUR million)	Note	Year ended 31 December 2013	2014
Net revenue	22	6,239	5,961
Other operating income	23	79	89
Non-recurring income	24	0	62
Total income		**6,318**	**6,112**
Cost of material and services related to revenue	25	-2,561	-2,420
Personnel expenses and pensions	26	-1,142	-1,041
Other operating expenses	27	-903	-869
Non-recurring expenses	28	-14	-27
Total operating expenses before depreciation and amorization		**-4,619**	**-4,358**
Operating income before depreciation and amorti-zation		**1,699**	**1,755**
Depreciation and amortization	29	-782	-821
Operating income		**917**	**933**
Finance income		17	33
Finance costs		-113	-129
Net finance costs	30	-96	-96
Share of loss on associates and joint ventures		0	-2
Income before taxes		**822**	**835**
Tax expense	8	-170	-154
Net income		**652**	**682**
Non-controlling interests	17	22	27
Net income (group share)		630	654
Basic earning per share (in EUR)	31	1.98 EUR	2.04 EUR
Diluted earning per share (in EUR)	31	1.98 EUR	2.04 EUR
Weighted average nb of outstanding ordinary shares	31	318,759,360	320,119,106
Weighted average nb of outstanding ordinary shares for diluted earnings per share	31	318,987,711	321,009,798

Consolidated statement of other comprehensive income

(EUR million)	Year ended 31 December 2013	2014
Net income	**652**	**682**
Other comprehensive income:		
Items that may be reclassified to profit and loss		
Cash flow hedges		
Gain/(loss) taken to equity	-5	1
Transfer to profit or loss for period	1	4
Exchange differences on translation of foreign operations	-1	-1
Other	0	1
Total before related tax effects	**-5**	**6**
Related tax effects		
Cash flow hedges:		
Gain/loss) taken to equity	2	0
Transfer to profit loss for the period	0	-1
Income tax relating to items that may be reclassified	**1**	**-2**
Items that may be reclassified to profit and loss - net of related tax effects	-3	**4**
Items that will not be reclassified to profit and loss		
Remeasurement of defined benefit obligations	18	-102
Total before related tax effects	**18**	**-102**
Related tax effects		
Remeasurement of defined benefit obligations	-6	20
Income tax relating to items that will not be reclassified	**-6**	**20**
Items that will not be reclassified to profit and loss - net of related tax effects	**12**	**-83**
Total comprehensive income	**661**	**603**
Attributable to:		
Equity holders of the parent	639	576
Non-controlling interests	22	27

Consolidated statement of cash flows

(EUR million)	Note	Year ended 31 December 2013	2014
Cash flow from operating activities			
Net income		652	682
Adjustments for:			
Depreciation and amortization on intangible assets and property, plant and equipement	4&5	782	821
Increase of impairment on goodwill, intangible assets and property, plant and equipement	3/4/5	23	1
Increase/(decrease) of provisions		1	-50
Deferred tax expense	8	23	5
Increase of impairment on participating interests		1	4
Loss from investments accounted for using the equity method	6	0	2
Fair value adjustments on financial instruments	30	-11	-5
Loans amortization		4	6
Gain on disposal of consolisated companies	6	0	-27
Gain on disposal of entreprises accounted for using the equity method	30	0	-1
Gain on disposal of property, plant and equipement		-32	-46
Other non-cash movements		5	17
Operating cash flow before working capital changes		**1.447**	**1.410**
Decrease / (increase) in inventories		-30	31
Decrease in trade receivables		45	43
Decrease in current income tax assets		2	0
Decrease / (increase) in other current assets		-9	48
Increase in trade payables		17	99
Decrease in income tax payables		-104	-21
Increase / (Decrease) in other current payables		30	-59
Decrease in net liability for pensions, other post-employement benefits and termination benefits	9	-79	-69
Increase in other non-current payables and provisions		0	1
Decrease / (increase) in working capital, net of acquisitions and disposals of subsidiaries		**-128**	**72**
Net cash flow provided by operating activities		**1.319**	**1.482**

(EUR million)	Note	Year ended 31 December 2013	2014
Cash flow from investing activities			
Cash paid for acquisitions of intangible assets and property, plant and equipment (1)	4&5	-852	-951
Cash paid for acquisitions of other participating interests and joint ventures		-6	0
Cash paid for acquisitions of consolidated companies, net of cash acquired	6	0	-1
Cash received from sales of consolidated companies, net of cash disposed of	6	0	95
Cash received from sales of intangible assets and property, plant and equipment		38	83
Cash received from sales of other participating interest and enterprises account for using the equity method		0	2
Net cash received from other non-current assets		5	0
Net cash used in investing activities		**-814**	**-771**
Cash flow before financing activities		**505**	**711**
Cash flow from financing activities			
Dividends paid to shareholders	32	-701	-718
Dividents paid to non-controlling interests	17	-38	-33
Net sale of treasury shares		25	54
Net sale of investments		23	51
Variation in equity		-6	-1
Repayment of vendor financing		-7	0
Issuance of long term debt		249	597
Repayment of long term debt		-128	0
Issuance / (repayment) of short term debt		230	-314
Net cash used in financing activities		**-353**	**-364**
Net increase of cash and cash equivalents		**152**	**347**
Cash and cash equivalents at 1 January		202	355
Cash and cash equivalents at 31 December	15	355	702
(1) Net cash flow from operating activities includes the following cash movements:			
Interest paid		-81	-89
Interest received		3	8
Income taxes paid		-175	-171

(1) Capital expendure adjusted for licenses, broadcasting and content rights payable over more than one year and related payments

Consolidated statement of changes in equity

(EUR million)	Issued capital	Treasury shares	Restricted reserve	AFS & Hedge reserve	Remeas-urement reserve	Foreign currency transla-tion	Stock Compen-sation	Retained Earnings	Share-holders' Equity	Non-con-trolling interests (NCI)	Total Equity
Balance at 1 January 2013	**1000**	**-551**	**100**	**0**	**-60**	**1**	**14**	**2377**	**2881**	**211**	**3,093**
Fair value changes in cash flow hedges-acquired during the year	0	0	0	-3	0	0	0	0	-3	0	**-3**
Currency translation differences	0	0	0	0	0	-1	0	0	-1	0	**-1**
Remeasurement defined benefit obligations	0	0	0	0	12	0	0	0	12	0	**12**
Equity changes not recognised in the income statement	0	0	0	-3	0	-1	0	0	9	0	**9**
Net income	0	0	0	0	0	0	0	630	630	22	**652**
Total comprehensive income and expense	**0**	**0**	**0**	**-3**	**12**	**-1**	**0**	**630**	**639**	**22**	**661**
Dividends to shareholders (relating to 2012)	0	0	0	0	0	0	0	-535	-535	0	**-535**
Interim dividents to share-holders (relating to 2013)	0	0	0	0	0	0	0	-160	-160	0	**-160**
Dividends of subsidiaries to non-controlling interests	0	0	0	0	0	0	0	0	0	-38	**-38**
Treasury shares *Exercise of stock options*	0	19	0	0	0	0	0	-3	15	0	**15**
Sale of treasury shares under a discounted share purchase plan	0	6	0	0	0	0	0	-2	4	0	**4**
Stock options *Amortization deferred stock compensation*	0	0	0	0	0	0	1	0	1	0	**1**
Exercices of stock options	0	0	0	0	0	0	-3	3	0	0	**0**
Total transactions with equity holders	**0**	**25**	**0**	**0**	**0**	**0**	**-1**	**-698**	**-674**	**-38**	**-712**

(EUR million)	Issued capital	Treasury shares	Restricted reserve	AFS & Hedge reserve	Remeas-urement reserve	Foreign currency transla-tion	Stock Compen-sation	Retained Earnings	Share-holders' Equity	Non-con-trolling interests (NCI)	Total Equity
Balance at 31 December 2013	**1,000**	**-527**	**100**	**-3**	**-48**	**1**	**13**	**2,310**	**2,846**	**196**	**3,042**
Fair value changes in cash flow hedges-acquired during the year	0	0	0	1	0	0	0	0	1	0	**1**
Fair value changes in cash flow hedges - used during the year	0	0	0	3	0	0	0	0	3	0	**3**
Changes in ownership interest in investees	0	0	0	1	0	0	0	0	1	0	**1**
Currency translation differences	0	0	0	0	0	-1	0	0	-1	0	**-1**
Remeasurement defined benefit obligations	0	0	0	0	-82	0	0	0	-82	-1	**-83**
Equity changes not recognised in the income statement	0	0	0	5	0	-1	0	0	-78	-1	**-79**
Net income	0	0	0	0	0	0	0	654	654	27	**682**
Total comprehensive income and expense	**0**	**0**	**0**	**5**	**-82**	**-1**	**0**	**654**	**576**	**27**	**603**
Dividents to shareholders (relating to 2013)	0	0	0	0	0	0	0	-537	-537	0	**-537**
Interim dividents to share-holders (relating to 2014)	0	0	0	0	0	0	0	-161	-161	0	**-161**
Dividents of subsidiaries to non-controlling interests	0	0	0	0	0	0	0	0	0	-33	**-33**
Treasury shares *Exercice of stock options*	0	57	0	0	0	0	0	-3	54	0	**54**
Stock options *Amortization deferred stock compensation*	0	0	0	0	0	0	1	0	1	0	**1**
Exercices of stock options	0	0	0	0	0	0	-6	6	0	0	**0**
Total transactions with equity holders	**0**	**57**	**0**	**0**	**0**	**0**	**-5**	**-694**	**-643**	**-33**	**-676**
Balance at 31 December 2014	**1,000**	**-470**	**100**	**2**	**-130**	**0**	**8**	**2,270**	**2,779**	**189**	**2,969**

Notes to the consolidated financial statements

Note 1. Corporate information

The consolidated financial statements at 31 December 2014 were authorized for issue by the Board of Directors on February 26, 2015. They comprise the financial statements of Belgacom SA, its subsidiaries and joint ventures (hereafter "the Group") as well as the Group's interest in associates accounted for under the equity method.

Belgacom SA is a "Limited Liability Company of Public Law" registered in Belgium. The transformation of Belgacom SA from "Autonomous State Company" into a "Limited Liability Company of Public Law" was implemented by the Royal Decree of 16 December 1994. Belgacom SA headquarters are located at Boulevard du Roi Albert II, 27 1030 Brussels, Belgium.

The Board of Directors, the Chief Executive Officer and the Executive Committee assess the performance and allocate resources based on the customer-oriented organization structured around the five following reportable operating segments:

- The Consumer Business Unit (CBU) sells voice products and services, internet and television, both on fixed and mobile networks, to residential customers, mainly on the Belgian market;
- The Enterprise Business Unit (EBU) sells ICT and Telecom services and products to professional customers, whether they are self-employed persons, medium companies or major corporations. These ICT solutions, including telephone services, are marketed mainly under the Proximus, and Telindus brands, on both the Belgian and international markets;
- The Service Delivery Engine & Wholesale (SDE&W) centralizes all the network and IT services and costs (excluding costs related to customer operations and to the service delivery of ICT solutions), provides services to CBU and EBU and sells these services to other telecom and cable operators;
- International Carrier Services (ICS) is responsible for international carrier activities;
- Staff and Support (S&S) brings together all the horizontal functions (human resources, finance, legal, strategy and corporate communication), internal services and real estate that support the Group's activities.

Further information concerning the operating segments is included under note 38.

The number of employees of the Group (in full time equivalents) amounted to 14,187 at 31 December 2014 and 15,699 at 31 December 2013; the disposal of Group Telindus France and of Telindus UK business mainly explaining the decrease in full time equivalents. For the year 2014, the average number of headcount of the Group was 139 management personnel, 13,137 employees and 1,494 workers. For the year 2013, the average number of headcount of the Group was 149 management personnel 14,047 employees and 1,557 workers.

Note 2. Significant accounting policies

Basis of preparation

The accompanying consolidated financial statements as of 31 December 2014 and for the year then ended have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted for use in the European Union. The Group did not early adopt any IASB standards or interpretations.

The consolidated financial statements have been prepared on a historical cost basis, except for the measurement at fair value of derivatives and available-for-sale financial assets. The carrying values of assets and liabilities that are hedged with fair value hedges are adjusted to record the change in the fair value attributable to the risks that are being hedged.

Changes in accounting policies

The Group does not anticipate the application of standards and interpretations. The accounting policies applied are consistent with those of the previous financial years except that the Group applied the new or revised IFRS standards and interpretations as adopted by the European Union that became mandatory on 1 January 2014 and that are detailed as follows:

- Amendments to standards:
  - Amendement to IAS 28 ("Investment in Associates and Joint Ventures");
  - Amendment to IAS 39 ("Novation of Derivatives and Continuation of Hedge Accounting");
  - Amendments to IAS 32 ("Offsetting Financial Assets and Liabilities");
  - Amendment to IAS 36 ("Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets")
- Newly issued standards:
  - IFRS 10 ("Consolidated Financial Statements") that supersedes part of IAS 27 ("Separate Financial Statements") and SIC-12 ("Consolidated – Special Purpose Entities"),
  - IFRS 11 ("Joint Arrangements") that supersedes part of IAS 31 ("Interests in Joint Ventures") and SIC-13 ("Jointly Controlled Entities – Non Monetary Contributions by Venturers"),
  - IFRS 12 ("Disclosure of Interests in Other Entities").

The adoption of these new and amended standards has limited impacts on the financial statements of the Group, except for the application of IFRS 12 (see note 6) that results in some additional disclosures in the consolidated financial statement and applies to interests in subsidiaries, joint arrangements and associates.

Basis of consolidation

Note 6 lists the Group's subsidiaries, joint ventures and associates.

Subsidiaries are those entities controlled by the Group. Control exists when the Group has the power over the investee, is exposed or has rights to variable returns from its involvement with the investee and has the ability to use its power to affect its returns.

Consolidation of a subsidiary begins from the date on which the Group obtains control over the subsidiary and ceases when the Group loses control of the the subsidiary. Intercompany balances and transactions, and resulting unrealized profits or losses between Group companies are eliminated in full in consolidation. When necessary, accounting policies of subsidiaries are adjusted to ensure that the consolidated financial statements are prepared using uniform accounting policies.

Joint ventures are joint arrangements whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about relevant activities require unanimous consent of the parties sharing control. Joint ventures are incorporated in these consolidated financial using the equity method.

Associated companies are companies in which the Group has a significant influence, defined as an investee in which Belgacom has the power to participate in its financial and operating policy decisions (but not to control the investee). These investments are also accounted for using the equity method.

Under the equity method, the investments held in associates or joint venture are initially recognized at cost and the carrying amount is subsequently adjusted to recognize the Group's share in the profit or losses or other comprehensive income of the associate or joint venture as from the date of acquisition. These investments and the equity share of results for the period are shown in the balance sheet and income statement as respectively, investments in associates and joint ventures, and share in the result of the associates and joint ventures.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held for sale. When the Group retains an interest in the former associate or joint venture the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on intial recognition in accordance with IAS 39. The difference between, on the one hand the carrying amount of the associate or joint venture at the date the use of the equity method is discontinued and on the other hand the fair value of any retained interest and any proceeds of disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests

Business Combinations

Acquisitions of businesses are accounted using the acquisition method. The consideration transferred is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued in exchange for control of the acquiree. Acquisition related costs are recognised in profit or loss as incurred.

At acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at that date. This includes fair valuing the unrecognised assets and liabilities in the balance sheet of the acquiree, which concerns mainly customer bases and trade names.

Non-controlling interests may be initially measured either at fair value or at the proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of the measurement principle is made on a transaction by transaction basis.

Judgments and estimates

In preparing the consolidated financial statements, management is required to make judgments and estimates that affect amounts included in the financial statements.

Judgments and estimates that are made at each reporting date reflect conditions that existed at those dates (e.g. market prices, interest rates and foreign exchange rates). Although these estimates are based on management's best knowledge of current events and actions that the Group may undertake, actual results may differ from those estimates.

Major judgments and estimates are principally made in the following areas:

Claims and contingent liabilities

Related to claims and contingencies, judgment is necessary in assessing the existence of an obligation resulting from a past event, in assessing the probability of an economic outflow, and in quantifying the probable outflow of economic resources. This judgment is reviewed when new information becomes available and with support of outside experts advises.

Recoverable amount of cash generating units including goodwill

In the context of the impairment test, the key assumptions that are used for estimating the recoverable amounts of cash generating units to which goodwill is allocated are discussed in note 3 (Goodwill).

Actuarial assumptions related to the measurement of employee benefit obligations and plan assets

The Group holds several employee benefit plans such as pension plans, other post-employment plans and termination plans. In the context of the determination of the obligation, the plan asset and the net periodic cost, the key assumptions that are used are discussed in note 9 (Assets and liabilities for pensions, other post-employment benefits and termination benefits).

Control in BICS

Note 6 describes that BICS is a subsidiary of the Group held with 57.6% of the shares and 57.6% of the voting rights to the company shareholders' meeting.

The shareholders agreement with BICS foresees decision-making rules and a deadlock procedure in force as from 1st January 2010. Thanks to these rules and procedures, the Group concluded in the past that it controlled BICS. This conclusion remains valid when applying IFRS 10 " Consolidated Financial Statements" (effective on 1 January 2014), even when taking into account potential barriers to exercise control on BICS.

Foreign currency translation

Foreign currency transactions

The presentation currency for the Group is the Euro. Foreign currency transactions are translated, on initial recognition, at the foreign exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency of the entity at the balance sheet date using the exchange rate at that date. Net exchange differences on the translation of monetary assets and liabilities are classified in “other operating expenses” in the income statement in the period in which they arise.

Foreign operations

Some foreign subsidiaries and joint-ventures operating in non-EURO countries are considered as foreign operations that are integral to the operations of the reporting enterprise. Therefore, monetary assets and liabilities are translated using the exchange rate at balance sheet date, non-monetary assets and liabilities are translated at the historical exchange rate, except for non-monetary items that are measured at fair value in the domestic currency and that are translated at the exchange rate when the fair value was determined. Revenue and expenses of these entities are translated at the weighted average exchange rate. The resulting exchange differences are classified in “other operating expenses” in the income statement.

For other foreign subsidiaries and joint-ventures operating in non-EURO countries, assets and liabilities are translated using the exchange rate at balance sheet date. Revenue and expenses of these entities are translated at the weighted average exchange rate. The resulting exchange differences are taken directly to a separate component of equity. On disposal of such entity, the deferred cumulative amount recognized in equity relating to that particular foreign operation is recognized in the income statement.

All exchange differences arising from a monetary item that forms part of the Group’s net investment in such entity are recognized in the same separate component of equity.

Goodwill

Goodwill represents the excess of the sum of the consideration transferred, the amount of non-controlling interests, if any, and the fair value of the previously held interest, if any, over the net fair value of identifiable assets, liabilities and contingent liabilities acquired in business combination. When the Group obtains control, the previously held interest in the acquiree, if any, is re-measured to fair value through the income statement.

When the net fair value, after reassessment, of identifiable assets, liabilities and contingent liabilities acquired in a business combination exceeds the sum of the consideration transferred, the amount of non-controlling interests, if any, and the fair value of the previously held interest, if any, this excess is immediately recognized in income statement as a bargain purchase gain.

Changes in a contingent consideration included in the consideration transferred are adjusted against goodwill when they arise during the provisional purchase price allocation period and when they relate to facts and circumstances existing at acquisition date. In other cases, depending if the contingent consideration is classified as equity or not, changes are taken into equity or in the income statement.

Acquisition costs are expensed and non-controlling interests are measured at acquisition date either at their value or at their proportionate interest in the identifiable assets and liabilities of the acquiree, on a transaction-by-transaction basis.

Goodwill is stated at cost and not amortized but subject to an annual impairment test at the level of the cash generating unit to which it relates and whenever there is an indicator that the cash generating unit to which the goodwill has been allocated may be impaired. An impairment loss recognized for goodwill is never reversed in subsequent periods, even if there are indications that the impairment loss may no longer exist or may have decreased.

Intangible assets with finite useful life

Intangible assets consist primarily of the Global System for Mobile communication ("GSM") license, the Universal Mobile Telecommunication System ("UMTS") license, 4G licenses, customer bases and trade names acquired in business combinations, internally developed software and other intangible assets such as football rights and broadcasting rights and externally developed software.

The Group capitalizes certain costs incurred in connection with developing or purchasing software for internal use when they are identifiable, when the group controls the asset and when future economic benefits from the asset are probable. Capitalized software costs are included in internally generated and other intangible assets and are amortized over three to five years.

Intangible assets with finite life acquired separately are measured on initial recognition at cost. The estimated cost of intangible assets acquired with different pricing structure over time includes the fixed and estimated variable consideration at acquisition date. When the carrying amount of the financial liability is subsequently re-measured the cost of the asset is adjusted. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition.

Intangible assets with finite useful life are stated at cost less accumulated amortization and impairment losses. The residual value of such intangible assets is assumed to be zero.

- Customer bases and trade names acquired in business combinations are straight-line amortized over their estimated useful life (3 to 20 years). Except when the use of an asset is limited in time, for contractual reasons or reflecting the management intention on the use of the asset, the duration of an asset's useful life is set at acquisition date, for each asset individually, in such a way that the expected cumulated discounted cash flows generated by the concerned asset over its useful life represent approximately 90% of the total cumulated discounted cash flows expected from the asset.

- GSM, UMTS and 4 G licenses, other intangible assets and internally generated assets with finite useful life are amortized on a straight-line basis over their estimated useful life. Amortization commences when the intangible asset is ready for its intended use. The licenses' useful lives are fixed by Royal Decree and they range from 5 to 20 years.

The useful lives are assigned as follows:

GSM, UMTS, 4G and other network licenses	Over the license period
• GSM (2G)	5 to 6
• UMTS (3G)	16
• LTE (4G)	15
• 800 Mhz (4G)	20
Customer bases and trade names acquired	3 to 20
Software	5
Rights to use, football and broadcasting rights	Over the contract period (usually from 2 to 5)

The amortization period and the amortization method for an intangible asset with finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates.

Property, plant and equipment

Property, plant and equipment including assets rented to third parties are presented according to their nature and are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of additions and substantial improvements to property, plant and equipment is capitalized. The cost of maintenance and repairs of property, plant and equipment is charged to operating expenses when it does not extend the life of the asset or does not significantly increase its capacity to generate revenue. The cost of an item of property, plant and equipment includes the costs of its dismantlement, removal or restoration, the obligation for which the Group incurs as a consequence of installing the item.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognized.

Depreciation of an asset begins when the asset is ready for its intended use. Depreciation is calculated using the straight-line method over the estimated useful life of the asset. The useful lives are assigned as follows:

The asset's residual values, useful life and depreciation methods are reviewed, and adjusted if appropriate, at each financial year end.

Costs of material, personnel expenses and other operating expenses are shown net of work performed by the enterprise that is capitalized in respect of the construction of property, plant and equipment.

Borrowing costs are capitalized if they are directly attributable to the acquisition, construction or production of a qualifying asset.

	Useful life (years)
Land and buildings	
• Land	Indefinite
• Buildings and building equipment	22 to 33
• Facilities in buildings	3 to 10
• Leasehold improvement and advertising equipment	3 to 10
Technical and network equipment	
• Cables and ducts	15 to 20
• Switches	8 to 10
• Transmission	6 to 8
• Radio Access Network	6 to 7
• Mobile sites and site facility equipment	5 to 10
• Equipment installed at client premises	2 to 8
• Data and other network equipment	2 to 15
Furniture and vehicles	
• Furniture and office equipment	3 to 10
• Vehicles	5 to 10

The asset's residual values, useful life and depreciation methods are reviewed, and adjusted if appropriate, at each financial year end.

Costs of material, personnel expenses and other operating expenses are shown net of work performed by the enterprise that is capitalized in respect of the construction of property, plant and equipment.

Borrowing costs are capitalized if they are directly attributable to the acquisition, construction or production of a qualifying asset.

Impairment of non-financial assets

The Group reviews the carrying value of its non-financial assets at each balance sheet date for any indication of impairment.

The Group compares at least once a year the carrying value with the estimated recoverable amount of intangible assets under construction and cash generating units including goodwill. The Group performs this annual impairment test during the fourth quarter of each year.

An impairment loss is recognized when the carrying value of the asset or cash generating unit exceeds the estimated recoverable amount, being the higher of the asset's or cash generating unit's fair value less costs to sell and its value in use for the Group.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

Impairment losses on goodwill, intangible assets and property, plant and equipment are recorded in operating expenses. An assessment is made at each balance sheet date as to determine whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, impairment losses in respect of assets other than goodwill are reversed in order to increase the carrying amount of the asset to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the income statement in operating expenses.

Deferred taxation

Deferred taxation is provided for all temporary differences between the carrying amount of assets and liabilities in the consolidated balance sheet and their respective taxation bases.

Deferred tax assets associated to deductible temporary differences and unused tax losses carried forward are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary difference or the unused tax losses can be utilized.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset will be realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Changes in deferred tax assets and liabilities are recognized in the income statement except to the extent that they relate to items recognized directly in equity, in which case the tax effect is also recognized directly in equity.

Deferred tax liabilities with respect to temporary differences associated with investments in subsidiaries are recognized except when the parent company is able to control the timing of the reversal of the temporary difference and it is not probable that the difference will be reversed in a foreseeable future.

Pensions, other post-employment benefits and termination benefits

The Group operates several defined benefit pension plans to which the contributions are made through separately managed funds. The Group also agreed to provide additional post-employment benefits to certain employees. The cost of providing benefits under the plans is determined separately for each plan using the projected credit unit actuarial valuation method. Actuarial gains and losses are recognized through Other Comprehensive Income (equity). Any past service cost and gain or loss on settlement is recognized in income statement when they occur.

The Group also operates several defined contribution plans. Contributions are expensed as incurred.

The Group operates several restructuring programs that involve termination benefits or other forms of additional compensation. The actuarial gains and losses on these liabilities are recognized in the income statement when incurred.

When applying the IAS 19 revised, the Group decided to classify the periodic cost in operating and financing activities for their respective components.

Short term and long term employee benefits

The cost of all short-term and long-term employee benefits, such as salaries, employee entitlements to leave pay, bonuses, medical aid and other contributions, are recognized during the period in which the employee renders the related service. The Group recognizes those costs only when it has a present legal or constructive obligation to make such payment and a reliable estimate of the liability can be made.

Financial instruments

Fair value of financial instruments

The following methods and assumptions were used to estimate the fair value of financial instruments:

- For investments in quoted companies and mutual funds, the fair value is their quoted price;
- For investments in non-quoted companies, fair value is estimated by reference to recent sale transactions on the shares of these non-quoted companies and, in the absence of such transactions, by using different valuation techniques such as discounted future cash flow models and multiples methods;
- For investments in non-quoted companies for which no fair value can be reliably determined, fair value is based on the historical acquisition cost, adjusted for impairment losses, if any;
- For long term debts carrying a floating interest rate, the amortized cost is assumed to approximate fair value;
- For long term debts carrying a fixed interest rate, the fair value is determined based on the market value when available or otherwise based on the discounted future cash flows;
- For trade receivables, trade payables, other current assets and current liabilities, the carrying amounts reported in the balance sheet approximate their fair value considering their short maturity;
- For cash and cash equivalents, the carrying amounts reported in the balance sheet approximate their fair value considering their short maturity;
- For derivatives, fair values have been estimated by either considering their quote price on an active market, and if not available by using different valuation techniques, in particular the discounting of future cash flows.

Criteria for initial recognition and for de-recognition of financial assets and liabilities

Financial instruments are initially recognized when the Group becomes party to the contractual terms of the instruments. Normal purchases and sales of financial assets are accounted for at their settlement dates.

Financial assets (or a portion thereof) are de-recognized when either the Group realizes the rights to the benefits specified in the contract, either the rights expire or, either the Group surrenders or otherwise loses control of the contractual rights that comprise the financial asset. Financial liabilities (or a portion thereof) are de-recognized when the obligation specified in the contract is discharged, cancelled or expires.

Criteria for offsetting financial assets and liabilities

Where a legally enforceable right of offset exists for recognized financial assets and liabilities, and there is an intention to settle the liability and realize the asset simultaneously, or to settle on a net basis, all related financial effects are offset.

Criteria for classifying financial instruments as held to maturity

Some financial instruments are classified as held to maturity based on the ability and the intention of the Group to keep these instruments until maturity. The Group has already a large experience of respecting that statement. This is reinforced by the fact that the financial instruments classified as held to maturity are medium to short term.

Criteria for classifying financial instruments as available-for-sale

Non-derivative financial assets that the Group has no intention nor ability to keep until maturity, that the Group does not classify as loans and receivables and that the Group does not designate as at fair value through profit and loss at inception, are classified as available-for-sale.

Shares in equity of non-consolidated entities are usually classified as available-for-sale financial assets. Shares in mutual funds or similar funds are classified as available-for-sale, if not designated at fair value through profit and loss at inception.

Other participating interests

Other participating interests are equity instruments in entities that are not subsidiaries, joint ventures or associates. They are initially recognized at cost, being the fair value of the consideration given and including acquisition costs associated with the investment. These interests are classified as available-for-sale financial assets in the balance sheet.

After initial recognition,

- The participating interests in non-quoted companies for which no fair value can be reliably determined are carried at cost with adjustment for impairment loss if any;
- All other participating interests are carried at fair value, with recognition of the changes in fair value directly in equity, until the financial asset is sold, collected or otherwise disposed of, at which time the cumulative gain or loss previously reported in equity is included in income statement in net finance cost.

Other non-current financial assets

Other non-current financial assets include derivatives (see below), long-term interest-bearing receivables such as loans to joint-ventures, personnel and cash guarantees and long-term investments such as notes and purchased bonds. Long-term receivables are accounted for as loans and receivables originated by the Group and are carried at amortized cost. Long-term investments are classified as held-to-maturity and are carried at amortized cost.

Trade receivables and other current assets

Trade receivables and other current assets are shown on the balance sheet at nominal value (generally, the original invoice amount) less the allowance for doubtful debts.

Investments

Investments include shares in funds and mutual funds, fixed income securities and deposits with a maturity greater than three months but less than one year.

Shares are initially recognized at cost, being the fair value of the consideration given and including acquisition costs associated with the investment. After initial recognition, shares are treated as available-for-sale, with re-measurement to fair value recorded directly in equity until the investment is sold, collected or otherwise disposed of, at which time the cumulative gain or loss previously reported in equity is included in income statement.

Fixed income securities are initially recognized at cost, being the fair value of the consideration given and including acquisition costs associated with the investment. After initial recognition, fixed income securities that are classified as available-for-sale, are measured at fair value, with gains and losses on re-measurement recognized in equity until the investment is sold, collected or otherwise disposed of, at which time the cumulative gain or loss reported in equity is included in income statement. Fixed income securities that are intended to be held-to-maturity are measured at amortized cost, using the effective interest rate method.

Deposits are measured at amortized cost.

Cash and cash equivalents

Cash and cash equivalents include cash, current bank accounts and investments with an original maturity of less than three months, and that are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Cash and cash equivalents are carried at amortized cost.

Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets is impaired. When the carrying amount of the financial asset is greater than its recoverable amount, an impairment loss is recorded.

An allowance account is always used to account for impairment losses, whether impairment is caused by credit losses or not.

Allowances and impairment on financial assets are accounted for as other operating expenses when the assets relates to operating activities. For 'other participating interests', associates and assets relating to finance activities, allowances and impairment losses are accounted for as finance costs.

Impairment losses on receivables are determined when it is probable that the Group will not be able to collect any amount due, on basis of individualized criteria or based on portfolio statistics and analysis of ageing balances.

In case of impairment due to credit losses, the impairment allowance is reversed when it becomes probable that the Group will collect the financial asset, as a result of various indicators such as the receipt of collaterals, a successful capital increase at the customer etc.

The impairment allowance will also be reversed when the asset is definitively sold, collected or at the opposite, uncollectible, at what time, the definitive gain (loss) on disposal of the asset is recorded in income statement.

Impairment losses on available for sale equity investments are recognized in net income in case of significant (more than 30%) or prolonged (more than 12 months successively) decline in the fair value below cost. These impairment losses are not reversed in income statement. If it appears that an existing impairment loss has to be reversed, reversal will be recorded in equity, as a re-measurement to fair value.

Interest-bearing liabilities

All loans and borrowings are initially recognized at cost, being the fair value of the consideration received, net of issuance costs associated with the borrowings.

After initial recognition, debts are measured at amortized cost using the effective interest rate method, with amortization of discounts or premiums through the income statement.

Derivatives

The Group makes use of derivatives such as IRS, IRCS, forward foreign exchange contracts and currency options to reduce its risks associated with interest rate and foreign currency fluctuations on underlying assets, liabilities and anticipated transactions. The derivatives are carried at fair value under the captions other assets (non-current and current), interest-bearing liabilities (non-current and current) and other payables (non-current and current).

The Group uses IRS and IRCS to reduce its exposure to interest rate and foreign currency fluctuations on long-term debts. These economical hedges are not accounted for as hedges.

The Group does not hold or issue derivative financial instruments for trading purposes but some of its derivative contracts do not meet the criteria set by IAS 39 to be considered as hedges and are therefore treated as derivatives held-for-trading, with changes in fair value recorded in the income statement.

The Group uses currency options and forward foreign exchange contracts to manage its foreign currency exposure arising from operational contracts. When the matching between these instruments and the underlying exposure is sufficiently effective, and the effectiveness can be easily demonstrated, cash flow hedging is applied. i.e. the effective portion of the gains and losses on the hedging instrument is recognized via other comprehensive income until the hedged item occurs; the ineffective portion is recognized in profit or loss. The other forward exchange contracts are not accounted for as hedges and are consequently carried at fair value, with changes in fair value recognized in the income statement. Some debts issued by the Group include embedded derivatives. Such derivatives are separated from their host contract and carried at fair value with changes in fair value recognized in the income statement. The mark-to-market effects on these embedded derivatives are neutralized by those on other derivatives.

As from September 2011, the Group started contracting derivatives to hedge its exposure to part of commodity price fluctuations for highly probable forecasted transactions. The Group applies cash flow hedge accounting; the effective portion of the gains and losses on the hedging instrument is recognized via other comprehensive income until the hedged item occurs. If the hedged transaction leads to the recognition of an asset, the carrying amount of the asset at the time of initial recognition is adjusted to include the amount previously recognized via other comprehensive income. The ineffective portion of a cash flow hedge is always recognized in profit or loss.

Net gains and losses on financial instruments

The Group excludes dividends, interest income and interest charges from the net gains and losses on financial instruments. Dividends, interest income and interest charges arising from financial instruments are posted to the finance income/(costs).

Net gains/(losses) from disposals or settlements of financial instruments are accounted for as finance income/(costs) when the instruments relate to financing activities. When the financial instruments relate to operating or investing activities, net gains/(losses) from disposals or settlements are accounted for as other operating income/(expenses).

Net gains and losses resulting from fair value measurement of derivatives used to manage foreign currency exposure on operating activities that do not qualify for hedge accounting under IAS 39 are recorded as operating expenses.

Net gains and losses resulting from fair value measurement of derivatives used to manage interest rate exposure on interest-bearing liabilities that do not qualify for hedge accounting under IAS 39 are recorded in finance income/(costs).

Inventories

Inventories are stated at the lower of cost and net realizable value.

Cost is determined based on the weighted average cost method except for IT equipments (FIFO method) and goods purchased for resale as part of specific construction contracts (individual purchase price).

For construction contracts, the percentage of completion method is applied. The stage of completion is measured by reference to the amount of contract costs incurred for work performed at balance sheet date in proportion to the estimated total costs for the contract. Contract cost includes all expenditures directly related to the specific contract and an allocation of fixed and variable overheads incurred in connection with contract activities based on normal operating capacity.

Lease agreements with suppliers

Leases of assets through which all the risks and the benefits of ownership of the asset are substantially transferred to the Group are classified as finance lease. Finance leases are recognized as assets and liabilities (interest-bearing liabilities) at amounts equal to the lower of the fair value of the leased asset and the present value of the minimum lease payments at inception of the lease. Amortization and impairment testing for depreciable leased assets, is the same as for depreciable assets that are owned. Lease payments are apportioned between the outstanding liability and finance charges so as to achieve a constant periodic rate of interest on the remaining balance of the liability.

Leases of assets through which all the risks and the benefits of ownership of the asset are substantially retained by the leasing company are classified as operating lease. Payments under operating leases are recognized as an expense in the income statement on a straight-line basis over the lease term.

Provisions

Provisions are recognized when the Group has a present legal or constructive obligation resulting from past events, for which it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. A past event is deemed to give rise to a present obligation if, taking into account the available evidence, it is more likely than not that a present obligation exists at the balance sheet date. The amount recognized as provision is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period. Provisions are discounted where the effect of the time value of money is material. The unwinding is recognized via the finance expense.

Certain assets and improvements that are situated on property owned by third parties must eventually be dismantled, and the property must be restored to its original condition. The estimated costs associated with dismantling and restorations are recorded under property, plant and equipment and depreciated over the useful life of the asset. The total estimated cost required for dismantling and restoration, discounted to its present value, is recorded under provisions. Where discounting is used, the increase in the provision due to the passage in time is recognized in financial expense in the income statement.

Assets and associated liabilities classified as held for sale

The Group classifies assets (or disposal group) as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through a continuing use. This condition is met when the asset (or disposal group) is available for immediate sale in its present condition, the sale is highly probable and expected to occur within one year. Assets and associated liabilities held for sale (or disposal group) are recorded at the lower of their carrying value or fair value less costs to sell, and are classified as current assets.

Share based payment

Equity and cash settled share-based payments to employees are measured at the fair value of the instrument at the grant date taking into account the terms and conditions upon which the rights are granted, and by using a valuation technique that is consistent with generally accepted valuation methodologies for pricing financial instruments, and that incorporates all factors and assumptions that knowledgeable, willing market participants would consider in setting the price.

For equity settled arrangement the fair value is recognized in personnel expenses over their vesting period, together with an increase of the caption “stock compensation” of the shareholders’ equity for the equity part and an increase of a dividend liability for the dividend part. When the share options give right to dividends declared after granting the options, the fair value of this right is re-measured regularly.

For cash settled arrangement the fair value is recognized in personnel expenses over their vesting period together with an increase in the liabilities. The liabilities are regularly re-measured to reflect the evolution of the fair values.

Revenue and operating expenses

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Specific revenue streams and related recognition criteria are as follows:

- Revenue from wireline, carrier and mobile traffic is recognized on usage;
- Revenue from connection fees and installation fees is recognized in income at the time of connection or installation;
- Revenue from sales of communication equipment is recognized upon delivery to the third party distributors or upon delivery by the own Belgacom shops to the end-customer;
- Revenues relating to the monthly rent or access fees, which are applicable to wireline and mobile revenues are recognized in the period in which the services are provided;
- Subscription fees are recognized as revenue over the subscription period on a pro-rata basis;
- Prepaid revenue such as revenue from pre-paid fixed and mobile phone cards is deferred and recognized based on usage of the cards;
- Maintenance fees are recognized as revenue over the maintenance period on a pro-rata basis;
- Commissions received are recognized net when the Group acts as an agent, i.e. when the Group does not bear inventory risk and credit risk, does not set the prices nor change or perform part of the services and has no latitude in the supplier's selection;
- The revenue from sales arrangements with multiple deliverables are allocated to the different components of the arrangements based on their relative fair values being the amount for which each component could be sold separately. However when an amount allocated to a delivered component is contingent upon the delivery of additional components or meeting specified performance conditions, the amount allocated to that delivered component is limited to the non-contingent amount.

Net revenue is defined as the gross inflow of economic benefits during the period arising in the course of the ordinary activities and taking into account the amount of any trade discounts and volume rebates allowed by the Group. The award credits (loyalty programs) are recorded as a separate component of the sales transaction and recorded as deduction from the initial sale in net revenue. Revenue from award credits is recognized at redemption.

Expenditure on research activities is recognized in the income statement as an expense as incurred.

The Group's consolidated income statement presents operating expenses by nature. Operating expenses are reported net of work performed by the enterprise that is capitalized.

The costs of materials and services related to revenues include the costs for purchases of materials and services directly related to revenue.

Costs for advertising and other marketing charges are expensed as incurred.

As a consequence of the new Belgian Telecom law in force as from 1 October 2012 all dealer commissions are expensed as incurred. The accumulated deferred upfront dealer commissions were expensed as 'cost of materials and services related to revenue'.

Non-recurring income and non-recurring expenses include gains or losses on the disposal of consolidated companies exceeding individually EUR 5 million, fines and penalties imposed by competition authorities or by the regulator exceeding EUR 5 million, costs of employee restructuring programs and the effect of settlements of post-employment benefit plans with impacts for the beneficiaries.

Note 3. Goodwill

(EUR million)	Goodwill
As of 1 January 2013	**2,339**
Classified as held for sale	-1
Impairment	-18
As of 31 December 2013	**2,320**
Acquisition of ClearMedia	2
Disposal of Group Telindus France	-28
Disposal of Telindus UK Business	-21
Impairment	-1
As of 31 December 2013	**2,272**

In 2013, the goodwill of two disposal groups was reclassified as held for sale with an impairment loss recognized for an amount of EUR 18 million (see note 16).

The following events led to the decrease of the Group goodwill in 2014 : the disposal of Telindus UK business and GroupTelindus France (note 6) (goodwill decrease by EUR - 49 million) and the recognition of an impairment loss of EUR 1 million on Mobisud. These impacts were slightly offset by the recognition of a goodwill of EUR 2 million when the Group acquired control on ClearMedia NV (note 6).

On 31 December 2014, an amount of EUR 269 million was transferred from EBU to CBU, with no impact on the Group goodwill, as to reflect the transfer, the first of January 2015, of SOHO/SE (independents and small enterprises) customer accountability from EBU to CBU. This transfer happens in order to focus CBU on all "mass-customer segments" and create synergies in channel management.

Goodwill is tested for impairment at the level of operating segments as these are the Group cash-generating units; the performance, financial position (including goodwill) and capital expenditures within the Group are being monitored at operating segment level.

For the purpose of impairment testing, goodwill acquired in a business combination is, at acquisition date, allocated to each of the Group operating segments that is expected to benefit from the business combination. Therefore this allocation is based on the nature of the acquired customers and activities. At 31 December 2014, all businesses acquired were fully allocated to one single operating segment, with the exception of the goodwill resulting from the acquisition of non-controlling interests in 2007 in Belgacom Mobile, which was allocated to the Consumer Business Unit and the Enterprise Business Unit on basis of their relative value in use for the Group at 31 December 2007.

The carrying amount of goodwill is allocated to the operating segments as follows:

	As of 31 December	
(EUR million)	**2013**	**2014**
Consumer Business Unit	996	1,264
Entreprise Business Unit	1,073	756
Service Delivery Engine	0	0
Staff & Support	0	0
International Carrier Services	252	252
Inter-segment eliminations	0	0
Total	**2,320**	**2,272**

The recoverable amount at segment level (including goodwill) was based on the value in use estimated through a discounted free cash flow model. The key variables used in determining the value in use are

- the operating income before depreciation and amortization (except for the International Carrier Services segment for which the direct margin is more important);
- the capital expenditures;
- the long term growth rate;
- the post-tax weighted average cost of capital;
- the mark-up rate to be applied on staff and support services, should Belgacom Group organize a full and at arm's length transfer pricing between the segments;
- the expected rate of return on SDE capital employed, allowing the determination of SDE network related costs to be invoiced to the other segments, should Belgacom Group organize a full and at arm's length transfer pricing between the segments.

CBU and EBU operating income before depreciation and amortization is highly sensitive to the following operational parameters: number of customers by type of service (TV, fix….), traffic (if applicable) and net ARPU by customer for each type of service. The value attached to each of these operational parameters is the result of an internal process, conducted in each segment and at group level, by confronting data from the market, market perspectives, and the strategies Belgacom intends to implement in order to be adequately prepared for upcoming challenges.

As from 2014 the value in use calculations are based on the Three Year Plan (2015 to 2017), as presented by management to the Board of Director. Subsequent years were extrapolated based on a growth rate of around 1.0% for the operating segments.

The free cash flows considered for calculating the value in use are estimated for the concerned assets in their current condition and exclude the cash inflows and outflows that are expected to arise from any future restructuring to which the Group is not yet committed and from improving or enhancing the assets performance. Free cash flows of each segment were discounted with the Group post-tax weighted average cost of capital of 6.7%, with the exception of the ICS segment for which a specific post-tax weighted average cost of capital of 9.1% was used, its activities being deemed different enough from those of the rest of the Group to justify a specific calculation. The pre-tax weighted average cost of capital, derived from the post-tax weighted average cost of capital via an iterative method, was comprised between 8.0% and 10.4%.

The calculated weighted average costs of capital at Group level and for the ICS segment are based on the relative weight of their capital structure components and include a risk premium specific to their inherent risks.

None of the goodwill was impaired at 31 December 2014. Sensitivity analysis for all segments demonstrates that in case of a reasonable change in one of the key assumptions, their values in use still exceed their net carrying values.

Note 4.
Intangible assets with finite useful life

(EUR million)	GSM and UMTS licences	Internally generated assets	Customer bases and trade name acquired	TV rights	Other intangible assets	Total
Cost						
As of 1 January 2013	**470**	**597**	**802**	**176**	**897**	**2,941**
Additions	120	84	0	71	108	383
Acquisition of subsidiary	0	0	0	0	0	0
Disposals	0	0	0	-65	-5	-70
Classified as held for sale	0	-3	-8	0	-2	-14
As of 31 December 2013	**590**	**677**	**793**	**181**	**999**	**3,241**
Additions	16	84	0	114	116	330
Disposals	0	0	0	-34	-27	-61
Disposals of subsidiary	0	0	-8	0	-13	-21
Reclassifications	0	0	5	0	-3	1
As of 31 December 2014	**605**	**761**	**791**	**262**	**1,072**	**3,492**
Accumulated amortization and impairment						
As of 1 January 2013	**-344**	**-437**	**-291**	**-96**	**-676**	**-1,844**
Amortization charge for the year	-26	-59	-61	-59	-87	-292
Impairment charge	0	0	-2	0	0	-3
Disposals	0	0	0	65	4	69
Classified as held for sale	0	3	8	0	2	13
Reclassifications	0	0	0	0	1	1
As of 31 December 2013	**-370**	**-492**	**-346**	**-90**	**-757**	**-2,056**
Amortization charge for the year	-31	-69	-59	-72	-95	-326
Disposals	0	0	0	34	25	59
Disposal of subsidiary	0	0	2	0	10	12
Reclassifications	0	0	-2	0	2	0
As of 31 december 2014	**-401**	**-562**	**-405**	**-128**	**-816**	**-2,311**
Carrying amount as of 31 December 2013	**220**	**185**	**447**	**91**	**242**	**1,185**
Carrying amount as of 31 December 2014	**204**	**200**	**386**	**133**	**257**	**1,180**

The GSM and UMTS licenses acquisition value include the costs related to the Global System for Mobile communication ("GSM") and Universal Mobile Telecommunication System ("UMTS").

The group possesses the following licences:

Year of acquisition	Description	Acquisition value	Net book value	Period	Payment method	Start of Amortization
2010	2G	74	4	04/2010 to 04/2015	completed	04/2010
2001	UMTS	150	54	06/2001 to 12/2021	completed	06/2004
2011	4G	20	17	07/2012 to 06/2027	completed	07/2012
2013	2G	120	113	11/2013 to 11/2033	over the period	11/2013
2014	2G	16	16	11/2015 to 03/2021	start 2015	11/2015
	Total	**604**	**204**			

Internally generated assets mainly relate to development expenditures for internally developed software (mainly billing and ordering related). The aggregate amount of research expensed for these internally generated software during 2014 amounts to EUR 22 million.

Customer bases and trade names acquired include intangible assets recognized as part of business combinations; mainly as a result of the purchase price allocation performed when the Group acquired control over BICS.

In 2014 the Group acquired TV rights for an amount of EUR 114 million which includes mainly broadcasting rights for sport and TV channels. Some of these rights are acquired with a deferred payment plan, others with a different pricing structure over time including fixed and estimated variable consideration at acquisition date.

Other intangible assets mainly include purchased software (mainly network related) and rights of use for cables.

Note 5.
Property, plant and equipment

(EUR million)	land and buildings	Technical and network equipment	Other tangible assets	Assets under construction	Total
Cost					
As of 1 January 2013	**845**	**10,680**	**382**	**5**	**11,912**
Additions	11	552	19	7	589
Disposals	-40	-157	-20	-1	-217
Classified as held for sale	0	-8	-2	0	-10
Reclassifications	1	8	-2	-7	0
As of 31 December 2013	**817**	**11,075**	**377**	**4**	**12,273**
Additions	9	629	15	9	663
Disposals	-127	-250	-20	-1	-398
Disposals of subsidiary	0	-19	-5	0	-24
Reclassifications	1	-15	19	-6	-1
As of 31 December 2014	**701**	**11,421**	**386**	**7**	**12,514**
Accumulated amortization and impairment					
As of 1 January 2013	**-385**	**-8,753**	**-307**	**0**	**-9,445**
Depreciation charge for the year	-35	-424	-31	0	-490
Acquisition of subsidiary	0	0	-1	0	-1
Disposals	35	157	19	0	212
Subsidiaries reclassified as held for sale	0	7	2	0	9
Reclassifications	0	-3	2	0	0
As of 31 December 2013	**-384**	**-9,015**	**-316**	**0**	**-9,715**
Depreciation charge for the year	-35	-431	-29	0	-495
Disposals	91	249	20	0	359
Disposal of subsidiary	0	14	3	0	17
Reclassifications	0	19	-19	0	0
As of 31 december 2014	**-329**	**-9,164**	**-341**	**0**	**-9,834**
Carrying amount as of 31 December 2013	**433**	**2,059**	**62**	**4**	**2,558**
Carrying amount as of 31 December 2014	**372**	**2,256**	**45**	**7**	**2,680**

In 2013, the useful life of modems and decoders was increased with one year from 24 to 36 months.

The increased investments compared to previous year reflects the Group strategy to invest more extensively in the network quality and the services to the customers.

In 2014, the Group sold administrative and technical buildings and realised a gain on disposal of these buildings of EUR 45 million.

Note 6.
Investments in subsidiaries, joint ventures and associates

Note 6.1. Investments in subsidiaries

The consolidated financial statements include the financial statements of Belgacom SA and the subsidiaries listed in the following table:

Name	Registered office	Country of incorporation	Group's participating interests 2013	Group's participating interests 2014
Belgacom SA under Public Law	Bld du Roi Albert II 27, 1030 bruxelles VAT BE 0202.239.951	Belgium	Mother company	
Belgacom Finance SA	Rue de Merl 74, 2146 Luxembourg	Luxembourg	100%	0%
Belgacom Group International Service SA	Bld de Roi Albert II 27, 1030 Bruxelles VAT BE 0466.917.220	Belgium	100%	100%
BGC Re	Rue de Merl 74, 2146 Luxembourg	Luxembourg	100%	100%
Connectimmo SA	Bld du Roi Albert II 27, 1030 bruxelles VAT BE 0477.931.965	Belgium	100%	100%
Belgacom Skynet SA	Bld du Roi Albert II 27, 1030 bruxelles VAT BE 0460.102.672	Belgium	100%	0%
Skynet iMotion Activities SA	Rue Carli 2, 1140 Evere VAT BE 0875.092.626	Belgium	100%	100%
Tango SA	Rue du Luxembourg 177, 8077 Bertrange	Luxembourg	100%	100%
Telindus - ISIT BV	Krommewetering 7, 3543 AP UTRECHT	The Netherlands	100%	100%
Telindus SA	Route d'Arlon 81-83, 8009 Strassen	Luxembourg	65%	65%
Teletronics SA	2 Rue des Mines, 4244 Esch sur Alzette	Luxembourg	65%	65%
Beim Weissenkreuz SA	Route d'Arlon 81-83, 8009 Strassen	Luxembourg	64%	64%
Telindus LTD	Centurion - Riverside Way Watchmoor Park Camberle Surrey - GU15 3 YL	United Kingdom	100%	0%
Telindus France SA	ZA de Courtaboeuf 12, Avenue de l'Oceanie 91940 Les Ulis	France	100%	0%
Groupe Telindus France SA	ZA de Courtaboeuf 12, Avenue de l'oceanie 91940 Les Ulis	France	100%	0%
Telindus Morocco SAS	Bâtiment shore 1, 6ème étage, Casablanca Nearshore Park, 1100 Bd. Al Qods, Sidi Maârouf casablanca	Morocco	100%	0%
Belgacom Briding ICT NV	Koning Albert II laan 27 1030 Brussels VAT BE 0826.942.915	Belgium	100%	100%

Name	Registered office	Country of incorporation	Group's participating interests 2013	Group's participating interests 2014
Belgacom ICT - Expert Community CVBA	Ferdinand Allenstraat 38 3290 Diest VAT BE 0841.396.905	Belgium	84%	81%
Belgacom Opal SA	Bld du Roi Albert II 27 1030 bruxelles VAT BE 0861.583.672	Belgium	100%	100%
Mobile-For SA	Bld du Roi Albert II 27, 1030 bruxelles VAT BE 0881.959.533	Belgium	100%	100%
Scarlet NV	Ketelmeerstraat 182, 8226 JX Lelystad	The Netherlands (2) (7)	100%	0%
Scarlet Business NV	Calistraat 2, 1140 Evere VAT BE 0463.079.780	Belgium	100%	100%
Scarlet Luxembourg SARL	Rue Bonnevoie 5, 1260 Luxembourg	Luxembourg	100%	100%
Scarlet Belgium NV	Carlistraat 2, 1140 Evere VAT BE 0447.976.484	Belgium	100%	100%
MBS TELECOM NV	Carlistraat 2, 1140 Evere VAT BE 0882.760.484	Belgium	100%	100%
Sahara Net LL C	Al-Dabal Commercial Tower (ACT) 2nd Floor, Prince mohammad Quarter, Prince Mohammad Street (First Street) P.O Box 5480 Zip Code 31422 Damman	Saudi-Arabi (3) (7)	70%	0%
Wireless technologies NV	Stationstraat 34, 1702 Groot Bijgaarden VAT BE 0464.030.479	Belgium	100%	100%
Clearmedia NV	Zagerijstraat 11, 2960 Brecht VAT BE 0831.425.897	Belgium (6)		100%
Belgacom International Carrier Services Mauritius Ltd	Chancery House 5th floor, Lislet, Geoffroy Street Port Louis 1112-07	Mauritus (1)	58%	58%
Belgacom International Carrier Services SA	Rue Lebeau 4, 1000 brussels VAT BE 0866.977.981	Belgium (1)	58%	58%
Belgacom International Carrier Services Deutschland GMBH	Taunusanlage 11, 60329 frankfurt am Main	Germany (1)	58%	58%
Belgacom International Carrier Services UK Ltd	Great Bridgewaterstreet 70 M1 5ES Manchester	United Kingdom (1)	58%	58%
Belgacom International Carrier Services Nederland BV	Wilhelminaka de 91 3072 AP Rotterdam	The Netherlands (1)	58%	58%

Name	Registered office	Country of incorporation	Group's participating interests 2013	2014
Belgacom International Carrier Services North America Inc	Corporation trust center - 1209 Orange street USA - 19801 Willington Delaware	United States (1)	58%	58%
Belgacom International Carrier Services Asia Pte Ltd	80, Robinson Road # 02-00, Singapore 068898	Singapore (1)	58%	58%
Belgacom International Carrier Services (Portugal) SA	Avenida de Republica, 50, 10th floor 1069-211 Lisboa	Portugal (1)	58%	58%
Belgacom International Carrier Services Italia Srl	Via della Moscova 3 20121 Milano	Italy (1)	58%	58%
Belgacom International Carrier Services Spain SL	Calle Salvatierra, 4, 2c 28022 Madrid	Spain (1)	58%	58%
Belgacom International Carrier Services Switzerland AG	Papiermülestrasse 69 3014 Bern	Switzerland (1)	58%	58%
Belgacom International Carrier Services Austria GMBH	Wildpretmarkt 2-4 1010 Wien	Austria (1)	58%	58%
Belgacom International Carrier Services Sweden AB	Drottningga tan 30 411-14 Goteborg	Sweden (1)	58%	58%
Belgacom International Carrier Services JAPAN KK	#409 Raffine Higashi Ginza, 4-14 Tsukiji 4 - Chome- Chuo-ku, Tokyo 104-00	Japan (1)	58%	58%
Belgacom International Carrier Services China Ltd	Three Pacific Place - Level 28, 1 Queen's road East, Hong Kong	China (1)	58%	58%
Belgacom International Carrier Services Ghana Ltd	Box GP 821, Accra	Ghana (1)	58%	58%
Belgacom International Carrier Services Dubai FZ-LLC	P.O. Box 502307 Dubai	United Arab. Emirates (1) (8)	58%	58%
Belgacom International Carrier Services South Africa Proprietary Ltd	Central Office Park n°5 - 257 Jean Avenue, Centurion South Africa Gauteng 0157	South Africa (1) (8)	58%	58%
Belgacom International Carrier Services Kenya Ltd	LR-N°204861, 1st Floor Block A Nairobi Business Park-Ngong Road PO BOX 10643-00100 Nairobi	Kenya (1) (8)	58%	58%
Belgacom International Carrier Services France SAS	Rue du colonal Moll 3, 75017 Paris	France (1)	58%	58%

(1) Entity of BICS Group
(2) Entity liquidated in 2014
(3) Entity disposed of in 2014
(4) Entity merged into parent in 2014
(5) Business sold in 2014
(6) Control acquired in 2014
(7) Entity held for sale in 2013
(8) Entity incorporated in 2013

The financial year end of Telindus- ISIT BV is 30 June. For consolidation purpose additional financial statements are prepared as per 31 December.

Note 6.2. Details of non-wholly owned subsidiaries that have material non controlling interests

The table below shows details of non-wholly owned subsidiaries of the Group that have material non controlling interests.

		As of 31 december		As of 31 December		As of 31 December	
		2013	2014	2013	2014	2013	2014
Name of subsidiary	**Place of incorporation and principal place of business**	**Proportion of ownership interests and voting rights held by non-controlling intersts**		**Profit allocated to non-controlling interests**		**Accumulated non-controlling interests**	
BICS (segment)	Belgium	42%	42%	22	27	190	183
Total				**22**	**27**	**190**	**183**

Summarized financial information in respect of each of the Group's subsidiaries that has material non-controlling interests

BICS (segment)		
Current assets	657	731
Non-current assets	752	712
Current liabilities	588	648
Non-current liabilities	120	110
Equity attributable to owners of the company	701	685
Revenue (total)	1,666	1,597
Expense (operating)	-1,526	-1,444
Profit for the year	50	61
Profit attributable to owners of the company	29	35
Profit attributable to the non-controlling interests	22	27
Dividends paid to non-controlling interests	38	33
Net cash inflow from operating activities	148	142
Net cash (outflow) from investing activities	-37	-40
Net cash (outflow) from financing activities	-88	-78
Net cash inflow	23	24

Note 6.3 Investments in joint ventures

The Group has a joint-venture interest in the following companies:

Name	Registered office	Country of incorporation	Group's participating interests 2013	2014
Belgian Mobile Wallet SA/NV	Place Sainte-Gudule 5 1000 Brussel VAT BE 541.659.084	Belgium (1)	50%	33%
Allo Bottin SA	101/109, rue Jean-Jurès 92300 Levalloi-Perret	France (2)	50%	50%
E-Port Communication System SA	Slijkensesteenweg 2 8400 Oostende VAT BE 0864.818.940	Belgium	50%	50%

(1) Entity incorporated in 2013
(2) In liquidation

In November 2013 Belgacom and BNP Paribas Fortis set up “Belgacom Mobile Wallet SA” (“Sixdots”) a 50-50 joint venture to support online and mobile trade in Belgium. During 2014 new investors entered the company capital reducing the Group's share to 33%; however the investment is still classified as joint venture as unanimous consent is required for the decisions on relevant activities.

At 31 December 2014 the carrying amount of the Group's interest in Belgacom Mobile Wallet SA amounted to EUR 4 million, down from EUR 5 million in 2013. The decrease in value resulted from the Group share in the company loss from continuing operations (EUR -2. million), the disposal of part of its interest to the new investors and the positive remeasurement of the group interest following a capital increase (EUR 1 million).

Note 6.4. Investments in associates

The Group had a significant influence in the following company:

Name	Registered office	Country of incorporation	Group's participating interests 2013	2014
ClearMedia NV	Zagerijstraat 11 2960 Brecht VAT BE 0831.425.897	Belgium	40%	0%

In 2014 the Group's investment in ClearMedia NV ceased to be an associate (see note 6.5).

Note 6.5. Acquisitions and disposal of subsidiaries, joint ventures and associates

In 2014 the Group's investment in ClearMedia NV became a subsidiary, therefore the Group discontinued the use of the equity method. The cash outflow related to this transaction is not material for the Group.

In 2014 the Group disposed its subsidiary Sahara Network Company Limited registered in Damman, Kingdom of Saudi Arabia and the business of Scarlet NV, a telecommunication service provider in the Netherlands, in the context of its liquidation. Both were classified "as held for sale" in 2013. In 2014 the Group sold also 100% of its share in Group Telindus France to Vivendi and the business of Telindus Limited, a UK subsidiary of Telindus, to Telent Technology Services.

Finally the Group contributed its mobile remittance activity into a new company, "HomeSend", incorporated together with two other parties. Subsequently, the Group sold part of the obtained shares, lost control and retained a financial stake of 10%.The remeasurement of the retained interest at fair value resulted in the recognition of a non-recurring income of EUR 6 million.

The net assets disposed in respect of the abovementioned subsidiaris during the year 2014 are summarised as follows:

(EUR million)	Note	Disposals of 2014
Non-current assets disposed of		71
Current assets disposed of, excluding cash and cash equivalents		110
Cash and cash equivalents disposed of		9
Non-current liabilities disposed of		-4
Current liabilities disposed of		-105
Net liabilities of the businesses classified as held for sale, YE 2013		-2
Net assets disposed of		**80**
Liabilities recognized		**-3**
Consideration, net of transaction costs		**110**
Gain / (loss) on disposal		**27**
Including non-recurring income	24	62
Including non-recurring expense	28	-35
The net cash inflow on disposal is a follows:		
Cash received		105
Cash and cash equivalents disposed of with the subsidiaries		-9
Net cash inflow		**95**

Note 7.
Other participating interests

The net carrying amount of other participating interests evolved on the following way:

	As of 31 December	
(EUR million)	**2013**	**2014**
Net carrying amount as of 1 january	**7**	**6**
Additions	1	6
Participation interest absorbed or liquidated	-6	0
Reversal of impairment loss due to absorbtion or liquidation	5	0
Impairment loss	-1	-4
Total	**6**	**8**

At 31 December 2013 and 2014, the other participating interests included almost exclusively shares in equity of non-consolidated and non-quoted entities for which no fair value can be reliably determined.

The fair values of these participations cannot be reliably estimated as concerning start-up companies to which commonly used valuation techniques cannot be applied. The valuation technique commonly used within Belgacom Group to assess the fair value of a participating interest in an entity is its share in the present value of the entity estimated future free cash flows. However, in the case of start-up entities, the estimated future free cash flows cannot be reliably estimated as their business models are still too volatile. Furthermore, the use of other valuation techniques (such as recent arm's length market transaction, valuation of comparable entities...) is not possible seen the absence of such data.

In 2014 the Group recognized an impairment loss of EUR 4 million on other participating interests.

Note 8. Income taxes

Gross deferred income tax assets / (liabilities) relate to the following:

	As of 31 December	
(EUR million)	**2013**	**2014**
Deferred income tax liabilities		
Accelerated depreciation for tax purposes	-5	-7
Fair value adjustments on acquisition	-125	-109
Statutory provisions not retained under IFRS	-1	-2
Deferred taxation on sales of property, plant and equipment	-8	-8
Other	-10	-6
Gross deferred income tax liabilities	**-150**	**-133**
Deferred income tax assets		
Fair value adjustment on fixed assets	38	35
Remeasurement of financial instruments to fair value	3	0
Liability for post-employment and termination benefits	63	65
Tax losses carried forward	1	0
capital losses on investments in subsidiaries	1	1
Other	20	24
Gross deferred income tax assets	**127**	**125**
Net deferred income tax assets / (liabilities), when grouped per taxable entity, are as follows:		
Net deferred income tax liability	**-128**	**-110**
Net deferred income tax asset	**105**	**102**

The deferred income tax liabilities decreased in 2014 mainly as a result of the amortization of the assets recognized in 2010 in the purchase price allocation of BICS performed when the Group acquired control.
The deferred income tax assets decreased slightly in 2014. The increase as a consequence of the remeasurement of the liability for post-employment benefits was almost entirely offset by the decrease resulting from their payment.

Deferred tax assets have not been recognized in respect of the losses of subsidiaries that have been loss-making for several years. Cumulative tax losses carried forward and tax deductions available for such companies amounted to EUR 230 million at 31 December 2014 (EUR 283 million in 2013) of which EUR 226 million has no expiration date and EUR 4 million has an expiration date after 2017.
The share of Belgacom in the undistributed retained profit of subsidiaries amounts to EUR 4,344 million at 31 December 2014 (EUR 4,524 million in 2013) and is taxable at an effective tax rate of 1.7% upon profit distribution to the parent company.

No deferred tax liability is recorded for temporary differences associated with investments in subsidiaries except when the parent company controls the reversal of the temporary difference and it is probable that the difference will be reversed in a foreseeable future.

In income statement, deferred tax income / (expense) relate to the following:

	As of 31 December	
(EUR million)	**2013**	**2014**
Relating to deferred income tax liabilities Accelerated depreciation for tax purposes	2	-2
Fair value adjustments on acquisition	16	14
Statutory provisons not retained under IFRS	-1	-1
Deferred taxation on sales of property, plant and equipment	-3	1
Other	-3	4
Relating to deferred income tax assets Fair value adjustment on fixed assets	-5	-3
Remeasurement of financial instruments to fair value	-4	-3
Liability for post-employment and termination benefits	-21	-18
Tax losses carried forward	0	-1
Other	-4	5
Deferred tax expense of the year	**-23**	**-4**

The consolidated income statement includes the following tax expense:

	As of 31 December	
(EUR million)	**2013**	**2014**
Current income tax Current income tax expense	-159	-159
Adjustments in respect of current income tax of previous periods	12	8
Deferred income tax Expense resulting from changes in temporary differences	-22	-3
Expense resulting from use of tax losses carried forward and tax credits	0	-1
Income tax expense reported in consolidated income statement	**-170**	**-154**

The reconciliation of income tax expense applicable to income before taxes at the statutory income taxe rate to income tax expense at the group's effective income tax rate for each of the two years ended is as follows:

	As of 31 December	
(EUR million)	**2013**	**2014**
Income before taxes	**822**	**835**
At belgian statutory income tax rate of 33.99%	279	284
Lower income tax rates of other countries	-1	-3
Income tax consequences of disposal of subsidiaries and other participating interests	0	-7
Income tax consequences of capital losses on investments in subsidiaries	0	-4
Non-taxable income from subsidiaries	-133	-126
Non-deductible expenditures for income tax purposes	35	21
Other	-10	-11
Income tax expense	**170**	**154**
Effective income tax rate	**20.65%**	**18.42%**

The effective tax rate was 18.42% for 2014 and resulted from the application of the general principles of Belgian tax law.

The non-taxable income from subsidiaries mainly relates to the application of general principles of tax law such as the notional interest deduction applicable in Belgium.

Non-deductible expenditures for income tax purposes primarily relate to various expenses that are disallowed for tax purposes and unrecognized tax losses carried forward.

Note 9.

Assets and liabilities for pensions, other post-employment benefits and termination benefits

The Group has several plans that are summarized below:

	As of 31 December	
(EUR million)	2013	2014
Termination benefits and additional compensations in respect of restructuring programs	104	52
Defined benefit plans for complementary pension plans (net liability)	39	80
Post-employment benefits other than pensions	314	372
Other liabilities	15	0
Net liability recognized in the balance sheet	**473**	**504**

The calculation of the liability is based on the assumptions established at the balance sheet date. The assumptions for the various plans have been determined based on both macro-economic factors and the specific terms of each plan relating to the duration and the beneficiary population, in order to apply the most relevant measure of estimated outflow of resources.

The discount rate used for the valuation of pension plans, other post-employment benefit plans and termination benefits is based on the yield of Eurozone high quality corporate bonds with a duration matching the duration of such plans. Publicly available yield curves for such type of bonds are usually limited to 10 years horizon.

For longer durations, such as for the complementary pension plans and other post-employment benefits, although no yield curve is directly available, the depth of the market is sufficient to allow the determination of a discount rate for IAS 19 purposes. Belgacom estimates the appropriate discount rate on the basis of available market data.

Estimations provided by independent third parties are used for validation purpose. These third party estimations are mainly based on different methodologies and the retained discount rate remains in line with the results of these methodologies. The first methodology consists in building a synthetic yield curve on the basis of the existing high quality corporate bonds. The second methodology consists in combining the risk-free rate for the duration with a credit risk premium to reflect the spread of high quality corporate bonds versus the risk free rate.

Note 9.1. Termination benefits and additional compensations in respect of restructuring programs

Termination benefits and additional compensations included in this chapter relate to employee restructuring programs. No plan assets are accumulated for these benefits.

In 2005, the Group implemented a leave program and a career outphasing program (tutorship). Under the terms of the plan, the Group will pay benefits until the year 2015.

In 2007, the Group implemented a voluntary external mobility program to the Belgian State for its statutory employees and a program for unfit statutory employees. Under the terms of this plan, the Group will pay benefits until retirement date of the participant.

Any subsequent re-measurement of the liability for termination benefits and additional compensations is recognized immediately in the income statement.

The funded status of the plans for termination benefits and additional compensations is as follows:

	As of 31 December	
(EUR million)	**2013**	**2014**
Defined Benefit Obligation	104	52
Plan assets at fair value	0	0
Benefit obligation in excess of plan assets	104	52

The movement in the net liability recognized in the balance shee is as follows:

	As of 31 December	
(EUR million)	**2013**	**2014**
At the beginning of the year	179	104
Total expense for the period	2	-4
Actual employer contribution	-77	-48
At the end of the year	**104**	**52**

The liability for termination benefits and additional compensations was determined using the following assumptions:

	As of 31 December	
(EUR million)	**2013**	**2014**
Discount rate as from 2016	0.00%-1.00%	0.00%-0.50%
Future price inflation	2.00%	2.00% (1)

(1) Inflation 0% for 2015

Sensitivity analysis

An increase or decrease of 0.5% in the effective discount rate involves a fluctuation of the liability by approximately EUR 1 million. The Group expects to pay an amount of EUR 22 million for termination benefits and additional compensations in 2015. The payments in 2014 amounted to EUR 48 million.

Note 9.2. Defined contribution and benefit plans for complementary pensions

9.2.1 Defined contribution plans

The Group has some plans based on contributions for qualifying employees. For most of the plans which are operated abroad, the Group does not guarantee a minimum return on the contribution. All the defined contribution plans are not material for the Group.

9.2.2. Defined benefits plans

Belgacom SA and some of its Belgian subsidiaries have a joint complementary defined benefit pension plan for their employees. This plan provides pension benefits for services as of 1 January 1997. It provides a benefit based on salary and years of service. It is financed through the Belgacom Pension Fund, a legally separate entity created in 1998 for that purpose.

The financing method is intended to finance the current value of future pension obligations (defined benefit obligation – DBO) relating to the years of service already rendered in the company and taking into account future salary increase. The financing method is derived from calculations under IAS 19 standard before revision 2011. The annual contribution is equal to the sum of the service cost, the net financial cost (interest cost on DBO minus the expected return on assets) and the amortization of actuarial gains and losses exceeding 10% of the higher of the DBO or the assets.

At 31 December 2013 and in 2014, the assets of the Pension Fund exceed the minimum required by the pension regulator, being the technical provision. The technical provision represents the amount needed to guarantee the short-term and long-term equilibrium of the Pension Fund. It is constituted of the vested rights increased with an additional buffer amount in order to guarantee the long-term durability of the pension financing. The vested rights represent the current value of the accumulated benefits relating to years of service already rendered in the company and based on current salaries. They are calculated in accordance with the pension rules and applicable law regarding actuarial assumptions.

As for most of defined benefit plans, the pension cost can be impacted (positively or negatively) by parameters such as interest rates, future salary increase, inflation and return on assets. These risks are not unusual for defined benefit plans.

For the joint complementary defined benefit pension plan, actuarial valuations are carried out at 31 December by external independent actuaries. The present value and the current service cost and past service cost, are measured using the projected unit credit method.

Until 2013 employees of Telindus BV, a subsidiary established in the Netherlands, were entitled to a complementary defined benefit pension plan which has been settled. As from 2014 a defined contribution plan is in place. This plan is not material for the Group.

The funded status of the pension plan is a follows:

	As of 31 December	
(EUR million)	**2013**	**2014**
Defined Benefit Obligation	383	480
Plan assets at fair value	-344	-400
Deficit	**39**	**80**

The components recognized in the income statement and other comprehensive income are as follows:

(EUR million)	As of 31 December 2013	As of 31 December 2014
Current service cost - employer	35	34
Net interest	2	1
Past service cost recognized	-1	0
Recognized in the income statement	**35**	**34**
Remeasurements Actuarial gains and losses from changes in financial assumptions	-9	79
Actuarial gains losses arising from experience adjustments	-1	-10
(Return) on assets, excluding interest income	-9	-26
Recognized in other comprehensive income	**-19**	**42**
Total	**16**	**77**

The movement in the net liability recognized in the balance sheet is as follows:

(EUR million)	As of 31 December 2013	As of 31 December 2014
At the beginning of the year	61	39
Expense for the period recognized in the income statement	35	34
Remeasurement recognized in other comprehensive income	-19	42
Actual employer contribution	-38	-35
Net deficit	**39**	**80**

Change in plan assets:

(EUR million)	As of 31 December 2013	As of 31 December 2014
At the beginning of the year	292	344
Interest income	12	14
return on assets, excluding interest income	9	26
Actual emplyer contribution	38	35
Settlement	0	-12
Benefits payments and expenses	-6	-8
At the end of the year	**344**	**400**

Change in the defined benefit obligation:

	As of 31 December	
(EUR million)	**2013**	**2014**
At the beginning of the year	353	383
Service cost	35	34
Interest cost	14	15
Settlement	0	-12
Past service cost - vested benefits	-1	0
Benefits payment and expenses	-6	-8
Actuarial (gains) / losses	-11	68
At the end of the year	**383**	**480**

The pension liability was determined using the following assumptions:

	As of 31 December	
(EUR million)	**2013**	**2014**
Discount rate	4.00%	2.25%
Future price inflation	2.00%	(1) 2.00%
Nominal future salary increase	2.00%-4.50%	(2) 1.10%-4.50%
Nominal future baremic salary increase	30.00%-3.95%	(2) 100%-3.15%

(1) Inflation 0% for 2015
(2) 1,00% and 1,10% in 2015 no index

Sensitivity analysis

Significant actuarial assumptions for the determination of the defined benefit plans obligations are discount rate, inflation and real salary increase. The sensitivity analysis has been determined based on reasonably possible changes of the respective assumptions, while holding the other assumptions constant.

If the discount rate increases (or decreases) by 1%, the estimated impact on the defined benefit obligation would be a decrease (or increase) by around 16%.

If the inflation rate increases (or decreases) by 0.25%, the defined benefit obligation would increase (or decrease) by around 4%. If the real salary increase (decrease) amounts to 0.25%, the defined benefit obligation would increase (decrease) by around 7%.

The assets of the pension plans are detailed as follows:

	As of 31 December	
(EUR million)	**2013**	**2014**
Equity instruments	46.10%	48.80%
Debt instruments	36.50%	38.10%
Convertible bonds	9.60%	8.40%
Other (property, infrastructure, Private equity funds, insurance deposits)	7.80%	4.70%

The investment strategy of the Pension Fund is defined to optimize the return on investment within strict limits of risk control and taking into account the profile of the pension obligations. The relatively long duration of the pension obligations (16.4 years) allows to allocate a reasonable portion of its portfolio to equities. Over the last five years, the pension fund has significantly increased the diversification of its investment portfolio across asset classes, regions and currencies in order to reduce the overall risk and improve the expected return.

At the end of 2014 the portfolio was invested by about 49% in listed equities (in Europe, US and Emerging Markets), about 38% in fixed income (government bonds, corporate bonds, and senior loans) and about 8% in convertible bonds (World ex US), the remaining part being invested in European infrastructure, global private equity and European non-listed real estate. The actual implementation of the investments is outsourced to specialized asset managers.

Nearly all investments are done via mutual investment funds. Direct investments amount for less than 1% of the assets. Virtually all equity instruments, debt instruments and convertible bonds have quoted prices in active markets. The other assets, amounting for 4.7% of the portfolio are not quoted. The Pension Fund does not directly invest in Belgacom shares or bonds, but it is not excluded that some Belgacom shares or bonds are included in some of the mutual investment funds in which we invest.

The Pension Fund wants to promote the concept of corporate social responsibility among its asset managers. It has therefore drawn up a “Memorandum on Corporate Social Responsibility” defining its policy in this area, in order to encourage them to take these aspects into account in their management decisions.

The Group expects to contribute an amount of EUR 44 million to these pension plans in 2015.

Note 9.3. Post-employment benefits other than pensions

Historically, the Group grants to its retirees post-employment benefits other than pensions in the form of socio-cultural aid premium and other social benefits including hospitalization. There are no plan assets for such benefits.
The hospitalization plan is based on an indexed lump sum per beneficiary.

The funded status of the plans is as follows:

	As of 31 December	
(EUR million)	**2013**	**2014**
Defined Benefit Obligation	314	372
Plan assets at fair value	0	0
Net liability recognized in the balance sheet	**314**	**372**

The components recognized in the income statement and other comprehensive income are as follows:

	Year ended 31 December	
(EUR million)	**2013**	**2014**
Current service cost - employer	3	2
Interest cost	11	11
Recognized in the income statement	**14**	**12**
Remeasurements		
Actuarial gains and losses from changes in financial assumptions	0	61
Effect of experience adjustments	1	-1
Recognized in other comprehensive income	**1**	**61**
Total	**15**	**73**

The movement in the net liability recognized in the balance sheet is as follows :

	As of 31 December	
(EUR million)	**2013**	**2014**
At the beginning of the year	315	314
Expense for the period recognized in the income statement	14	12
Remeasurement recognized in other comprehensive income	1	61
Actual employer contribution	-15	-16
At the end of the year	**314**	**372**

The liability for post-employment benefits other than pensions was determined using the following assumptions

	As of 31 December	
	2013	2014
Discount rate	3.50%	2.00%
Future cost trend (index included)	2.00%	(1) 2.00%
Mortality	MR/FR -2	MR/FR -2

(1) Socio Cultural Aid as from 2016 index related

The liability for post-employment benefits other than pensions is determined based on the entity's best estimate of the financial and demographic assumptions which are reviewed on an annual basis.

The average duration of the obligation is 14,6 years.

Sensitivity analysis

Significant actuarial assumptions for the determination of the defined benefit plans obligations are discount rate, inflation, future cost trend and mortality. The sensitivity analysis has been performed based on reasonably possible changes of the respective assumptions, while holding the other assumptions constant.

If the discount rate increases (or decreases) by 1%, the defined benefit obligation would decrease (or increase) by around 15%.
If the future cost trend increase (or decreases) by 1%, the defined benefit obligation (excluding medical cost) would increase (or decrease) by around 14%.
If the future medical cost trend increases (or decreases) by 1%, the related defined benefit obligation would increase (or decrease) by around 14%.
If the mortality correction age (MR/FR -2) changes with 1 year (to MR/FR -3), the defined benefit obligation would increase by around 4%.
The Group expects to contribute an amount of EUR 15 million to these plans in 2014.

Note 9.4. Other liabilities

The Group had a legal obligation to pay child allowance benefits to a limited number of statutory retirees and to the beneficiaries of the employee restructuring programs. In 2014 the related obligation was transferred to the Belgian state bringing the payment of child allowance for civil servants in line with contractual employees. Following the transfer of this obligation Belgacom's social security contribution and taxes for civil servants are increased as of 2015. As a consequence, Belgacom settled the related liability in 2014 through the income statement (personnel expenses).

The Group sold in 2014 100% of its share in Group Telindus France (see Note 6) and as a consequence its related post-employment obligation.

The funded status is as follows:

	As of 31 December	
(EUR million)	**2013**	**2014**
Defined Benefit Obligation	15	0
Plan assets at fair value	0	0
Net liability recognized in the balance sheet	**15**	**0**

The liability was determined using the following assumptions :

	As of 31 December	
(EUR million)	**2013**	**2014**
Discount rate	2.30%-3.00%	-
Future price inflation	2.00%	-

The Group participates in a State Defined Benefit plan. The transfer of the statutory pension liability to the Belgian State in 2003 was coupled with an increased employer social security contribution for civil servants as from 2004 with some residual risk remaining. There is an annual compensation mechanism in place to offset certain future increases or decreases in the Belgian State's obligations as a result of actions taken by the Group. The latter did not generate material income statement impacts until 2014, when Belgacom was entitled to EUR 25 million (EUR 10 million with respect to 2013 statutory retirees and EUR 15 million with respect to 2014 statutory retires) . In the absence of sufficient information notably concerning the accumulated contributions and benefits payments, the plan is accounted for as a defined contribution plan. The compensation payments, calculated by the State, are recognized in accordance with a non IAS 19 method used by the State to determine those amounts. No contributions are expected to be made by the Group to the plan in 2015.

Note 10. Other non-current assets

		As of 31 December	
(EUR million)	Note	2013	2014
Other derivatives	33.1	35	29
Other financial assets			
Other assets		38	65
Total		**74**	**94**

Note 11. Inventories

	As of 31 December	
(EUR million)	2013	2014
Raw materials, consumables and spare parts	41	42
Work in progress and finished goods	27	16
Goods purchased for resale	96	59
Total	**163**	**117**

Inventory is reported net of allowances for obsolescence.

Note 12.
Trade receivables

Most trade receivables are non-interest bearing and are usually on 30-90 days terms. Terms are somehow longer for the receivables of the International Carrier Services segment, since major part of its trade receivables on other Telco operators are paid via netting agreements. The netting is also applied with some other telecom operator.

The analysis of trade receivables that were past due but not impaired is as follows:

As of 31 December (EUR million)	Gross receiva-bles	Allow-ance for doubtful debtors	Net car-rying amount	Neither past due nor impaired	Past due but not impaired					
					< 30 days	30-60 days	60-90 days	90-180 days	180-360 days	> 360 days
2012	1,491	-150	1,341	929	128	58	34	63	57	72
2013	1,428	-138	1,289	890	121	30	31	58	62	97
2014	1,317	-135	1,182	798	78	33	31	53	59	129

As of 31 December 2014 and 2013, respectively 68% and 69% of the net carrying amount of the trade receivables were neither past due nor impaired.

For the two years presented, no trade receivables were pledged as collaterals. In 2014, Belgacom Group received bank and parent guarantees of EUR 10 million (in 2013 EUR 9 million) as securities for the payment of outstanding invoices.

The evolution of the allowance for doubtful debtors is as follows:

(EUR million)	Note	2013	2014
As of 1 January		**-150**	**-138**
Decrease / (increase) posted in operating expenses	27	8	-1
Disposal of subsidiary		0	1
Variation due to subsidiary classi-fied as assets held for sale		1	0
Other movements		2	4
As of 31 December		**-138**	**-135**

Note 13.
Other current assets

(EUR million)	Note	As of 31 December 2013	2014
VAT receivables		40	10
Derivatives held-for-trading	33.1	1	11
Prepaid expenses		91	65
Other receivables		15	24
Total		**148**	**111**

Note 14.
Investments

(EUR million)	Note	As of 31 December 2013	2014
Deposits	33.4	5	4
Treasury certificates	33.4	38	0
Shares in Funds	33.4	16	4
Total		**60**	**8**

Investments include shares in funds and mutual funds, treasury certificates and deposits with an original maturity greater than three months but less than one year. The decrease in investments compared to 2013 resulted mainly from the liquidation of a Belgacom subsidiary.

Note 15.
Cash and cash equivalents

(EUR million)		As of 31 December 2012	2014
Fixed income securities	33.4	100	0
Short-term deposits	33.4	169	253
Cash at bank and in hand	33.4	86	449
Total		**355**	**702**

The Group invests part of its liquidities in treasury certificates held-to-maturity. Short-term deposits are made for periods varying between one month and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. Cash at bank earns interest at floating rates based on daily bank deposit rates.

Note 16.
Assets classified as held for sale

In December 2013, the Group entered into an agreement to dispose Sahara Network Company Limited registered in Damman, Kingdom of Saudi Arabia, which is engaged in telecommunication and information technology business.

Also in December 2013, an agreement was reached on the disposal of the business of Scarlet NV, a telecommunication service provider in the Netherlands, in the context of a liquidation of this company.

On 31 December 2013, the criteria to classify both entities as held for sale were met leading to the recognition of impairment losses for EUR 22 million (of which EUR 17 million through non-recurring expenses) as the proceeds for both transactions would be lower than the carrying amount of the related assets and associated liabilities.

Both transactions were completed in first half of 2014 on which date the control of the operations passed to the acquirers.

The major classes of assets and liabilities of the related businesses at the end of the reporting period are as follows:

	As of 31 December
(EUR million)	**2013**
Goodwill	1
Property, plant and equipment	2
Trade receivables	6
Other current receivables	2
Assets of the disposal groups	**11**
Non current liabilities	-2
Current liabilities	-11
Liabilities associated with the disposal group	**-13**
Net liabilities of the businesses classified as held for sale	**-2**

Note 17. Equity

Note 17.1 Shareholders' equity

At 31 December 2014, the share capital of Belgacom SA amounted to EUR 1 billion (fully paid up), represented by 338,025,135 shares, with no par value and all having the same rights, provided such rights are not suspended or cancelled in the case of treasury shares. The Board of Directors of Belgacom SA is entitled to increase the capital for a maximum amount of EUR 200 million.

The Company may acquire its own shares and transfer the shares thus acquired in accordance with the provisions of the Commercial Companies Code. The Board of Directors is empowered by article 13 of the Articles of Association to acquire the maximum number of own shares permitted by law. The price paid for these shares must not be more than five percent above the highest closing price in the thirty-day trading period preceding the transaction nor more than ten percent below the lowest closing price in that same thirty-day period. Said authorization is granted for a period of five years as of 16 April 2014.

Distribution of retained earnings of Belgacom SA, the parent company, is limited by a restricted reserve built up in prior years in accordance with Belgian Company Law up to 10% of Belgacom's issued capital.

Belgacom SA has a statutory obligation to distribute 5% of the parent company income before taxes to its employees. In the accompanying consolidated financial statements, this profit distribution is accounted for as personnel expenses.

On 31 December 2014, the number of treasury shares amounts to 16,794,538 of which 2,132,043 entitled to dividend rights and 14,662,495 without dividend rights. Dividends allocated to treasury shares entitled to dividend rights are accounted for under the caption "Reserves not available for distribution" in the statutory financial statements of Belgacom SA.

In 2013 and 2014, the Group sold respectively 219,935 and 1,321 treasury shares to its senior management for respectively EUR 3 million and less than one million under discounted share purchase plans at a discount of 16.70% (see note 36).

During the years 2013 and 2014, employees exercised respectively 662,581 and 2,025,095 share options. In order to honor its obligation in respect of these exercises, Belgacom used treasury shares (see note 36).

In 2013 and 2014, no share options were granted by the Group to its key management and senior management

Number of shares (including treasury shares):	2013	2014
As of 1 January	**338,025,135**	**338,025,135**
As of 31 December	**338,025,135**	**338,025,135**

Number of treasury shares:	2013	2014
As of 1 January	**19,703,470**	**18,820,954**
Sale under a discounted share purchase plan	-219,935	-1,321
Exercice of stock option	-662,581	-2,025,095
As of 31 December	**18,820,954**	**16,794,538**

Note 17.2
Non-controlling interests

Non-controlling interests include

- The 42.4% of the minority shareholders (Swisscom and MTN Dubai) into BICS as from 1 January 2010;
- The 35.30% stake of the minority shareholder Arcelor Mittal in the equity and net income of Telindus SA (established in Luxembourg) and subsidiaries (see note 6).

Note 18. Interest-bearing liabilities

Note 18.1 Non-current interest-bearing liabilities

		As of 31 December	
(EUR million)	**Note**	**2013**	**2014**
Unsubordinated debentures		1,919	2,363
Leasing and similar obligations		2	3
Other derivatives	33.1	28	20
Total		**1,950**	**2,386**

All long term debt is unsecured. During 2013 and 2014 there have been no defaults or breaches on loans payables.

Over the two years presented, interest rate swaps (IRS) and interest rate and currency swaps (IRCS) were used to manage the currency and interest rate exposure on the JPY unsubordinated debentures. The swaps enabled the Group to transform the interest rate on these debentures from a fixed interest rate to a floating interest rate or vice versa.

Unsubordinated debentures in EUR and in JPY are issued by Belgacom SA. The capital is repayable in full on the maturity date.

On March, 26th 2014 the Group issued a new ten-year unsubordinated bond for EUR 600 million under the Euro Medium Term Note program.

The foreign currency exposure on liabilities in JPY is fully hedged economically by interest rate and currency swaps converting these liabilities in JPY into liabilities in EUR (see note 33).

Non-current interest-bearing liabilities as of 31 December 2014 are summarised as follows:

	Carrying amount (EUR million)	Nominal amount (EUR million)	Measurement under IAS 39	Maturity date	Interest payment / repriceable (c)	Interest rate payable	Effective interest rate
Non-current interest-bearing liabilities							
Unsubordinated debentures							
Floating rate borrowings							
JPY (a)	82	73	Amortized cost	Dec-26	Semi-annually	0.00%	0.00%
Fixed rate borrowings							
EUR	748	750	Amortized cost	Nov-16	Annually	4.38%	4.50%
EUR	190	200	Amortized cost	Nov-16	Annually	4.38%	7.16%
EUR	498	500	Amortized cost	Feb-18	Annually	3.88%	4.05%
EUR	150	150	Amortized cost	Mar-28	Annually	3.19%	3.22%
EUR	100	100	Amortized cost	May-23	Annually	2.26%	2.29%
EUR	596	600	Amortized cost	Avp-24	Annually	2.38%	2.46%
	2,281	**2,300**					
Total unsubordinated debentures	**2,363**	**2,373**					
Leasing and similar obligations							
EUR	3	3	Amortized cost	2017	Quarterly	4.86%	4.86%
Total non-current financial liabilities (derivatives excluded)	**2,366**	**2,375**					
Derivatives							
Derivatives held-for-trading (b)	20		Fair value				
Total	**2,386**	**2,375**					

	Carrying amount (EUR million)	Nominal amount (EUR million)	Measure-ment under IAS 39	Maturity date	Interest payment / repriceable (c)	Interest rate payable	Effective interest rate
Current portion of interest-bearing-liabilities > 1 year							
Unsubordinated debentures							
Fixed rate borrowings							
JPY (a)	75	73	Amortized cost	Nov-15	Annually	6.18%	6.18%
JPY (a)	76	72	Amortized cost	Dec-15	Annually	6.21%	6.21%
	151	**145**					
Leasing and similar obligations							
Fixed rate borrowings							
EUR	2	2	Amortized cost	2017	Quarterly	4.86%	4.86%
Derivatives							
Derivatives held-for-trading	9						
Total	**162**	**147**					

(a) converted into a loan in EUR via currency interest rate swap
(b) economic hedges of JPY borrowings
(c) for floating rate borrowings, interest rate is the one prevailing at the last repricing date before 31 December 2014

Non-current interest-bearing liabilities as of 31 December 2013 are summarised as follows:

	Carrying amount (EUR million)	Nominal amount (EUR million)	Measure-ment under IAS 39	Maturity date	Interest payment / repriceable (c)	Interest rate payable	Effective interest rate
Non-current interest-bearing liabilities							
Unsubordinated debentures							
Floating rate borrowings							
JPY (a)	82	73	Amortized cost	Dec-26	Semi-annu-ally	0.20%	0.20%
Fixed rate borrowings							
EUR	748	750	Amortized cost	Nov-16	Annually	4.38%	4.50%
EUR	186	200	Amortized cost	Nov-16	Annually	4.38%	7.16%
EUR	497	500	Amortized cost	Feb-18	Annually	3.88%	4.05%
EUR	150	150	Amortized cost	Mar-28	Annually	3.19%	3.22%
EUR	100	100	Amortized cost	May-23	Annually	2.26%	2.29%
	1,680	**1,700**					
JPY (a)	77	73	Amortized cost	Nov-15	Annually	6.18%	6.18%
JPY (a)	80	72	Amortized cost	Dec-15	Annually	6.21%	6.21%
	157	**145**					
Total unsubordinated debentures	**1,919**	**1,917**					
Leasing and similar obligations							
EUR	2	2	Amortized cost	2017	Quarterly	4.88%	4.88%
Total non-current financial liabilities (derivatives excluded)	**1,921**	**1,919**					

	Carrying amount (EUR million)	Nominal amount (EUR million)	Measure-ment under IAS 39	Maturity date	Interest payment / repriceable (c)	Interest rate payable	Effective interest rate
Derivatives							
Derivatives held-for-trading (b)	28		Fair value				
Total	**1,950**	**1,919**					
Current portion of interest-bearing-liabilities > 1 year							
Leasing and similar obligations							
Fixed rate borrowings							
EUR	2	2	Amortized cost	2017	Quarterly	4.88%	4.88%
Total	**2**	**2**					

(a) converted into a loan in EUR via currency interest rate swap
(b) economic hedges of JPY borrowings
(c) for floating rate borrowings, interest rate is the one prevailing at the last repricing date before 31 December 2013

Note 18.2 Current interest-bearing liabilities

		As of 31 December	
(EUR million)		**2013**	**2014**
Current portion of amounts payable > 1 year			
Unsubordinated debentures		0	151
Leasing and similar obligations		2	2
Derivatives	33.1	0	9
Other financial debts			
Other loans		314	0
Total		**316**	**162**

Note 19. Provisions

(EUR million)	Workers' accidents	Litigation	Illness days	Other Obligations	Total
As of 1 January 2013	**38**	**77**	**34**	**54**	**203**
Additions	0	16	2	6	23
Utilisations	-3	-9	0	-7	-19
Withdrawals	0	-6	0	-1	-7
Unwinding and change in discount rate	2	0	1	2	4
As of 31 December 2013	**37**	**77**	**36**	**53**	**204**
Additions	2	16	-1	8	26
Utilisations	-3	-22	0	-8	-32
Withdrawals	0	-46	0	-4	-50
Unwinding	-1	0	1	7	7
As of 31 December 2014	**35**	**26**	**36**	**57**	**154**

The provision for workers' accidents relates to compensation that Belgacom SA could pay to members of personnel injured (including professional illness) when performing their job and on their way to work. Until 31 December 2002, according to the law of 1967 (public sector) on labor accidents, compensation was funded and paid directly by Belgacom. This provision (annuities part) is based on actuarial data including mortality tables, compensation ratios, interest rates and other factors defined by the law of 1967 and calculated with the support of a professional insurer. Taking into account the mortality table, it is expected that most of these costs will be paid out until 2062.

As from 1 January 2003, contractual employees are subject to the law of 1971 (private sector) and statutory employees remain subject to the law of 1967 (public sector). For both the contractual and statutory employees, Belgacom is covered as from 1 January 2003 by insurance policies for workers' accidents and therefore will not directly pay members of personnel.

The provision for litigation represents management's best estimate for probable losses due to pending litigation where the Group has been sued by a third party or is subject to a judicial or tax dispute. The expected timing of the related cash outflows depends on the progress and duration of the underlying judicial procedures.

The provision for illness days represents management's best estimate of probable charges related to the granting by Belgacom of accumulating non-vesting illness days to its statutory employees. The provision has been determined based on statistical data.

The provision for other obligations mainly include the expected costs for dismantling and restoration of mobile antenna sites and sites where payphones are installed, environmental risks and sundry risks. It is expected that most of these costs will be paid during the period 2014-2044. The provision for restoration costs is estimated at current prices and discounted using a discount rate that varies between 0% and 4%, depending the expected timing to settle the obligation.

Note 20. Other non-current payables

(EUR million)	Note	As of 31 December 2013	2014
Other derivatives	33.4	3	0
Other amounts trade payable		108	178
Total		**111**	**178**

Long term payables include licences, broadcasting and content rights payable (including football rights) over the contract duration that is more than one year;

Note 21. Other current payables

(EUR million)	Note	As of 31 December 2013	2014
VAT payables		55	8
Payables to employees		127	134
Accrual for holiday pay		96	85
Accrual for social security contri-butions		57	51
Advances received on contracts		27	9
Other taxes		112	102
Deferred income		201	135
Other derivatives	33.4	4	5
Accrued expenses		32	42
Other debts		19	20
Total		**731**	**591**

Deferred income mainly includes prepaid telecommunication and ICT services. The decrease mainly results from the disposal of Telindus UK business and GroupTelindus France and the move from bimonthly to monthly billing.

Note 22.
Net revenue

(EUR million)	Year ended 31 December 2013	2014
Sales of goods	643	583
Rendering of services	5,596	5,378
Total	**6,239**	**5,961**

Note 23.
Other operating income

(EUR million)	Year ended 31 December 2013	2014
Gain on disposal of intangible assets and property, plant and equipment	33	46
Other income	46	43
Total	**79**	**89**

The Group realized a gain on disposal of fixed assets of EUR 46 million. The cash received from disposals amounts to EUR 83 million.

Other income includes compensation for network damages as well as employee and third party contributions for sundry services.

Note 24.
Non-recurring income

Gains on the disposal of subsidiaries and joint-ventures are reported as non-recurring income when they individually exceed EUR 5 million. There was no non-recurring income in 2013. The non recurring gain of EUR 62 million in 2014 relates to the disposal of subsidiaries (see note 6.5)

Note 25.
Costs of materials and services related to revenue

(EUR million)	2013	2014
Purchases of materials	441	416
Purchases of services	2,120	2,004
Total	**2,561**	**2,420**

Purchases of materials are shown net of work performed by the enterprise that is capitalized for an amount of EUR 81 million in 2014 and EUR 83 million in 2013.

Note 26.
Personnel expenses and pensions

(EUR million)	Year ended 31 December 2013	2014
Salaries and wages	836	777
Social security expenses	216	197
Pension costs	34	34
Post-employment benefits other than pensions and termination benefits	8	-6
Other personnel expenses	48	39
Total	**1,142**	**1,041**

The personnel expenses include the positive impact from the settlement of the liability for child allowance (see note 9.4) and payment from the Belgian State related to the retired statutory employees (note 9.4) and the negative impact from the re-measurement of the liability component of the past long term incentive plans as a result of the recent Belgacom share-price evolution.

Salaries and wages and social security expenses are shown net of work performed by the enterprise that is capitalized for an amount of EUR 100 million in 2014 and EUR 89 million in 2013.

Note 27.
Other operating expenses

(EUR million)	Year ended 31 December 2013	2014
Rent expense	115	117
Maintenance and utilities	198	197
Advertising and public relations	77	91
Consultancy	159	147
Administration and training	65	68
Telecommunications, postage costs and office equipment	44	44
Outsourcing	147	135
Allowances for trade debtors	-8	1
Loss on realization of trade debtors	35	29
Impairment on intangible assets and property,	1	0
Taxes other than income taxes	34	19
Other operating charges (1)	34	21
Total	**903**	**869**

(1) Including unrealized and realized net exchange losses amounting to EUR 1 million in 2014 and none in 2013

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. Belgacom considers the legality 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 fiscal year 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 amongst new decrees for fiscal year 2015, the implementation measures and the assessment notice for the fiscal year 2014 amounting to EUR 13.2 Mio, Belgacom reviewed its position and recorded a liability per 31 December 2014. Belgacom intends to further safeguard its legal rights and will not pay the tax as long as legal procedures are pending.

The remaining variance in 'taxes other than income taxes ' is mainly the consequence of the change in position resulting from a positive evolution in case law.

The operating expenses are shown net of work performed by the enterprise that is capitalized for an amount of EUR 196 million in 2014 and EUR 174 million in 2013.

Note 28. Non-recurring expenses

(EUR million)	Year ended 31 December 2013	2014
Loss on disposal of subsidiaries	0	35
Impairment loss on disposal group classified as held for sale	17	0
Termination benefits and restructuring	-2	-7
Settlements of Post employment benefits	-1	0
Total	**14**	**27**

Losses on the disposal of subsidiaries and joint-ventures that individually exceed EUR 5 million, costs of restructuring programs, and the effect of settlements of post-employment benefit plans with impacts for the beneficiaries are recognized as non-recurring expenses. In 2013 and 2014 the Group reviewed the estimation of the liability for termination benefits and restructuring plans resulting in a negative non-recurring expense of respectively EUR -7 million in 2014 and EUR -2 million in 2013. (see note 9.1)

In 2013 the group recognized an impairment loss on reclassification of a disposal group as held for sale for EUR 17 million.

In 2014 the group recognized a loss on disposal of subsidiaries for EUR 34 million (see note 6.5).

Note 29. Depreciation and amortization

(EUR million)	Year ended 31 December 2013	2014
Amortization of licenses and other intangible assets	292	326
Depreciation of property, plant and equipment	490	495
Total	**782**	**821**

Note 30.
Net finance income / (costs)

(EUR million)	Year ended 31 December 2013	2014
Finance income		
Interest income on financial instruments		
• At amortized cost	2	1
• At fair value through income statement	0	1
Interest income on assets		
• On receivables	2	23
Gain on disposal of		
• Enterprises accounted for using the equity method	0	1
Fair value adjustments of financial instruments		
• Not in a hedge relationship	11	7
Other finance income	2	0
Finance costs		
Interests and debt charges on financial instruments		
• At amortized cost	-80	-86
• At fair value through income statement	-9	-9
• On long term payables	-1	-3
Discounting charges		
• On provisions	-4	-7
• On termination benefits	-14	-16
Impairment losses		
• On other participating interests	-1	-4
Fair value adjustments of financial instruments		
Other finance costs	-4	-3
Total	**-96**	**-96**

Note 31. Earnings per share

Basic earnings per share are calculated by dividing the net income for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share is calculated by dividing the net income for the year attributable to ordinary shareholders, by the weighted average number of ordinary shares outstanding during the year, both adjusted for the effects of dilutive potential ordinary shares.

The following table reflects the income and share data used in the computation of basic and diluted earnings per share.

	Year ended 31 December	
(in millions, except per share amounts)	**2013**	**2014**
Net income attributable to ordinary shareholders (EUR million)	630	654
Adjusted net income for calculating diluted earnings per share (EUR million)	630	654
Weighted average number of outstanding ordinary shares	318,759,360	320,119,106
Adjustment for share options	228,352	890,692
Weighted average number of outstanding ordinary shares for diluted earnings per share	318,987,711	321,009,798
Basic earnings per share (EUR)	1.98	2.04
Diluted earnings per share (EUR)	1.98	2.04

In 2014, the stock options granted from 2004 until 2012 were dilutive and hence included in the calculation of diluted earnings per shares.

Note 32.
Dividends paid and proposed

(in millions, except per share amounts)	2013	2014
Dividends on ordinary shares:		
• Proposed dividends (EUR million)	535	482
• Number of outstanding shares with dividend rights	319.204.181	321.230.597
• Dividend per share (EUR)	1,68	1,50
• Interim dividend paid to the shareholders (EUR million)	160	161
Interim dividend per share (EUR)	0,50	0,50

The proposed dividends for 2013 have been effectively paid in April 2014.

The interim dividends for 2014 have been paid in December 2014.

An amount of EUR 20 million was paid in 2014 at the time of exercise of stock options and corresponds to the accumulated dividends attached to the SOP since their granting.

Note 33. Additional disclosures on financial instruments

Note 33.1. Derivatives

The Group makes use of derivatives such as interest rate swaps (IRS), interest rate and currency swaps (IRCS), forward foreign exchange contracts and currency options.

(EUR million)	Note	2013	2014
Non-current assets			
Derivatives held for trading	10	35	29
Current assets			
Interest-bearing			
• Derivatives held for trading		0	7
Non-interest-bearing			
• Derivatives held-for-hedging		0	1
• Derivatives held for trading	13	1	2
Total assets		37	40
Non-current liabilities			
Interest-bearing			
• Derivatives held for trading	18	28	20
Non-interest-bearing			
• Derivatives held-for-hedging	33.4	3	0
Current liabilities			
Interest-bearing			
• Derivatives held for trading		0	9
Non-interest-bearing			
• Derivatives held-for-hedging		2	0
• Derivatives held for trading	33.4	2	5
Total liabilities		**35**	**35**

The tables below show the positive and negative fair value of derivatives, included in the balance sheet respectively as current/non-current assets or liabilities.

As of 31 December 2014	Fair value	
(EUR million)	**Asset**	**Liability**
Forward foreign exchange contracts	1	0
Derivatives qualifying for hedge accounting	**1**	**0**
Commodity swap	0	-4
Interest rate swaps	0	-8
Interest rate and currency swaps	29	-1
Interests and currency related - other derivates	7	-20
Forward foreign exchange contracts	2	-1
Derivatives not qualifying for hedge accounting	**39**	**-35**
Total	**40**	**-35**

(1) The sign "+" refers to notional amounts to be cashed in and the sign "-" to notional amounts to be cashed out.

As of 31 December 2013	Fair value	
(EUR million)	**Asset**	**Liability**
Interest rate swaps	0	0
Commodity swap	1	-5
Derivatives qualifying as cash flow hedges	**1**	**-5**
Interest rate swaps	0	-15
Interest rate and currency swaps	27	0
Interests and currency related - other derivates	8	-13
Forward foreign exchange contracts	1	-2
Derivatives not qualifying as hedges	**36**	**-30**
Total	**37**	**-35**

(1) The sign "+" refers to notional amounts to be cashed in and the sign "-" to notional amounts to be cashed out.

Commodity swaps relate to highly probable forecasted purchases of diesel and electricity, meant for the Group's own use. The mark-to-market value of these swap positions was a liability of EUR 4 million at year end 2014. At 31 December 2014, the Group economically hedged commodity commitments amounted to EUR 28 million, most of which due before year end 2015. Hedge accounting for those derivatives was discontinued in December 2014 as not meeting IAS 39 requirements.

Interest rate swaps (IRS) and interest rate and currency swaps (IRCS) were used to manage the currency and interest rate exposure on the JPY unsubordinated debentures (see note 18).

Forward foreign exchange contracts concerned mainly the forward purchase of USD against EUR for forecasted business transactions, most of which settling before year end 2015. The mark-to-market value of those contracts is an asset of EUR 2 million. Part of these exchange contracts qualify as hedging instruments for which hedge accounting is applied.

Note 33.2 Financial risk management objectives and policies

The Group's main financial instruments comprise unsubordinated debentures, trade receivables and trade payables. The main risks arising from the Group's use of financial instruments are interest rate risk, foreign currency risk, liquidity risk and credit risk. The Group is also exposed to financial risks associated with forecasted transactions.

All financial activities are subject to the principle of risk minimization. To achieve this, all matters related to funding, foreign exchange, interest rate and counterparty risk management are handled by a centralized Group Treasury department. Simulations are performed using different market (including worst case) scenarios with a view to estimating the effects of varying market conditions. All financial transactions and financial risk positions are managed and monitored in a centralized treasury management system.

Group Treasury operations are conducted within a framework of policies and guidelines approved by the Executive Committee . Group Treasury is responsible for implementing these policies. According to the policies, derivatives are used to hedge interest rate and currency exposures. Derivatives are used exclusively as hedging instruments, i.e., not for trading or other speculative purposes. Derivatives used by the Group mainly include forward exchange contracts and interest rate swaps.

The Group's internal auditors regularly review the internal control environment at Group Treasury.

No material changes occurred during the period 2013-2014 in the nature of the exposure of the Group to financial risks nor in the Group's policies and processes for managing financial risk.

Interest rate risk

The Group's exposure to changing market interest rates primarily relates to its long-term financial obligations. Group Treasury manages exposure of the Group to changes in interest rates and the overall cost of financing by using a mix of fixed and variable rate debts, in accordance with the Group's financial risk management policies. The aim of such policies is to achieve an optimal balance between total cost of funding, risk minimization and avoidance of volatility in financial results, whilst taking into account market conditions and opportunities as well as overall business strategy.

Accordingly, the company entered into several interest rate swaps (IRS) and interest rate and currency swaps (IRCS) to transform the interest rate exposure on certain financial liabilities from a fixed interest rate to a floating interest rate mechanism or vice versa.

These IRS and IRCS derivatives are economic hedges and do not qualify for hedge accounting.

The tables below summarize the non-current interest-bearing liabilities (including their current portions, excluding leasing and similar obligations), the interest rate and currency swap agreements (IRCS), the interest rate swap agreements (IRS) and the net currency obligations of the Group at 31 December 2013 and 2014.

As of 31 December 2014

	Direct borrowing			IRCS agreements			IRS agreements			Net currency obligations		
	Notional amount	Weighted average interest rate (1)	Average time to maturity	Amount payable (receiv-able)	Weighted average interest rate (1)	Average time to maturity	Amount payable (receiv-able)	Weighted average interest rate (1)	Average time to maturity	Amount payable (receiv-able)	Weighted average interest rate (1)	Average time to maturity
	(EUR million)		(in years)	(EUR million)		(in years)	(EUR million)		(in years)	(EUR million)		(in years)
EUR												
• Fixed	2,300	3.01%	5				144	6.20%	1	2,444	3.04%	5
• Variable				217	0.06%	5	-144	-0,18%	1	73	0.04%	12
JPY												
• Fixed	217	4.99%	5	-217	-4.99%	5				0		
Total	**2,517**	**3.15%**	**5**	**0**			**0**			**2,517**	**2.84%**	**5**

(1) Weighted average interest rate taking into account last repriced interest rates for floating borrowings.

As of 31 December 2013

	Direct borrowing			IRCS agreements			IRS agreements			Net currency obligations		
	Notional amount	Weighted average interest rate (1)	Average time to maturity	Amount payable (receiv-able)	Weighted average interest rate (1)	Average time to maturity	Amount payable (receiv-able)	Weighted average interest rate (1)	Average time to maturity	Amount payable (receiv-able)	Weighted average interest rate (1)	Average time to maturity
	(EUR million)		(in years)	(EUR million)		(in years)	(EUR million)		(in years)	(EUR million)		(in years)
EUR												
• Fixed	1,700	4.00%	5				144	6.20%	2	1,844	4.17%	4
• Variable				217	0.23%	6	-144	-0,35%	2	73	1.38%	13
JPY												
• Fixed	217	4.99%	6	-217	-4.99%	6				0		
Total	**1,917**	**4.11%**	**5**	**0**			**0**			**1,917**	**4.06%**	**5**

(1) Weighted average interest rate taking into account last repriced interest rates for floating borrowings.

The Group expects immaterial impacts for 2015 on the income statement resulting from interest payable on floating rate borrowings on the one hand and from re-measurement at fair value in income statement of some IRS derivatives that do not qualify as hedging instruments on the other hand.

Foreign currency risk

The Group's main currency exposures result from its operating activities. Such exposure arises from sales or purchases by operating units in currencies other than their respective functional currency. Transactions in currencies other than the functional currency mainly occur in the International Carrier Services ("ICS") segment whose international carrier activities generate payments to and receipts from other telecommunications operators in various foreign currencies, as well as in some affiliates of the Telindus subgroup running USD denominated operating activities and finally also, in relationship with international activities (roaming, capital and operating expenditure) of the Group.

Risks from foreign currencies are hedged to the extent that they are liable to influence the Group's cash flows. Foreign currency risks that do not influence the Group's cash flows (i.e., the risks resulting from the translation of assets and liabilities of foreign operations into the Group's reporting currency) as a rule are not hedged. However, the Group could envisage hedging such so-called translation differences should their potential impact become material to the Group's consolidated financial statements.

The typical financial instruments used to hedge foreign currency risk are forward foreign exchange contracts and currency options.

In 2013 and 2014, the Group only incurred currency exposures relative to its operating activities. Re-measurement to fair value of underlying open trade positions in foreign currencies as a rule is recorded via the income statement and reduced or offset by the accompanying re-measurement to fair value of derivatives used to hedge such underlying exposures. In a limited number of cases however, hedge accounting has been applied, whereby such re-measurement results are temporarily being recorded on the balance sheet, awaiting final occurrence and settlement of underlying, so-called "hedge effective", exposures, when the foreign exchange results ultimately are included in the income statement.

The Group performed a sensitivity analysis on the exchange rates EUR/USD, EUR/SDR[1] EUR/GBP, and EUR/CHF, four currency pairs to which it is typically exposed in its operating activities, for the years 2013 and 2014. For 2013 and 2014, there was no material impact on the Group's income statement. For 2015, in spite of a substantial increase of volatility in currency markets, the Group does not expect any material impact of currency fluctuations on its overall financial performance either, provided and as was the case before, timely and adequate hedging of such exposures can be performed as soon as they surface in the course of business.

Credit risk and significant concentrations of credit risk

Belgacom is exposed to credit risk from its operating activities and from its investing activities (financial investments done to manage cash of the Group). Credit risk encompasses all forms of counterparty exposure, i.e. where counterparties may default on their obligations to Belgacom in relation to lending, hedging, settlement and other financial activities.

The Group's maximum exposure to credit risk (not taking into account the value of any collateral or other security held) in the event the counterparties fail to perform their obligations in relation to each class of recognized financial assets, including derivatives with positive market value, is the carrying amount of those assets in the balance sheet and bank guarantees granted.

To reduce the credit risk in respect of financing activities and cash management of the Group, transactions as a rule are only entered into with leading financial institutions whose long term credit ratings equal at least A- (S&P).

1 SDR: Special Drawing Rights: basket of currencies, transactional money used in netting agreements between telecom operators

Credit risk on operating activities with significant clients is managed and controlled on an individualized basis. When needed, the Group requests additional collaterals. These significant customers are however not material to the Group, since the client portfolio of the Group is mainly composed of a large number of small customers. Hence, credit risk and concentration of credit risk on trade receivables is limited. For amounts receivable from other telecommunication companies, the concentration of credit risk is also limited due to netting agreements with accounts payable to these companies, prepayment obligations, bank guarantees, parent guarantees and the use of credit limits obtained via credit insurance.

The Group is exposed to credit loss in the event of non-performance by a counterparty on financial derivatives (see note 33.1). However, the Group does not anticipate non-performance by any of these counterparties, seeing it only deals with prime financial institutions. In addition, the Group is exposed to credit risk by occasionally granting financial guarantees. At 31 December 2014, it had granted bank guarantees for an amount of EUR 79.3 million (and EUR 46 million at 31 December 2013).

Liquidity risk

In accordance with the treasury policy, Group Treasury manages its overall cost of financing by using a mix of fixed and variable rate debts.

A liquidity reserve in the form of credit lines and cash is maintained to guarantee the solvency and financial flexibility of the Group at all times. For this purpose, Belgacom SA entered into bilateral credit agreements with different maturities and into two separate Syndicated Revolving Facilities. For medium to long-term funding, the Group uses bonds and medium term notes. The maturity profile of the debt portfolio is spread over several years. Group Treasury frequently assesses its funding resources taking into account its own credit rating and general market conditions.

The table below summarizes the maturity profile of the Group's unsubordinated debentures as disclosed on note 18 at each reporting date. This maturity profile is based on contractual undiscounted interests payments and capital reimbursements and takes into account the impact on cash flows of interest rate derivatives used to convert fixed interest rate liabilities into floating interest rate liabilities and vice versa. For floating rate liabilities, interest rates used to determine cash outflows are the ones prevailing at their last price fixing date before reporting date (as of 31 December 2013 and 2014, respectively).

(EUR million)	2014	2015	2016	2017	2018	2018-2027
As of 31 December 2013						
Capital	0	145	950	0	500	323
Interests	79	79	72	30	30	88
Total	**79**	**223**	**1,022**	**30**	**530**	**411**
As of 31 December 2014						
Capital		145	950	0	500	923
Interests		93	86	44	44	149
Total		**238**	**1,036**	**44**	**544**	**1,071**

Bank credit facilities at 31 December 2014

In addition to the interest-bearing liabilities disclosed in notes 18.1 and 18.2, the Group is backed by long term credit facilities of EUR 650 million and short term credit facilities of EUR 160 million. These facilities are provided by a diversified group of banks. As at 31 December 2014, there were no outstanding balances under any of these facilities. A total of some EUR 810 million of credit lines was therefore available for drawdown as at 31 December 2014.

The Group has also established a EUR 2.5 billion Euro Medium Term Note ("EMTN") Program and a EUR 1 billion Commercial Paper ("CP") Program. As at 31 December 2014, there was an outstanding balance under the EMTN Program of EUR 2,300 million, whereas no amounts were outstanding under the CP Program.

Note 33.3 Net financial position of the Group and capital management

The Group defines the net financial position as the net amount of investments, cash and cash equivalents minus any interest-bearing liabilities and related derivatives (including re-measurement to fair value). The net financial position does not include non current trade payables.

(EUR million)	Note	2013	2014
Assets			
Current investments (1)	14	60	8
Cash and cash equivalents (1)	15	355	702
Non-current derivatives	10	35	29
Current derivatives		0	9
Liabilities			
Non-current interest-bearing liabilities (1)	18	-1,950	-2,386
Current interest-bearing liabilities (1)	18	-316	-162
Net financial position		**-1,815**	**-1,800**

(1) after remeasurement to fair value, if applicable.

Non-current interest-bearing liabilities include non-current derivatives at fair value amounting to EUR 28 million in 2013 and EUR 20 million in 2014 (see note 18.1).

The purpose of the Group's capital management is to maintain net financial debt and equity ratios that allow for security of liquidity at all times via flexible access to capital markets, in order to be able to finance strategic projects and to offer an attractive remuneration to shareholders. The latter was updated by the Belgacom Board of Directors of 25 February 2010 and Belgacom now commits to return, in principle, most of its annual cash flow before financing activities (or "Free Cash Flow"), to its shareholders. The return of free cash flow either through dividends or share buybacks will be reviewed on an annual basis, in order to keep strategic financial flexibility for future growth, organically or via selective merger and acquisition projects, with a clear focus on value creation. This also includes confirming appropriate levels of distributable reserves. Furthermore, as approved by the Belgacom Board of Directors on 27 February 2014, Belgacom's Board of Directors intends to pay out a stable dividend of EUR 1.50 per share (interim dividend of EUR 0.50 and ordinary dividend of EUR 1.00) for the next 3 years to come (2014, 2015 & 2016), provided Belgacom's financial performance is in line with its expectations.

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

Note 33.4 Categories of financial instruments

The Group has interest rate and currency swaps (IRCS) to manage the exposure to interest rate risk and to foreign currency risk on its non-current interest bearing liabilities (see note 33.2).

The following tables present the Group's financial instruments per category defined under IAS 39, as well as gains and losses resulting from re-measurement to fair value. Based on market conditions at 31 December 2014, the fair value of the unsubordinated debentures, which are accounted for at amortized cost exceeds by EUR 251 million, or 10%, their carrying amount.

The Group does not intend to reimburse these loans before their maturity.

The fair values, calculated for each debenture separately, were obtained by discounting the cumulated cash outflows generated by each debenture with the interest rates at which the Group could borrow at 31 December 2014 for similar debentures with the same remaining maturities.

As of 31 December 2014

(EUR million)				Amounts recognized in balance sheet according to IAS 39			
	Note	Category according to IAS 39 (1)	Carrying amount	Amortized cost	Acquisition cost net of impairment losses, if any	Fair value adjustment recognized in equity	Fair value adjustment recognized in income statement
ASSETS							
Non-current assets							
Other participating interests	7	AFS	8		7	0	
Other non-current assets							
Other derivatives	33.1	FVTPL	29				29
Other financial assets	10	LaR	61	61			
Current assets							
Trade receivables	12	LaR	1,194	1,194			
Other current assets							
• VAT and other receivables	13	N/A	34	34			
• Derivatives held for trading - bearing - int.	33.1	FVTPL	7				7
• Derivatives held-for-hedging	32.1	HeAc	1			1	
• Other derivatives	32.1	FVTPL	2				2
Investments	14	AFS	4		4	0	
Investments	14	HTM	4	4			
Cash and cash equivalents							
• Short-term deposits	15	LaR	702	702			

As of 31 December 2014

(EUR million)	Note	Category according to IAS 39 (1)	Carrying amount	Amounts recognized in balance sheet according to IAS 39			
				Amortized cost	Acquisition cost net of impairment losses, if any	Fair value adjustment recognized in equity	Fair value adjustment recognized in income statement
LIABILITIES							
Non-current liabilities							
Interest-bearing liabilities							
• Unsubordinated debentures not in • a hedge relationship	18	OFL	2,363	2,363			
• Leasing and similar obligations	18	OFL	3	3			
• Other derivatives	33.1	FVTPL	20				20
Non interest-bearing liabilities							
• Other non-current payables	20	OFL	178	178			
Current liabilities							
Interest-bearing liabilities, current portion							
• Unsubordinated debentures not in a hedge relationship	18	OFL	151	151			
• Leasing and similar obligations	18	OFL	2	2			
• Other derivatives	32.1	FVTPL	9				9
Trade payables		OFL	1,357	1,357			
Other current payables							
• Other derivatives	33.1	FVTPL	5				5
• V.A.T. and other amounts payable	21	N/A	318	318			

(1) The categories according to IAS 39 are the following :
AFS: Available-for-sale financial assets
HTM: Financial assets held-to-maturity
LaR: Loans and Receivables financial assets
FVTPL: Financial assets/liabilities at fair value through profit and loss
OFL: Other financial liabilities
Hedge activity
HeAc: Hedge accounting

As of 31 December 2013

(EUR million)	Note	Category according to IAS 39 (1)	Carrying amount	Amounts recognized in balance sheet according to IAS 39: Amortized cost	Acquisition cost net of impairment losses, if any	Fair value adjustment recognized in equity	Fair value adjustment recognized in income statement
ASSETS							
Non-current assets							
Other participating interests	7	AFS	6		6	0	
Other non-current assets							
• Other derivatives	33.1	FVTPL	35				35
• Other financial assets	10	LaR	38	38			
Current assets							
Trade receivables	12	LaR	1,289	1,289			
Other current assets							
• VAT and other receivables	13	N/A	55	55			
• Other derivatives	33.1	FVTPL	1				1
Investments	14	AFS	16		16	0	
Investments	14	HTM	44	44			
Cash and cash equivalents							
• Fixed income securities	14	HTM	100	100			
• Short-term deposits	14	LaR	255	255			
LIABILITIES							
Non-current liabilities							
Interest-bearing liabilities							
• Unsubordinated debentures not in a hedge relationship	18	OFL	1,919	1,919			
• Leasing and similar obligations	18	OFL	2	2			
• Other derivatives	33.1	FVTPL	28				28
Non interest-bearing liabilities							
• Derivatives held-for-hedging	33.1	HeAc	3			3	
• Other non-current payables	20	OFL	108	108			
Current liabilities							
Interest-bearing liabilities, current portion							
• Leasing and similar obligations	18	OFL	2	2			
Interest-bearing liabilities							
• Other loans	18	OFL	314	314			
Trade payables		OFL	1,320	1,320			

As of 31 December 2013

(EUR million)	Note	Category according to IAS 39 (1)	Carrying amount	Amounts recognized in balance sheet according to IAS 39			
				Amortized cost	Acquisition cost net of impairment losses, if any	Fair value adjustment recognized in equity	Fair value adjustment recognized in income statement
Other current payables							
• Derivatives held-for-hedging	33.1	HeAc	2			2	0
• Other derivatives	33.1	FVTPL	2				2
• V.A.T. and other amounts payable	21	N/A	376	376			

(1) The categories according to IAS 39 are the following :
AFS: Available-for-sale financial assets
HTM: Financial assets held-to-maturity
LaR: Loans and Receivables financial assets
FVTPL: Financial assets/liabilities at fair value through profit and loss
OFL: Other financial liabilities
Hedge activity
HeAc: Hedge accounting

Note 33.5 Assets and liabilities measured at fair value

The Group held as at 31 December 2014 financial instruments measured at fair value.

Those instruments are disclosed in the table below according to the valuation technique used. The hierarchy between the techniques reflects the significance of the inputs used in making the measurements:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable for the asset or liability, either directly or indirectly;
- Level 3: valuation techniques for which all inputs which have a significant effect on the recorded fair value are not based on observable market data.

The Group holds financial instruments classified in Level 1 or 2 only.

The valuation techniques for fair value measuring the Level 2 financial instruments are:

- Other derivatives in Level 2

  Other derivatives include mainly the interest rate swaps (IRS) and interest rate and currency swaps (IRCS) the Group entered into to reduce the interest rate and currency fluctuations on some of its long-term debentures. The fair values of these instruments are determined by discounting the expected contractual cash flows using interest rate curves in the corresponding currencies and currency exchange rates, all observable on active markets.

- Unsubordinated debentures

  The unsubordinated debentures not in a hedge relationship are recognized at amortized costs. Their fair values, calculated for each debenture separately, were obtained by discounting the interest rates at which the Group could borrow at 31 December 2014 for similar debentures with the same remaining maturities.

(EUR million)	Note	Category according to IAS 39 (1)	Balance at 31 December 2014	Fair values measurement at end of the reporting period using :		
				Level 1	Level 2	Level 3
ASSETS						
Non-current assets						
Other non-current assets						
• Other derivatives	33.1	FVTPL	29		29	
Current assets						
Interest-bearing liabilities						
• Derivatives held for trading	33.1	FVTPL	7		7	
Non interest-bearing liabilities						
• Derivatives held-for-hedging	33.1	HeAc	1	1		
• Derivatives held for trading	33.1	FVTPL	2	2		
Investments	14	AFS	4	4		
LIABILITIES						
Non-current liabilities						
Interest-bearing liabilities						
• Unsubordinated debentures not in a hedge relationship (2)	33.1	OFL	2,363		2,594	
• Other derivatives	33.1	FVTPL	20		20	
Current liabilities						
Interest-bearing liabilities						
• Unsubordinated debentures not in a hedge relationship	33.1	OFL	151		158	
• Other derivatives	33.1	FVTPL	9		9	
Non interest-bearing liabilities						
• Other derivatives	33.1	FVTPL	5	5		

(1) The categories according to IAS 39 are the following :

AFS: Available-for-sale financial assets

FVTPL: Financial assets/liabilities at fair value through profit and loss

(2) The debentures fair values are net of the attached embedded derivatives fair values, which are included in the non-current other derivatives.

(EUR million)	Note	Category according to IAS 39 (1)	Balance at 31 December 2013	Fair values measurement at end of the reporting period using :		
				Level 1	Level 2	Level 3
ASSETS						
Non-current assets						
Other non-current assets						
• Other derivatives	33.1	FVTPL	35		35	
Current assets						
Non interest-bearing liabilities						
• Other derivatives	33.1	FVTPL	1	1		
Investments	14	AFS	16	16		
LIABILITIES						
Non-current liabilities						
Interest-bearing liabilities						
• Unsubordinated debentures not in a hedge relationship (2)	33.1	OFL	1,919		2,093	
• Other derivatives	33.1	FVTPL	28		28	
Non interest-bearing liabilities						
• Derivatives held-for-hedging	33.1	HeAc	3	3		
Current liabilities						
Non interest-bearing liabilities						
• Derivatives held-for-hedging	33.1	HeAc	2	2		
• Other derivatives	33.1	FVTPL	2	2		

(1) The categories according to IAS 39 are the following :
AFS: Available-for-sale financial assets
FVTPL: Financial assets/liabilities at fair value through profit and loss
(2) The debentures fair values are net of the attached embedded derivatives fair values, which are included in the non-current other derivatives.

Note 34. Related party disclosures

Note 34.1. Consolidated companies

Subsidiaries, joint-ventures and associates are listed in note 6.

Commercial terms and market prices apply for the supply of goods and services between Group companies.

The transactions between Belgacom SA and its subsidiaries, being related parties, are eliminated for the preparation of the consolidated financial statements. The transactions between Belgacom SA and its subsidiairies are as follows:

Belgacom SA transactions with its subsidiairies	Year ended 31 December	
(EUR million)	2013	2014
Revenues	106	121
Costs of materials and services related to revenue	-101	-116
Net finance costs	-324	-289
Dividends received	51	45

Outstanding balances of Belgacom SA with subsidiaries	As of 31 December	
(EUR million)	2013	2014
Trade receivables	118	89
Trade payables	-46	-66
Interest bearing receivables/liabilities	-10,532	-10,085
Other receivables and liabilities	-47	11

Note 34.2. Relationship with shareholders and other State-controlled entreprises.

The Belgian State is the majority shareholder of the Group, with a stake of 53.51%. The Group holds treasury shares for 4.97%. The remaining 41.52% are traded on the First Market of Euronext Brussels.

Relationship with the Belgian State

The Group supplies telecommunication services to the Belgian State and State-related entities. State related enterprises are those that are either State-controlled or State-jointly-controlled or State-influenced. All such transactions are made within normal customer/supplier relationships on terms and conditions that are not more favorable than those available to other customers and suppliers. The services provided to State-related enterprises do not represent a significant component of the Group's net revenue, meaning less than 5%.

Note 34.3. Relationship with key management personnel

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, one year ago, the members of the Board of Directors gave a clear signal that they wanted to share the efforts asked from the management or from the employees: the Board of Directors decided to apply a reduction of 10% on its 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.

The total remuneration for the Directors amounted to EUR 975,250 for 2014 and to EUR 1,140,250 for 2013. The directors have not received any loan or advance from the Group.

The number of meetings of the Board of Directors and advising committees are detailed as follows:

	2013	2014
Board of Directors	8	8
Audit and Compliance Committee	8	6
Nomination and Remuneration Committee	6	7
Strategic and Business Development Committee	3	3

In its meeting of 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. Belgacom is also a Partner of Guberna, the Belgian Institute for Directors (affiliated with Ms. Lutgart Van den Berghe who is Executive Director of Guberna), for which it has paid a fee of 30,250 € in 2014.

For the year ended 31 December 2014, a total amount of EUR 9,657,442 (social security costs of EUR 2,013,204 and share-based payments included, as well as long term share-based payments and termination benefits) was paid or granted in aggregate to the members of the Executive Committee Chief Executive Officer included. In 2014, the members of the Executive Committee were Dominique Leroy, Bruno Chauvat (24 days), Michel Georgis, Dirk

Lybaert (11.5 months), Geert Standaert, Ray Stewart, Renaud Tilmans (7,5 months), Bart Van Den Meersche and Phillip Vandervoort (9 months).

For the year ended 31 December 2013, a total amount of EUR 9,762,050 (social security costs of EUR 2,039,278 and share-based payments included, as well as long term performance value based payments) was paid or granted in aggregate to the members of the Executive Committee Chief Executive Officer included. In 2013, the members of the Executive Committee were Didier Bellens (10.5 months), Bruno Chauvat, Michel Georgis, Dominique Leroy, Geert Standaert, Ray Stewart, and Bart Van Den Meersche.

These total amounts of key management compensation include the following components:

- Short-term employee benefits: annual salary (base and short-term variable) as well as other short-term employee benefits such as medical insurance, private use of management cars, meal vouchers, and including employer social security contributions paid on these benefits;

- Post-employment benefits: insurance premiums paid by the Group in the name of members of the Executive Commitee. The premiums cover mainly a post-retirement complementary pension plan;

- Share-based payments:

  - Cost of the discount of 16.66% compared to the market price in Discounted Share Purchase Plan;

  - Performance Value based payments (long term): gross amounts, granted under Performance Value, which create possible exercising rights as from May 2016 (granted in 2013) or May 2017 (granted in 2014), depending on the achievement of market conditions based on the company's Total Shareholder Return compared to a predefined group of other European telecom operators. Possible exercising will happen in cash, which implies that employer social contributions have been taken into account;

- Termination benefits: paid or accrued

	Year ended 31 December	
EUR	**2013**	**2014**
Short-term employee benefits	6,700,283	6,072,579
Post-employment benefits	928,392	874,627
Termination benefits	0	1,294,648
Share-based payments	2,133,375	1,415,588
Total	**9,762,050**	**9,657,442**

	Year ended 31 December	
	2013	**2014**
Shares (Discounted Share Purchase Plan)	219,935	0

Note 34.4. Regulations

The telecommunications sector is regulated through the legislation adopted in the Belgian parliament, through a series of Royal and Ministerial Decrees, and also through decisions of the Belgian Institute for Postal services and Telecommunications, commonly referred to as the “BIPT/IBPT”. The Belgian licensing regime provides for individual licenses for the provision of public fixed voice telephony services, public network infrastructure services and mobile telecommunications services.

The company is also governed by certain provisions and principles of Belgian public and administrative law whereby Belgacom has obligations such as the delivery of regulated services and public services.

Note 35. Rights, commitments and contingent liabilities

Operating lease commitments

The Group rents sites for its telecom infrastructure and leases buildings, technical and network equipment, as well as furniture and vehicles under operating leases with terms of one year or more. Rental expenses in respect of these operating leases amounted EUR 129 million in 2014 and EUR 124 million in 2013.

Future minimum rentals payable under the non-cancellable operating leases are as follows at 31 December 2014:

(EUR million)	Within one year	From 1 to 3 years	From 3 to 5 years	More than 5 years	Total
Buildings	23	34	17	3	77
Sites	21	39	37	69	165
Technical and network equipment	10	1	0	0	11
Vehicles	26	35	6	0	66
Total	**80**	**108**	**60**	**72**	**320**

Future minimum rentals payable under the non-cancellable operating leases are as follows at 31 December 2013:

(EUR million)	Within one year	From 1 to 3 years	From 3 to 5 years	More than 5 years	Total
Buildings	22	30	13	4	69
Sites	21	40	38	72	172
Technical and network equipment	10	1	1	0	12
Vehicles	29	35	9	0	73
Total	**83**	**106**	**62**	**76**	**326**

In the scope of its normal activities, the Group rents the equipment for its own use and needs. The Group is therefore not involved in significant sublease contracts with customers. The rent contracts do not include contingent rent payable or other special features or restrictions.

Claims and legal proceedings

From time to time, Belgacom has been subject to legal, regulatory and tax proceedings and claims arising in the ordinary course of its business. Belgacom is currently involved in various judicial and regulatory proceedings, including those for which a provision has been made and those described below for which no or limited provisions have been accrued, in the jurisdictions in which it operates concerning matters arising in connection with the conduct of its business. These include also proceedings before the Belgian Institute for Postal services and Telecommunications ("BIPT"), appeals against decisions taken by the BIPT, and proceedings with the Belgian tax administrations with respect to real estate withholding taxes and corporate income taxes.

1. After the launch on 1 June 2005 of the Happy Time tariff scheme by Belgacom, Tele2 filed a complaint with the Belgian Competition Authority i) alleging that said tariffs constitute an abuse of dominant position (27 June 2005) and ii) requesting interim measures, i.e. suspension of the Happy Time offer, pending the procedure (5 July 2005).

   On 1 September 2006, Tele2's request for interim measures was initially rejected by the President of the Competition Council. Following an appeal by Tele2, the Court of Appeal, on 18 December 2007, annulled the aforementioned decision, arguing amongst other lack of reasoning.

   However, Tele2 did not ask the President to adopt a new decision on its request for interim measures but (i) initiated on 18 April 2008 a damage claim before the Commercial Court based on an alleged abuse of dominance (the Happy Time plan) (claim for EUR 1 provisional and request for appointment of an expert to compute the precise damage) and (ii) requested the proceedings in front of the Competition Authority on the merits to be dealt with.

   It is to be noted that given different reorganizations within the KPN Group (who bought in the meantime Tele2), KPN Belgium became the claimant in the aforementioned case.

   On 29 November 2012, two decisions regarding Belgacom's Happy Time offer were adopted.

   - Through a decision on the merits of the case, the Competition Council concluded that there are no grounds for actions against Belgacom for its Happy Time offer. This ruling follows the complaint lodged in 2005 by Tele2 arguing that such tariff amounted to a price squeeze. After having performed four different margin squeeze tests for the period 2005-2008, the Competition Council decided not to follow the Statement of Objections of the College of Competition Prosecutors issued in September 2009 that concluded that Belgacom abused and was still abusing its dominant position. The Competition Council has now indicated that none of the tests that it performed has led to the conclusion that a margin squeeze existed or has existed. The Competition Authority therefore closed the case. On 4th February 2013, KPN lodged an appeal before the Court of Appeal.
   - In the damage claim case before the Commercial Court, based on an alleged abuse of dominance, the Commercial Court issued an interim ruling. It stated that it did not see evidence of an infringement but nevertheless appointed an expert to carry out further verifications on price squeeze and predatory pricing. In the meantime, this expert has refused the task entrusted to him by the Commercial Court so that a new expert should be appointed.

   Belgacom and Base Company (KPN Group) have agreed in 2014 to terminate all the litigations in connection with the Happy Time tariff scheme. Consequently, the 2 legal procedures have been withdrawn.

2. Between 12 and 14 October 2010, the Belgian Directorate General of Competition started a dawn raid in Belgacom's offices in Brussels. This investigation concerns allegations by Mobistar and KPN regarding the wholesale DSL services of which Belgacom would have engaged in obstruction practices. This measure is without prejudice to the final outcome of the full investigation. Following the inspection, the Directorate General of Competition is to examine all the relevant elements of the case. Eventually the College of Competition Prosecutors may propose a decision to be adopted by the Competition Council. During this procedure, Belgacom will be in a position to make its views heard. (This procedure may last several years.)

   During the investigation of October 2010, a large numbers of documents were seized (electronic data such as a full copy of mail boxes and archives and other files). Belgacom and the prosecutor of the Competition authority exchanged extensive views on the way to handle the seized data. Belgacom wanted to be sure that the lawyers "legal privilege" (LPP) and the confidentiality of in house counsel advices are guaranteed. Moreover, Belgacom sought to prevent the Competition authority from having access to (sensitive) data that were out of scope. Not being able to convince the prosecutor of its position, Belgacom started two proceedings, one before the Brussels Court of Appeal and one before the President of the Competition Council, in order to have the communication of LPP data and data out of scope to the investigation teams suspended. On 5 March 2013, the Court of Appeal issued a positive judgment in this appeal procedure by which it ruled that investigators had no authority to seize documents containing advices of company lawyers and documents that are out of scope and that these documents should be removed/destroyed. To be noted that this is a decision on the procedure in itself and not on the merit of the case. On 14 October 2013, the Competition authority launched a request for cassation against this decision. Belgacom has joined this cassation procedure.

   In March 2014, KPN has withdrawn its complaint; Mobistar remaining the sole complainant.

   Mobistar launched on 3 May 2013 a claim for damages against Belgacom before the commercial court of Brussels for allegedly wrongful and/or abusive termination by Belgacom of negotiations with Mobistar on the conclusion of a commercial agreement on DSL-based services. Belgacom contests Mobistar's claims entirely, particularly as Mobistar has publicly expressed at several occasions its interest for and its intention to obtain wholesale access from the cable operators. The claims are scheduled to be heard by the commercial court in June 2015.

3. In June 2003, KPN Group Belgium (operating under the brand name BASE) filed an action for damages against Belgacom (former Belgacom Mobile – operating under the brand name Proximus) before the Commercial Court of Brussels, with Mobistar joining this action with an own claim in March 2004. KPN and Mobistar claimed that Belgacom had abused its dominant position by applying inappropriately low prices for on-net calls (calls from Proximus to Proximus) with KPN also claiming that Belgacom had applied mobile termination rates (MTR) that were too high. Both operators claimed for compensation.

   On 29 May 2007, an interim decision of the Commercial Court of Brussels found Belgacom to be dominant between 1999 and 2004, rejected several claims and appointed two experts to examine questions related to the allegations concerning price squeeze and anti-competitive network effects, and to assess whether damage was caused, and -if so- to attempt evaluating the damage. On 2 October 2009, these experts filed a (first) preliminary report that concluded to the existence of the alleged competition law infringements and in particular, on the basis of an unprecedented and prospective method, that it could be considered that the alleged impact on Mobistar and KPN Group Belgium of the Proximus on-net tariffs during the years 1999-2004 amounted to EUR 1,182 million. On 10 December 2010, the two experts filed another (second) preliminary report.

Notwithstanding the detailed critical observations that had been submitted to the experts by Belgacom on all aspects of their first report, this second report basically reiterated the findings of the first report, but found the alleged impact amounted to EUR 1,840 million. According to Belgacom, this second report did not provide any demonstration of the alleged infringements of the competition rules. Belgacom also noted that the vast majority of its observations remained unanswered and that moreover Belgacom's own expert reports were largely disregarded. For this and a number of other reasons, Belgacom introduced on 21 January 2011 a motion with the Commercial Court in respect of the expert panel, requesting their recusal/ replacement. Following the dismissal by the Commercial Court on 17 March 2011 of Belgacom's motion, an appeal procedure was initiated by Belgacom. The Court of Appeal decided on 6 March 2012 that the experts indeed committed several errors, refrained systematically from replying appropriately to Belgacom's observations, thus affecting the rights of defence, and failed to respect several other principles governing judicial expert proceedings. The Court consequently decided that the experts had to be replaced and that the judicial expert proceedings should be restarted by new experts.

Upon a joint proposal by the parties, the Court of Appeal of Brussels appointed on 1 October 2012 such new experts. Both Mobistar and KPN Group Belgium continue to contest the replacement of the former court experts through actions with the Cour de cassation. These former court experts also started a procedure ("tierce opposition") against the judgment of 6 March 2012 replacing them. On 31 December 2012, the newly appointed court experts informed the Court of Appeal and the Commercial Court of their decision that, for various reasons, they would not pursue their assignment.

On 14 October 2013, the Cassation Court rejected the appeal of Mobistar and KPN Group Belgium. Following to this ruling, Mobistar and KPN Group Belgium relaunched the designation procedure, which led to a joint proposal of all the parties to designate two new experts. Meetings between the experts and parties took place in the second quarter of 2014 (including an initial exchange of documents as requested by the experts). After the communication of a first document established by the experts Mobistar and KPN Group Belgium have strongly criticized the work performed by the experts. The work of the experts is currently on hold awaiting the judgement of the Court of Appeal on Belgacom's appeal against the initial decision of 29 May 2007 (see next paragraph) and awaiting an intervention by the Commercial Court in respect of the incidents raised by Mobistar and Base Company (KPN Group Belgium).

In the meantime, Belgacom lodged an appeal against the initial decision of 29 May 2007 of the Commercial Court and this was followed by the filing of cross-appeals against the said judgment by both KPN and Mobistar. The Court will ultimately need to determine (i) whether anti-competitive practices have been committed and whether Belgacom's MTR failed to respect its regulatory obligations, (ii) whether Belgacom is liable for such practices, and (iii) whether damages are to be paid and -if so- the amount of these possible damages. Belgacom will continue to submit at the required stages of the proceedings its detailed observations and criticisms that will cover all aspects of the pending matter. Indeed, this matter does not only involve a debate on the possible damages that would have been caused, but first the existence of the alleged infringements is to be demonstrated. Belgacom continues to contest the claims of both KPN Group Belgium and Mobistar. In this procedure, the Court of Appeal has set hearing sessions in October and November 2014.

On 26 February 2015, the Court of Appeal of Brussels gave an interlocutory judgement in which it modified the decision of the first judge of 2007. The Court first confirmed that there was no reason for examining further the allegations related to the alleged absence of cost orientation of the termination rates that had already been rejected by the first judge. However, with respect to the alleged abuses of dominant position, the Court considered that there were sufficient indications to extend the court expert proceedings to all the alleged abuses as well as with respect to the reference period for Mobistar, an extension to 2005 .

In October 2009, seven parties (Telenet, KPN Group Belgium (former Base), KPN Belgium Business (Tele 2 Belgium), KPN BV (Sympac), BT, Verizon, Colt Telecom) filed an action against Belgacom Mobile (currently Belgacom and hereinafter indicated as Belgacom) before the Commercial Court of Brussels formulating allegations that are similar to those in the case mentioned above (including Proximus-to-Proximus tariffs constitute an abuse of Belgacom's alleged dominant position in the Belgian market), but for different periods depending on the claimant, in particular, in the 1999 up to now timeframe (claim for EUR 1 provisional and request for appointment of an expert to compute the precise damage). In November 2009 Mobistar filed another similar claim for the period 2004 and beyond. These cases have been postponed for an undefined period.

4. In the proceedings following a complaint by KPN Group Belgium in 2005 with the Belgian Competition Authority the latter confirmed on 26 May 2009 one of the five charges of abuse of dominant position put forward by the Prosecutor on 22 April 2008, i.e. engaging in 2004-2005 in a "price-squeeze" on the professional market. The Belgian Competition Authority considered that the rates for calls between Proximus customers ("on-net rates") were lower than the rates it charged competitors for routing a call from their own networks to that of Proximus (=termination rates), increased with a number of other costs deemed relevant. All other charges of the Prosecutor were rejected. The Competition Authority also imposed a fine of EUR 66.3 million on Belgacom (former Belgacom Mobile) for abuse of a dominant position during the years 2004 and 2005. Belgacom was obliged to pay the fine prior to 30 June 2009 and recognized this charge (net of existing provisions) as a non-recurring expense in the income statement of the second quarter 2009. Belgacom filed an appeal against the ruling of the Competition Authority with the Court of Appeal of Brussels, contesting a large number of elements of the ruling: amongst other the fact that the market impact was not examined. Also KPN Group Belgium and Mobistar filed an appeal against said ruling. The parties are exchanging briefs to organize the access to the file.

5. The Belgian tax authorities notified a foreign subsidiary of the Group in 2007 to be considered as a tax resident of Belgium rather than of Luxembourg and therefore to be subject to Belgian corporate income tax for the year 2004. In 2008, the Belgian tax authorities maintained their 2004 assessment and assessed the Belgian corporate income tax for the subsequent years 2005 and 2006 for a total amount of MEUR 69 excluding interest. The Court of Brussels decided in June 2014 in favor of Belgacom. The tax authorities filed an appeal against this decision.

Since 2003, Belgacom considers some enrolments of real estate tax on telecom equipment as undue and therefore recognizes an asset against the tax authorities in the 'current tax assets' caption for an amount of EUR 120 million at 31 December 2013 (with a related liability of EUR 28 million). Due to positive case law, Belgacom reviewed its position.

Capital expenditure commitments

At 31 December 2014, the Group has contracted commitments of EUR 93 million, mainly for the acquisition of intangible assets and technical and network equipment.

Other rights and commitments

At 31 December 2014, the Group has the following other rights and commitments:

- The Group received guarantees for EUR 10 million from its customers to guarantee the payment of its trade receivables and guarantees for EUR 10 million from its suppliers to ensure the completion of contracts or works ordered by the Group;
- The Group granted guarantees for an amount of EUR 81 million (including the bank guarantees mentioned in note 33.2) to its customers and other third parties to guarantee, among others, the completion of contracts and works ordered by its clients and the payment of rental expenses related to buildings and sites for antennas installation;
- Belgacom has a right, established by Belgian legislation with respect to Universal Services, to ask for a compensation for offering Social Tariffs as from July 1st, 2005. This right was contested by some operators and the European Commission brought Belgium before the European Court for this Belgian legislation. Begin October 2010, the European Court has passed judgement and in January 2011, the Constitutional Court has annulled certain provisions of the Belgian law. On 29 June 2012 a new law was voted to comply with the European legislation. On 29 December 2013 the Constitutional Court has confirmed the possibility of the retroactivity of the financing since 2005. However, the I.B.P.T. still has to decide if there is a net cost and an unfair burden per operator. In May 2014, the I.B.P.T. started with an external consultant to analyse the costs of the social subscribers of Belgacom in view of the assessment of the possibility of an unfair burden. A draft decision is expected early 2015.

Note 36. Share-based Payment

Discounted Share Purchase Plans

In 2013 and 2014, the Group launched Discounted Share Purchase Plans.

Under the 2013 and 2014 plans, Belgacom sold respectively 219,935 and 1,321 shares to the senior management of the Group at a discount of 16.66% compared to the market price (discounted price of respectively EUR 14.51 per share and EUR 19.91). The cost of the discount amounted to EUR 0.7 million in 2013 and EUR 0 million in 2014 and was recorded in the income statement as personnel expenses (see note 26).

Performance Value Plan

In 2013 and 2014, Belgacom launched different tranches of the "Performance Value Plan" for its senior management. Under this Long-Term Performance Value Plan, the granted awards are conditional upon a blocked period of 3 years after which the Performance Values vests. The possible exercising rights are dependent on the achievement of market conditions based on Belgacom's Total Shareholder Return compared to a group of peer companies.

After the vesting period rights can be exercised during four years. The settlement method in equity or cash is defined at grant date. In case of voluntary leave during the vesting period, all the non-vested rights and the vested rights not exercised are forfeited. In case of involuntary leave or retirement, except for serious cause, the rights continue to vest during the normal 3 year vesting period.

The group determines the fair value of the arrangement at inception date and the cost is linearly spread over the vesting period with corresponding increase in equity for equity settled and liability for cash settled shared based payments.

For cash settled share-based payment the liability is periodically re-measured.

The fair value as per 31 December 2014 amounts to EUR 10 and 7 million for the 2013 and 2014 tranches respectively. The annual charge for the tranches 2013 and 2014 amounts respectively to EUR 4 and 2 million.The calculation of simulated total shareholder return under the Monte Carlo model for the remaining time in the performance period for awards with market conditions included the following assumptions as of December 31, 2014:

	As of	
	31 December 2013	**31 December 2014**
Weighted average risk free of return	0.18%	0.23%
Expected volatility - company	19.54%	19.99%
Expected volatility - peer companies	17% - 69%	17% - 69%
Weighted average remaining measurement period	1.5	2.5

Employee Stock Option Plans

In 2012, Belgacom launched a last yearly tranche of the Employee Stock Option Plan to the key management and senior management of the Group. The Plan rules were adapted early 2011 according to the Belgian legislation. Therefore as from 2011, the Group launched two different series: one for the Executive Committee, Chief Executive Officer included and one for the other key management and senior management.

As prescribed by IFRS 2 (“Share-based Payments”), the Group recognizes the fair value of the equity portion of the share options at inception date over their vesting period in accordance with the graded vesting method and periodic re-measurement of the liability component. Black&Scholes is used as option pricing model. The annual charge of the graded vesting including the liability component re-measurement is recognized as personnel expenses and amounts to EUR 4.5 million in 2013 and EUR 17.5 million in 2014.

The tranches granted in 2004, 2005, 2006, 2007, 2008, 2009, 2010, 2011 and 2012 are still open. All the tranches except the 2004 tranche provide the beneficiaries with a right to the dividends declared after granting the options. The dividend liability amounted to EUR 11 million on 31 December 2013 and EUR 11 million on 31 December 2014 and is included under the caption “Other current payables’. The right to dividends granted to the beneficiaries of the tranches 2005-2012 is not limited in time and corresponds to the contractual life of the tranches.

In 2009, the Group gave the opportunity to its option holders to voluntary extend the exercise period of all the former tranches (except the 2009 tranche) with 5 years, within the guidelines as established by the law.

For all the tranches except the 2004 tranche and the Executive Committee series of 2011 and 2012 tranches (as described below),

- in case of voluntary leave of the employee, all unvested options forfeit except during the first year, for which the first third of the options vests immediately and must be exercised prior to the second anniversary following the termination date of the contract, as for all vested options;
- in case of involuntary leave of the employee, except for serious cause, all unvested options vest immediately and must be exercised prior to the second anniversary following the termination date of the contract or prior to the expiration date of the options whichever comes first , as for all vested options;
- in case of involuntary leave of the employee for serious cause, all options forfeit immediately.

For the Executive Committee serie of the 2011 and 2012 tranches:

- in case of voluntary leave of the Executive Committee member during a period of three year following the grant 50% of the options immediately forfeit. If the voluntary leave takes place after that date, the options continue to vest according to the plan rules and regular vesting calendar. The exercise may only take place at the earliest on the first business day following the 3rd anniversary of the offer date. The exercise should take place prior to the 5th anniversary following the termination of the contract or prior to the expiration date of the options, whichever comes first, otherwise the options become forfeited;
- in case of involuntary leave of the Executive Committee member, except for serous cause, the options will continue to vest according to the plan rules and regular vesting calendar. The exercise may only take place at the earliest on the first business day following the 3rd anniversary of the offer date. The exercise should take place prior to the 5th anniversary following the termination of the contract or the expiration date of the options, whichever comes first, otherwise the options become forfeited;
- in case of involuntary leave of the Executive Committee member for serious cause, all options forfeit immediately.

The evolution of the stock option plans is as follows

	Number of stock options								
	2004	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**
Outstanding at 31 December 2013	**17,359**	**41,318**	**44,012**	**291,681**	**514,984**	**253,207**	**877,415**	**883,180**	**703,292**
Exercisable at 31 December 2013	**17,359**	**41,318**	**44,012**	**291,681**	**514,984**	**253,207**	**877,415**	**449,984**	**192,802**
Movements during the year 2014									
• Forfeited	0	0	0	-3,601	-1,849	-5,457	-22,208	-15,688	-13,164
• Exercised	-8,660	-30,946	-18,522	-185,812	-398,527	-211,747	-676,896	-345,681	-148,304
• Expired	0	0	0	-36,281	0	0	0	0	0
Total	-8,660	-30,946	-18,522	-225,694	-400,376	-217,204	-699,104	-361,369	-161,468
Outstanding at 31 December 2014	**8,699**	**10,372**	**25,490**	**65,987**	**114,608**	**36,003**	**178,311**	**521,811**	**541,824**
Exercisable at 31 December 2014	**8,699**	**10,372**	**25,490**	**65,987**	**114,608**	**36,003**	**178,311**	**521,811**	**296,468**
Exercise price	**24.50**	**29.92**	**25.94**	**32.71**	**29.14**	**22.71**	**26.44**	**25.02**	**22.28**

The volatility used for the remeasurement of the liability component has been estimated to 24%.

Note 37. Relationship with the auditors

The Group expensed for the Group's auditors during the year 2014 an amount of EUR 1,185,334 for the annual audit mandate fees and EUR 489,966 for non-mandate fees.

This last amount is detailed as follows:

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

Note 38. Segment reporting

The Board of Directors, the Chief Executive Officer and the Executive Committee assesses the performance and allocates resources of Belgacom Group based on the client-oriented organization structured around the five following reportable operating segments:

- **The Consumer Business Unit (CBU)** sells voice products and services, internet and television, both on fixed and mobile networks, to residential clients, mainly on the Belgian market;
- **The Enterprise Business Unit (EBU)** sells ICT services and products to professional clients, whether they are independent workers, smaller firms or major companies. These ICT solutions, including telephone services, are marketed mainly under the Belgacom, Proximus and Telindus brands, on both the Belgian and international markets;
- **The Service Delivery Engine & Wholesale (SDE&W)** centralizes all the network and IT services and costs (excluding costs related to customer operations and to the service delivery of ICT solutions), provides services to CBU and EBU and sells these services to other telecom and cable operators;
- **International Carrier Services (ICS)** is responsible for international carrier activities;
- **Staff and Support (S&S)** brings together all the horizontal functions (human resources, finance, legal, strategy and corporate communication), internal services and real estate supporting the Group's activities.

No operating segments have been aggregated to form the above reportable operating segments.

Belgacom wholesale revenues invoiced to Scarlet (Cost of Belgacom wholesale revenues invoiced to Scarlet (Cost of Sales at Scarlet) is allocated to the CBU segment as from 1 January 2014. Until 2014 these Belgacom revenues were allocated in SDE&W while the equivalent Cost of Sales was allocated in the CBU segment (via Scarlet). By allocating Scarlet-related wholesale revenues and Cost of Sales in the same segment, the total Belgacom Group margin related to Scarlet activity is now allocated in the Consumer segment. In the 2014 reporting, the accounts of 2013 have been restated for comparable year-on-year variances, impacting only the segments SDE&W and the Consumer segment. Belgacom Group remains unchanged.

The Group monitored the operating results of its reportable operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance was evaluated on the following basis:

- The operating income before depreciation and amortization net of incidentals. The segment reporting below provides a reconciliation between underlying figures and those reported in the financial statements, the 2013 segment reporting is presented accordingly ; and
- The capital expenditures.

Group financing (including finance expenses and finance income) and income taxes were managed on a group basis and are not allocated to operating segments.

The accounting policies of the operating segments are the same as the significant accounting policies of the Group. Segment results are therefore measured on a similar basis as the operating result in the consolidated financial statements.

Intercompany transactions between legal entities of the Group are invoiced on an arm's length basis.

(EUR million)	Reported: Group	Incidentals	Adjusted for incidentals: Group	Consumer Business Unit	Enterprise Business Unit	Service Delivery Engine & Wholesale	Staff & Support	International Carrier Services	Inter-segment eliminations
			Year ended 31 December 2014						
Net revenue	5,961	-140	5,821	2,192	1,886	201	7	1,535	0
Other operating income	89	-47	43	20	7	4	11	2	0
Intersegment income	0	0	0	4	5	37	12	40	-98
Non-recurring income	62	-62	0	0	0	0	0	0	0
Total income	**6,112**	**-248**	**5,864**	**2.216**	**1,898**	**241**	**30**	**1.577**	**-98**
Costs of materials and services related to revenue	-2,420	90	-2,330	-595	-447	-35	1	-1,330	75
Personnel expenses and pensions	-1,041	28	-1,014	-334	-319	-168	-145	-47	0
Other operating expenses	-869	2	-867	-277	-128	-204	-214	-66	22
Non-recuring expenses	-27	27	0	0	0	0	0	0	0
Total operating expenses before depreciation & amortization	**- 4,358**	**147**	**-4,211**	**-1,206**	**-894**	**-407**	**-358**	**-1,442**	**98**
OPERATING INCOME / (LOSS) BEFORE DEPRECIATION & AMORTIZATION	**1,755**	**-102**	**1,653**	**1,009**	**1,004**	**-166**	**-328**	**135**	**-1**
Depreciation and amortization	**-821**		**-821**	-149	-26	-497	-70	-80	1
OPERATING INCOME / (LOSS)	**933**	**-102**	**832**	**860**	**978**	**-663**	**-398**	**55**	**0**
Finance expenses (net)	-96								
Share of gain / (loss) on associates	-2								
INCOME BEFORE TAXES	**835**								
Tax expense	-154								
NET INCOME	**682**								
Non-controlling interests	27								
Net income (Group share)	654								

(EUR million)	Consumer Business Unit	Enterprise Business Unit	Service Delivery Engine & Wholesale	Staff & Support	International Carrier Services	Inter-segment eliminations	Total
	Year ended 31 December 2014						
Capital expenditure	207	22	698	33	33	0	994

(EUR million)	Reported		Year ended 31 December 2013 Adjusted for incidentals						
	Group	Incidentals	Group	Consumer Business Unit	Enterprise Business Unit	Service Delivery Engine & Wholesale	Staff & Support	International Carrier Services	Inter-segment eliminations
Net revenue	6,239	-323	5,916	2,180	1,883	223	7	1,623	0
Other operating income	79	-36	43	20	6	5	11	1	0
Intersegment income	0	0	0	3	6	36	9	42	-96
Non-recurring income	0	0	0	0	0	0	0	0	0
Total income	**6,318**	**-359**	**5,960**	**2,204**	**1,894**	**265**	**26**	**1,666**	**-96**
Costs of materials and services related to revenue	-2,561	196	-2,364	-570	-420	-38	0	-1,412	76
Personnel expenses and pensions	-1,142	94	-1,048	-334	-338	-174	-157	-45	0
Other operating expenses	-903	50	-852	-282	-120	-200	-201	-69	20
Non-recuring expenses	-14	14	0	0	0	0	0	0	0
Total operating expenses before depreciation & amortization	**-4,619**	**354**	**-4,265**	**-1,186**	**-878**	**-412**	**-358**	**-1,526**	**96**
OPERATING INCOME / (LOSS) BEFORE DEPRECIATION & AMORTIZATION	**1,699**	**-4**	**1,695**	**1,018**	**1,017**	**-147**	**-332**	**140**	**-1**
Depreciation and amortization	**-782**		**-782**	-155	-14	-464	-69	-80	1
OPERATING INCOME / (LOSS)	**917**	**-4**	**913**	**863**	**1,002**	**-611**	**-401**	**60**	**0**
Finance expenses (net)	-96								
INCOME BEFORE TAXES	**822**								
Tax expense	-170								
NET INCOME	**652**								
Non-controlling interests	22								
Net income (Group share)	630								

(EUR million)	Year ended 31 December 2013						
	Consumer Business Unit	Enterprise Business Unit	Service Delivery Engine & Wholesale	Staff & Support	International Carrier Services	Inter-segment eliminations	Total
Capital expenditure	164	13	725	33	37	0	972

In respect of geographical areas, the Group realized EUR 4,011 million net revenue in Belgium in 2013 and EUR 3,963 million in 2014 based on the country of the customer. The net revenue realized in other countries amounted to EUR 2,227 million in 2013 and EUR 1,998 million in 2014. More than 90% of the segment assets are located in Belgium.

Note 39.
Recent IFRS pronouncements

The Group does not early adopt the standards or interpretations that are not yet effective at 31 December 2014.

This means that the Group did not apply the following standards or interpretations that are applicable for the Group as from 1 January 2015 or later:

- Annual Improvements to IFRS's (2010-2012 cycle),(2011-2013 cycle) and (2012-2014 cycle);
- Amendments to standards:
  - Amendment to IAS 1 ("Disclosure Initiative");
  - Amendments to IAS 27 ("Equity Method in Separate Financial Statements")
  - Amendment to IFRS 10 and IAS 28 ("Sale or Contribution of Assets between an Investor and its Associate or Joint Venture");
  - Amendment to IFRS 11 ("Accounting for Acquisitions of Interests in Joint Operations");
  - Amendment to IAS 19 ("Employee Benefits – Employee Contributions");
  - Amendment to IAS 16 / 38 (Clarification of acceptable methods of amortization and depreciation)
  - Amendment to IAS 16 /41 (Agriculture: bearer plant).
- Newly issued standards:
  - IFRS 9 ("Financial Instruments"),
  - IFRIC 21 ("Levies")
  - IFRS 15 (Revenue from contracts with customers)
  - IFRS 14 (Regulatory deferral accounts)

The Group will investigate the possible impacts of the application of these new standards and interpretations on the Group's financial statements in the course of 2015.

The Group does not anticipate material impacts from the initial application of those IFRS except potentially the initial application of IFRS 15. The IFRS 15 will influence mainly the allocation, the timing for the revenue recognition and the timing for the recognition of contract's related costs. The IFRIC 21 will mainly influence the timing for the recognition of the costs and liabilities.

Note 40. Post balance sheet events

In the litigation related to the on-net tariffs, after a first document shared by the experts appointed by the Court of Appeal on 23January 2014, Mobistar and KPN Group Belgium have strongly criticized the work performed by the experts. Consequently the work of the experts is on hold. In the appeal procedure (against the 2007 decision), the Court of Appeal of Brussels held hearing sessions in October and November 2014.

On 26 February 2015, the Court of Appeal gave an interlocutory judgment in which it modified the decision of the first judge of 2007. The Court first confirmed that there was no reason for examining further the allegations related to the alleged absence of cost orientation of the termination rates that had already been rejected by the first judge. However, with respect to the alleged abuses of dominant position, the Court considered that there were sufficient indications to extend the court expert proceedings to all the alleged abuses, as well as with respect to the reference period for Mobistar, an extension to 2005 (see note 35).

Auditor's report

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Belgacom NV van publiek recht / SA de droit public

**Statutory auditor's report
to the shareholders' meeting on the
consolidated financial statements
for the year ended 31 December 2014**

The original text of this report is in Dutch/French

Deloitte Bedrijfsrevisoren / Reviseurs d'Entreprises
Burgerlijke vennootschap onder de vorm van een coöperatieve vennootschap met beperkte aansprakelijkheid /
Société civile sous forme d'une société coopérative à responsabilité limitée
Registered Office: Berkenlaan 8b, B-1831 Diegem
VAT BE 0429 053 863 - RPR Brussel/RPM Bruxelles - IBAN BE 17 2300 0465 6121 - BIC GEBABEBB

Member of Deloitte Touche Tohmatsu Limited

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Belgacom NV van publiek recht / SA de droit public

Statutory auditor's report to the shareholders' meeting on the consolidated financial statements for the year ended 31 December 2014

To the shareholders

As required by law, we report to you in the context of our appointment as the company's statutory auditor. This report includes our report on the consolidated financial statements together with our report on other legal and regulatory requirements. These consolidated financial statements comprise the consolidated statement of balance sheet as at 31 December 2014, the consolidated income statement, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, as well as the summary of significant accounting policies and other explanatory notes.

Report on the consolidated financial statements – Unqualified opinion

We have audited the consolidated financial statements of Belgacom NV van publiek recht / SA de droit public ("the company") and its subsidiaries (jointly "the group"), prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium. The consolidated balance sheet shows total assets of 8.522 million EUR and the consolidated income statement shows a consolidated profit (group share) for the year then ended of 654 million EUR.

Board of directors' responsibility for the preparation of the consolidated financial statements

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

Statutory auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the statutory auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the statutory auditor considers internal control relevant to the group's preparation and fair presentation of consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the board of directors, as well as evaluating the overall presentation of the consolidated financial statements. We have obtained from the group's officials and the board of directors the explanations and information necessary for performing our audit.

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

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Deloitte.

Unqualified opinion

In our opinion, the consolidated financial statements of Belgacom NV van publiek recht / SA de droit public give a true and fair view of the group's net equity and financial position as of 31 December 2014, and of its results and its cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium.

Emphasis of matter

Without prejudice to the above unqualified opinion, we draw the attention to the disclosures 35 and 40 of the consolidated financial statements, where disclosure is given about the recent evolution of the litigation concerning the alleged abuse of dominant position filed by Mobistar and KPN against the company.

Report on other legal and regulatory requirements

The board of directors is responsible for the preparation and the content of the directors' report on the consolidated financial statements.

As part of our mandate and in accordance with the Belgian standard complementary to the International Standards on Auditing applicable in Belgium, our responsibility is to verify, in all material respects, compliance with certain legal and regulatory requirements. On this basis, we make the following additional statement, which does not modify the scope of our opinion on the consolidated financial statements:

- The directors' report on the consolidated financial statements includes the information required by law, is consistent with the consolidated financial statements and is free from material inconsistencies with the information that we became aware of during the performance of our mandate.

Diegem, 27 February 2015

The statutory auditor

DELOITTE Bedrijfsrevisoren / Reviseurs d'Entreprises
BV o.v.v.e. CVBA / SC s.f.d. SCRL
Represented by

Geert Verstraeten

Nico Houthaeve

belgacom

Nr. 0202.239.951

REPORT BY THE BOARD OF DIRECTORS TO THE ANNUAL GENERAL MEETING OF SHAREHOLDERS ON 15 APRIL 2015 ON THE ANNUAL ACCOUNTS OF BELGACOM S.A. UNDER PUBLIC LAW AS AT 31 DECEMBER 2014

Dear Shareholders,

We have the pleasure of reporting on the operations in the 2014 financial year and of submitting, for your approval, the annual accounts closed as of 31 December 2014.

1. THE DEVELOPMENT, THE RESULTS AND THE RISKS OF BELGACOM IN 2014

1.1. Comments on the annual accounts

Balance sheet

Considering that for licences and IT assets, the amortization for 2014 was entirely compensated by new investments, the decrease in the intangible assets can be entirely explained by the amortization of the goodwill which resulted from the 2010 merger by absorption. Given the long term nature of the expected profitability of the totality of the merged companies, this goodwill is amortized over 15 years.

The section "land and buildings" of the tangible fixed assets was impacted by the sale of the site in Haasrode. The net book value of the "plant, machinery and equipment" increased by almost € 200 million. The 2014 depreciation charge for all tangible fixed assets of € 442 million was largely exceeded by the 2014 investments. On the one hand, there are the investments made in the mobile network to maintain the mobile leadership in the Belgian market; on the other hand, there are the important investments made in the fixed network to roll-out vectoring in order to increase the broadband speed.

The financial fixed assets were mainly influenced by the capital increase in Tango S.A. by contribution in kind of shares of Belgacom Group International Services S.A., and the capital increase of Wireless Technologies S.A.. In addition, there was the impact of the further simplification of the group, including the liquidation of Belgacom Finance S.A. and Scarlet Netherland N.V., the silent merger of Belgacom Skynet S.A. and the sale of the affiliate Telindus France.

The high year-end sales of handsets resulted in a substantial decrease in the goods purchased for resale.

The evolutions of the trade receivables as well as the other receivables find their origin primarily in changed positions with affiliates and increased periodicity of billing.

Considering the increased stock price for the Belgacom share, the value of the own shares increased through the reversal of the majority of the write-off on own shares previously accounted for.

The cash and cash equivalent are approximately € 33 million higher end of December of 2014 compared to December 2013.

The equity increased by more than € 200 million. The reserves not available in respect of own shares held increased, reflecting the increase in the net book value of these related own shares as a result of the increased stock price.

The amounts paid out in 2014 for the social agreement 2005 in respect of the work organization (tutorship) decreased the provisions for liabilities and charges.

The refinancing of the long term loan maturing within 1 year of € 2 Billion resulted in the transfer between short term and long term loans.

The other amounts payable decreased as a result of the lower dividend, which becomes payable in April 2015.

Income statement

The increased competition from fixed-line and mobile operators in traditional telephony as well as new roaming tariffs negatively impacted the turnover. The turnover for digital television further increased, as is the case for the sale of smartphones and tablets. These elements made the total turnover to decrease by only 0.6% compared to 2013.

The operating charges were mainly influenced by the increase in cost for goods purchased for resale and the increase in content acquisition cost, as well the cost related to the 2014 Proximus rebranding project. The total operating charges increased by 2.5 % compared to 2013.

The increase in amortization and depreciation is the result of the higher level of capital expenditures during the last years and in 2014 in particular.

As a result, the operating profit decreased by 20 % to € 419.1 million in 2014.

The financial result was significantly impacted by the reversal of the write off on own shares triggered by the increased stock price at year-end.

The extraordinary income was significantly impacted by the gain on disposal of fixed assets, mainly due to the contribution in kind of shares of Belgacom Group International Services S.A. into the capital of Tango S.A., and the liquidation of Belgacom Finance. Other extraordinary income includes € 25 million related to the compensation mechanism for statutory retirees foreseen in the transfer of the obligation of the legal pensions to the Belgian State in 2003.

The write off posted on some affiliates, other enterprises linked by participating interests and on other financial assets also impacted the extraordinary charges.

The profit for the 2014 amounts to € 746.5 million, compared to € 709.5 million in 2013.

Appropriation account

We propose the following appropriation (in €):

Profit of the financial year to be appropriated	+	747,127,067 EUR
Accumulated profits	+	0 EUR
Profit to be appropriated	=	747,127,067 EUR
Net transfers from the reserves	+	17,405,208 EUR
Return on capital (gross dividend)	-	502,449,167 EUR
Other beneficiaries (personnel)	-	41,868,481 EUR
Profit to be carried forward	=	220,214,627 EUR

On 12 December 2014 an interim dividend of € 160.6 million has been paid.

Right and commitments not included in the balance sheet

Belgacom has the right to issue Commercial Paper for a total of € 1,000.0 million, of which none have been issued end 2014, and Euro Medium Term Notes for a total of € 2,500.0 million, of which € 2,300.0 million has been issued end 2014.

1.2. Most important risks and uncertainties

Taking risks is inherent in doing business and successfully managing risks delivers return to Belgacom stakeholders. Belgacom believes that risk management is fundamental to corporate governance and the development of sustainable business. The Group has adopted a risk philosophy that is aimed at maximizing business success and shareholder value by effectively balancing risk and reward. The objective of risk management is not only to safeguard the Group's assets and financial strength but also to protect Belgacom's reputation. Financial risk management objectives and policies are reported in note 33 of the consolidated financial statements, published on the Belgacom website. Risks related to important ongoing claims and judicial procedures are reported in note 5.13 of the statutory as well as note 35 of the consolidated financial statements. The enterprise and financial reporting risks are detailed below, together with the related mitigating factors and control measures. Note that this is not intended to be an exhaustive analysis of all potential risks Belgacom might be facing.

1.2.1. Enterprise risks

The Group's Enterprise Risk Management (ERM) covers the spectrum of risks ("potential adverse events") and uncertainties that Belgacom could encounter. Belgacom ERM is a structured and consistent framework for assessing, responding to and reporting on risks that could affect the achievement of Belgacom strategic development objectives. It seeks to maximize value for shareholders by aligning risk management with the corporate strategy, assessing the emerging risk from regulation, new technologies or the market, and developing risk tolerance and mitigating strategies. Belgacom ERM has been reviewed and updated every year since 2006. This risk assessment and evaluation takes place as an integral part of Belgacom annual strategic planning cycle. The resulting report on major risks and uncertainties is then reviewed by the Executive Committee, the CEO and the Audit and Compliance Committee. Among the risks identified in the ERM exercise of 2014, the following risk categories were prioritized: competitive market dynamics, human resources flexibility, Long term ambitions versus Short term return and customer experience.

Principal risks	Description	Mitigation actions
Competitive market dynamics	Cable remains a serious competitor with a performant access technology to which Belgacom answers with significant investment in its network. A disruptive attitude at price level and/or alternative solutions from OTT could prevent Belgacom to monetize investments in new technologies.	Belgacom applies a disciplined pricing strategy, being careful not to trigger further market value destruction. Belgacom has other levers than price thanks to its convergence strategy and investments in a superior mobile network, providing a competitive advantage.
Human resources (HR) flexibility	Taking into account the specific HR context, the strict HR rules and the mandatory negotiations with the Unions, Belgacom might miss the much needed flexibility to further reduce the workforce cost and thus not able to keep the EBITDA at an acceptable level.	Belgacom has recently adapted and simplified the organisation structures in order to evolve towards a high performance organisation. The "Good to Gold" program is strengthening the company culture that is supported by 3 new values "Collaboration, Agility and Accountability". Initiatives are ongoing to reinforce internal employability and to reduce workload by simplification of systems and processes.

Principal risks	Description	Mitigation actions
Long term ambitions Vs Short term returns	Risk of incompatibility between the necessity of heavy investments in infrastructure due to technology changes and short term return requirements	Belgacom is investing massively in its fixed & mobile networks in order to provide superior quality to its customers. A significant decrease of the operating costs will assure Belgacom the compatibility between the short term EBITDA performance and its technology ambitions
Customer experience	The customer experience in its relationship with Belgacom products & services is a key success factor. Not succeeding is often meaning early churn and negative brand image	The customer satisfaction is and stays the top priority for Belgacom and its employees. Numerous actions have been taken to simplify the product & services offer and also to meet clients expectations in their end to end (from contact to billing) relation with Belgacom

1.2.1.1. Competitive market dynamics

Belgacom business is mainly focused on Belgium, a small country with only a few large telecom players, among which Belgacom is the incumbent. Belgacom is operating in both growing (e.g. smartphones, mobile data, M2M, IT), maturing (e.g. Fixed Internet, dTV, post-paid mobile), and saturated (e.g. Fixed voice, prepaid mobile) markets. In such circumstances, market value is vulnerable to disruptive behaviour among competitors. Moreover, Belgacom main competitors Mobistar, BASE and Telenet, are subsidiaries of Orange, KPN, and Liberty Global respectively, all large international operators. Also Nethys and Brutélé (commercial name VOO) are important local cable competitors in the South of the country. Regarding TV services, Belgacom plays a challenger role, facing strong cable competition.

A new market entrant or radical price competition could decrease Belgacom's market share and negatively impact revenue and profit. For instance, Belgium's new Telecom Law, applicable since 1 October 2012 resulted in a significant increase in Mobile customer churn. This, combined with aggressive competitor mobile pricing (in both retail and wholesale), forced Belgacom to revise its mobile pricing offer at the end of 2012 and in 2013, greatly increasing the value for customers for similar monthly price commitments. With churn levels normalizing in 2013 and 2014 and mobile customer net additions back to positive, Belgacom applies a disciplined customer pricing strategy, being careful not to trigger further market value destruction. In case of market share loss due to a significant further reduction of competitor prices, however, Belgacom could be forced to revise its mobile pricing plans accordingly, which might result in additional pressure on mobile revenue. Nevertheless, as a result of its long-term strategy and continued network investments, Belgacom built itself an advantageous competitive position providing the company with other levers than just price. Belgacom offers mobile services on a highest quality mobile network, and its convergence strategy provides the company with a solid ground to compete, offering attractive multi-play solutions to its customers while reducing churn.

Another differentiator is the willingness of Belgacom to take the lead in mobile innovation. In this regard, it was the first operator to launch 4G in Belgium, ending 2013 with 258 cities and municipalities covered. Belgacom intends to get an appropriate return on its investments by introducing speed-tiering of its mobile price plans. This translates in making the full speed capabilities of the 4G technology accessible only via its high-end mobile price packages. Subscribers to the mid- and low-end mobile offers and having a 4G-enabled device will also enjoy higher speeds. In 2014, decreasing revenues and margins in mobile have been bottoming out, driven by a significant uptake in mobile data. This mobile data growth was pushed by the acceleration of 4G network rollout and the increase in smartphone penetration.

In the fixed market, Belgacom faces strong competition from the cable operators. Potential consolidation among cable operators or between cable and mobile network operators could further strengthen competitors' positions and open the cable network for new players. Substitution of fixed line services (e.g. by apps and social media like Skype, Facebook, etc.), TV content (such as Stievie) could put further pressure on revenues and margins. Cable operators choose for vertical integration of the value chain, by buying content or even participations in broadcast channels. Belgacom is responding to these threats through a convergent and bundled approach and by offering new services (e.g. TV Replay, Belgacom Cloud, Smart and Safe Living). Belgacom is opting for an aggregator model, putting at disposal the best content to its customers.

In 2014, Belgacom reviewed its branding and opted to put forward Proximus as the main brand. The price-sensitive segment is still addressed via its subsidiary Scarlet. The latter offers attractively priced mobile and triple-play products.

In the SME market, besides the competitors also active in the Consumer market, we also face competition from niche players in the different product markets. Belgacom remains a reference in this quite stable market through its convergent offers, mixing fixed and mobile, as well as telecom and IT. In the large-company market, Belgacom faces competition from internationally oriented operators like Orange Business Services, Colt, Verizon Business and BT Belgium and from integrators such as Dimension Data, Getronics, Cegeka and RealDolmen. The scattered competitive landscape drives price competition, and might further impact revenue and margins.

In the international carrier services market, voice margins per minute have been under significant pressure over the past few years as a result of price competition, consolidation of competitors and the ease with which customers are able to change providers. If pressure on voice margins should continue and/or if the Group does not offset price decreases with increased volume, Belgacom's ICS growth rate, operating revenue and net profit could come under pressure. In addition, the pressure on the mobile data market might increase and therefore affect the growth profile of the International Carrier Services.

1.2.1.2. Human resources flexibility

With Belgacom's revenue under pressure for the past few years, the costs of the company need to be significantly reduced in order to preserve the EBITDA. A significant part of Belgacom's expenses is driven by the costs of the workforce (whether internal or outsourced, expensed or capitalised), for which the company faces a global increase that is not sustainable for the future.

Taking into account the specific HR context, the strict HR rules and the mandatory negotiations with the Unions, Belgacom might miss the much needed flexibility to further reduce the workforce cost.
Although Unions have already approved in the course of 2014 several measures to reduce workforce cost, additional initiatives will be needed for the future.

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

At Belgacom Group level, about one in three employees are statutory, benefitting from substantially higher protection against dismissal than that applicable to private sector employees. This may restrict Belgacom's ability to improve efficiency and increase flexibility to levels comparable to those of its competitors.

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

To address the much needed structural measures, Belgacom's human resources department is in negotiations with the Unions. The aim of these negotiations is to enhance the employability of the employees, to obtain more flexibility to move employees within the organization, to adapt the workforce faster in line with the actual workload and to align remuneration items with common market practices.

Belgacom has recently adapted and simplified the organisational structures in order to evolve towards a high performance organisation. The "Good to Gold" program is strengthening the company culture that is supported by 3 new values "Collaboration, Agility and Accountability". Initiatives are ongoing to reinforce internal employability and to reduce workload by simplification of systems and processes.

The simplification program will prepare the company for the coming wave of retiring employees, minimizing the need for replacement by developing strategic workforce planning, fluent mobility and drastically simplifying and/or automating Belgacom's products and services, processes, systems and organization.

1.2.1.3. Long term ambitions versus short term returns

Finding the right balance between long term ambitions and short term return is always challenging in competitive and transforming businesses.

In this context, making today the necessary new technology investments is crucial in order to create and secure future revenue streams but this could come into conflict with the required short term cost cuts needed to respect return requirements.

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

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

- The absolute Capex level of the company has been increased to invest more in networks and systems of the future. This increase allows transformational and multi -year programs.
- The company focusses on a limited number of strategic investment clusters where the full company means are prioritized to support the top strategy objectives, our 'blue chips'. Belgacom has also launched efficiency programs to gradually reduce Opex.
- A long term incentive scheme is in place to favour long term value creation mind set among top management of which most annual objectives will be at Group level to favour short and long term company interests.

1.2.1.4. Customer experience

The lack of customer focus could negatively impact loyalty and generate (early) churn consequences.

Delivering a superior customer experience is a key-focus for Belgacom and goes hand-in-hand with simplification. "Customer Experience" starts from outside the organization, from the perspective of the customer and takes initiatives to offer him the best experience in all interactions (human and digital) with us including the usage of his products. The objective is to deliver an experience in line with the Proximus brand promise. "Simplification" addresses the complexity within our organization to make it more customer-focused, more efficient and more agile. Proximus wants to be a company "Easy to do business with" and deliver "End to end first time right", minimizing the customer effort while maximizing his satisfaction.

Customers will always benefit from our best and most recent proposals and possibilities. For example, if a customer has a VDSL line, the latest equipment with the best possible experience will be provided. Furthermore, massive investments have been realized in products and networks (4G, Vectoring...), in-home connectivity solutions and TV experience to bring the customer to a better experience. Proximus products are designed to work on all Proximus convergent networks and platforms with a clear focus on offering a seamless experience whatever the device the customer is using.

e-Channel and e-services have been optimized for more stability and better performance with an improved surf experience (information finding and buying). Moreover thanks to MyProximus, more customers are managing their own products and administration: it's easy and quick for them and generates less manual intervention from Belgacom personnel.

The following main achievements have been realised in 2014:

- *Improved accessibility and staff friendliness leading to a better customer satisfaction*
  In 2014, Belgacom's call centers considerably improved the speed of answer, increasing the percentage of calls answered that are handled within 2.5 minutes by 9pp.
  This is the result of a flawless commitment on the part of the teams, who benefited from effective coaching and the deployment of a powerful new system for entering customer orders. Another illustration is the level of satisfaction regarding installation of products and services that has never been so high and in constant positive evolution the last 5 years. Quality of the products and solutions for Belgacom professional customers is also scoring very high positively contributing to the brand image.

- *Getting it right first time*
  First time right is a main focus to reduce the customer effort and improve internal efficiency. Specific actions have been taken to improve the way customers are served while reducing needless calls.

- *Improved communication*
  Belgacom communication has also evolved to reflect more the closeness wanted with the customers. The company is also much more present on social media with increasing followers and a personalised touch.

- *'Convergence' transformation program*
  Within our commercial Contact Centres, 2014 has been marked by an ambitious transformation program aimed to have complete convergence of the teams (contact centres, sales forces...). For a better customer service, it is necessary to meet customers' demands, whether in the fixed or mobile field. This versatility is now a reality for the great majority of our staff. It makes it possible to considerably reduce call transfers to other services.

To ensure and to improve the Enterprise segment customer experience, the Enterprise Business Unit (EBU) will continue to be focussed on:

- Satisfaction of our Medium Business and Corporate customers through the different stages of the customer lifecycle/journey.
- Level & quality of service.

Satisfaction with account management, project management, service management (ICT) and professional products scores already very high. Respect of SLAs and repair interventions ("Time To Repair") in general for professional products is highly appreciated by corporate customers.

Belgacom will continue to enhance this customer experience by further simplifying our networks, portfolio and processes and by developing new convergent solutions for both residential and professional customers.
In this context, simplification remains a key priority as it enables the company to be more customer centric, faster and more efficient.

1.2.2. Financial reporting risks

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

1.2.2.1. New transactions and evolving accounting standards

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

It is the responsibility of the Corporate Accounting department to follow the evolution in the area of evolving standards (both local GAAP and IFRS). Changes are identified and the impact on the Belgacom financial reporting is proactively analysed.

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

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

1.2.2.2. Changes in tax law and regulations

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

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

1.2.2.3. Financial statement closing process

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

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

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

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

2. IMPORTANT EVENTS THAT HAVE OCCURRED AFTER THE END OF THE PERIOD

In the litigation related to the on-net tariffs, after a first document shared by the experts appointed by the Court of Appeal on 23January 2014, Mobistar and KPN Group Belgium have strongly criticized the work performed by the experts. Consequently the work of the experts is on hold. In the appeal procedure (against the 2007 decision), the Court of Appeal of Brussels held hearing sessions in October and November 2014.

On 26 February 2015, the Court of Appeal gave an interlocutory judgment in which it modified the decision of the first judge of 2007. The Court first confirmed that there was no reason for examining further the allegations related to the alleged absence of cost orientation of the termination rates that had already been rejected by the first judge. However, with respect to the alleged abuses of dominant position, the Court considered that there were sufficient indications to extend the court expert proceedings to all the alleged abuses, as well as with respect to the reference period for Mobistar, an extension to 2005 .

More details are available in the disclosure VOL 5.13 of the annual accounts "information concerning important litigations".

3. CIRCUMSTANCES THAT CAN SIGNIFICANTLY INFLUENCE THE DEVELOPMENT OF BELGACOM

Circumstances that can significantly influence the development of Belgacom are listed in 1.2.

4. EVOLUTION IN RESEARCH AND DEVELOPMENT ACTIVITIES

In general, the research and development activities cover 4 key steps in the adoption cycle of a technology:

- Study of the technology's potential: determination of the technological and commercial opportunities and its positioning in the technology portfolio.
- Introduction of the technology: as the technology is selected, an engineered solution is necessary for deployment, exploitation and day-to-day management.
- Evolution of the technology: once deployed, the technology will continue to evolve in accordance with its potential and market demand.
- The preparation of the introduction of new services.

In 2014, the research and development activities covered the following:

- **Study of the potential of new technologies:**
  - The study to define future target transport network architectures and supporting technologies was continued, aiming to cope with disruptive traffic growth, higher resiliency, as well as backbone network simplification.
  - Belgacom has performed an extensive study on the possibility and potential of a structural replacement of copper lines by optical fibre between the switching locations and the street cabinets. This would allow to reduce the technical buildings, both in number and in size, and to operate the network in a more efficient way.
  - A study and Proof of Concept has been started to investigate the potential of deploying fibre closer to the homes, by re-using the last meters of the existing copper pair for connecting the home (solution based on G.Fast standards).
  - First studies were started on the potential of introducing evolved concepts in the network like Network Function Virtualization and Software Defined Networks.
  - Belgacom also investigated new developments for video and TV, such as new codecs and technologies for higher resolution and higher picture quality.
  - Belgacom participates in an R&D project together with other industrial partners and universities to investigate advanced solutions for video streaming, including 4K.
  - In the light of the future Internet of Things, Belgacom investigated new long-range technologies and networks to provide Machine-to-Machine services and to connect objects wirelessly to the internet.

- **Introduction of new technologies**:
  - Belgacom introduced 4G+ (or LTE-Advanced) in its mobile network. With a compatible smartphone, 4G+ can substantially increase download speeds.
  - Belgacom improved the user experience on Wi-Fi Hotspots by deploying EAP-SIM technology (Extensible Authentication Protocol) and also by intelligently lifting the download speed limits. The EAP-SIM technology provides for an automatic connection to the Proximus Wi-Fi Hotspots for compatible user devices based on their SIM card.
  - Belgacom and Alcatel-Lucent have further continued their partnership on the development of VDSL technology. As a result of this partnership, Belgacom started to introduce the "Vectoring" technology on its fixed broadband lines. Vectoring allows for cancelling out interference in a copper cable and as such increases substantially the data speed that can be offered.

- **Evolution of the technology in terms of improvement and existing services extension:**
  - 'Dynamic Line Management' is a technology which was developed in-house providing higher throughput for fixed broadband. This has been further improved to also increase the Upstream bitrate. VDSL has been further developed to provide also a broadband service to those customers that have a connection on a long distance from the street cabinet.

- **The preparation of the introduction of new services:**
  - Fibre to the Home: after conducting 3 pilots (in Brecht, Bredene and the Up-Site tower in Brussels), Belgacom has prepared now for deploying fibre in new zonings. For this purpose a new quality monitoring system has been developed, allowing to test the connections already during construction phase.

Next to these initiatives in the various phases of technology development, Belgacom also has enforced its innovation activities in a more generic way.

Belgacom collaborates with universities, industrial partners and several other bodies, such as iMinds (independent research institute founded by the Flemish government), and I.W.T. (Agentschap voor Innovatie door Wetenschap en Technologie). In addition, Belgacom is participating in collaborative projects supported by the Seventh Framework Programme for Research and Development and the Competitiveness and Innovation Framework Programme (respectively the ICONE and the SPECIFI projects). In this way, Belgacom has been participating in several R&D programs in various domains.
In 2014, a new Technology Trends team has been set-up. The goals are to scan and analyse the long term technical evolutions and disruptions, and to capture major trends in innovation & venturing linked to technology as well as the outcomes from standardization and industry policies bodies. The purpose is to feed innovation programs and to make sure that the major trends are embedded in the company strategy, blue prints and communicated towards the main stakeholders.

As part of its open innovation strategy, Belgacom has set up an internal and external incubation program. Internally, a start-up like light governance enables new ideas to be incubated and validated technically and market-wise before getting into industrialization. Externally, several sources are tackled to feed the innovation funnel. Close collaborations with local investment vehicles as well as national and international investment funds will ensure the technology watch. Also, participating in start-up incubator and accelerator initiatives in which Belgacom's assets are put at the disposal of the start-ups, will help the entire eco-system to grow in the interest of all stakeholders. Other external sources- amongst which are industry peers and equipment vendors- are completing the open innovation strategy.

5. BRANCHES

The branch in the Grand Duchy of Luxembourg was established in 2002 and is responsible for the management of Luxembourg financial assets.

6. USE OF FINANCIAL INSTRUMENTS

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

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

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

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

7. INDEPENDENCE AND EXPERTISE IN THE ACCOUNTING AND AUDIT DOMAIN OF AT LEAST ONE MEMBER OF THE AUDIT AND COMPLIANCE COMMITTEE

In accordance with the bylaws, Belgacom has an Audit and Compliance Committee which consists of three to maximum five non-executive Directors, the majority of whom must be independent. In line with its charter, it is chaired by an independent Director.

The members of the Audit and Compliance have sufficient expertise in financial matters to discharge their functions. One of its members, Mr Paul Van de Perre, is competent in accounting and auditing as he holds a MBA in Economics and is a certified accountant (IAB).

8. CORPORATE GOVERNANCE STATEMENT

Belgacom governance model

At Belgacom, the Articles of Association 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 by the 1991 Law, Belgacom is governed by Belgian corporate law.

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.

8.1. Designation applicable Code on Corporate Governance

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

8.2. Departure 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 paragraph 3 of the 1991 Law. In accordance with provision 20 paragraph 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 paragraph 5 of the 1991 law foresees that the Chairman is appointed by the Belgian State by Royal decree in the Council of Ministers.

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

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

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

Belgacom's internal control system is characterized by an organization with a clear definition of responsibilities, next to sufficient resources and expertise and also appropriate information systems, procedures and practices. Obviously, Belgacom cannot guarantee that this internal control will be sufficient in all circumstances as risks of misuse of assets or misstatements can never be totally eliminated. However, Belgacom organizes a continuous review and follow-up of all the components of its internal controls and risk management systems to ensure they remain adequate.

Belgacom considers the timely delivery to all its internal and external stakeholders of complete, reliable and relevant financial information in conformity with International Financial Reporting Standards (IFRS) and with other additional Belgian disclosure requirements as an essential element of management and governance. Therefore, Belgacom has organized its internal control and risk management systems over its financial reporting in order to ensure this objective is met.

8.3.1. Control environment

8.3.1.1. Organization of internal control

The A&CC's role is to assist and advise the Board of Directors in its oversight on (i) the financial reporting process, (ii) the efficiency of the systems for internal control and risk management of Belgacom, (iii) the Belgacom's internal audit function and its efficiency, (iv) the quality, integrity and legal control of the statutory and the consolidated financial statements of Belgacom, including the follow up of questions and recommendations made by the auditors, (v) the relationship with the Group's auditors and the assessment and monitoring of the independence of the auditors, (vi) Belgacom's compliance with legal and regulatory requirements, (vii) the compliance within the organization with the Belgacom's Code of Conduct and the Dealing Code.

The A&CC meets at least once every quarter.

8.3.1.2. Ethics

The Board of Directors has approved a Corporate Governance Charter and a Code of Conduct "The way we do responsible business". All employees must perform their daily activities and their business objectives according to the strictest ethical standards and principles, using the Group values (Agility, Accountability and Collaboration) as guiding principle.

The Code "The way we do responsible business", which is available on www.belgacom.com, sets out the above-mentioned principles and aims to inspire each employee in his or her daily behaviour and attitudes. The ethical behaviour is not limited to the text of the Code. The Code is a summary of the main principles and is thus not exhaustive.

In addition, Belgacom in general and the Finance department in particular have a tradition of a high importance to compliance and a strict adherence to a timely and qualitatively reporting.

8.3.1.3. Policies and procedures

The principles and the rules in the Code "The way we do responsible business" are further elaborated in the different internal policies and procedures. These Group policies and procedures are available on the Belgacom intranet-sites. Every policy has an owner, who regularly reviews and updates if necessary. Periodically and at moment of an update, an appropriate communication is organized.

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

8.3.1.4. Roles & responsibilities

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

The main role of the Finance Division is to support the divisions and affiliates by providing accurate, reliable and timely financial information for decision making, to monitor the business profitability and to manage effectively corporate financial services. The establishment of the external financial reporting falls under the responsibility of the Corporate Accounting department.

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

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

8.3.1.5. Skills & expertise

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

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

8.3.2. Risk analysis

The risk analysis has been commented extensively in point 1.2..

8.3.3. Risk mitigating factors and control measures

The risk mitigating factors and control measures have been commented extensively in point 1.2..

8.3.4. Information and communication

8.3.4.1. Financial reporting IT systems

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

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

8.3.4.2. Effective Internal communication

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

8.3.4.3. Reporting and validation of the financial results

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

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

8.3.5. Supervision and assessment of internal control

The effectiveness and efficiency of the internal control are regularly assessed in different ways and by different parties:

- Each owner is responsible for reviewing and improving its business activities on a regular basis: this includes a.o. the process documentation, reporting on indicators and monitoring of those.
- In order to have an objective review and evaluation of the activities of each organization department, Belgacom's Internal Audit department conducts regular audits across the Group's operations. The independence of Internal Audit is ensured via its direct reporting line to the Chairman of the A&CC. Audit assignments performed may have a specific financial processes scope but will also assess the effectiveness and efficiency of the operations and the compliance towards the applicable laws or rules.

- The A&CC reviews the quarterly interim reporting and the specific accounting methods. The main disputes and risks facing the Group are considered; the recommendations of internal audit are followed-up; the compliance within the Group with the Code of Conduct and Dealing Code is regularly discussed.
- Except for some very small foreign affiliates, all legal entities of the Belgacom Group are subject to an external audit. In general, this audit includes an assessment of the internal control and leads to an opinion on the statutory financials and on the (half-yearly and annual) financials reported to Belgacom for consolidation. In case the external audit reveals a weakness or identifies opportunities to further improve the internal control, recommendations are made to management. These recommendations, the related action plan and implementation status are at least annually reported to the A&CC.

8.4. Composition and functioning of the governing bodies and their committees

8.4.1. 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 percentage of ownership;
- 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 Code of Companies 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 by the Belgian State as Chief Executive Officer for a renewable term of six years.
- On 16 April 2014, the mandates of Mr Pierre-Alain De Smedt and 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 directors.

The mandate of Mr. Theo Dilissen would normally take an end on 28 February 2015. According to the bylaws 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 [1]	50	Chief Executive Officer	2014 - 2020
Theo Dilissen	61	Director	2004 - 2015
Martine Durez	64	Director	1994 - 2019
Laurent Levaux	59	Director	2013 - 2019
Isabelle Santens	55	Director	2013 - 2019
Paul Van de Perre	62	Director	1994 - 2019

(1) Appointed on 13 January 2014

Members of the Board of Directors appointed by the General Shareholders' 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 (1)	71	Independent director	2004 - 2014
Carine Doutrelepont	54	Independent director	2004 - 2016
Oren G. Shaffer (1)	72	Independent director	2004 - 2014
Lutgart Van den Berghe	63	Independent director	2004 - 2016
Agnès Touraine (2)	60	Independent director	2014 - 2018
Catherine Vandenborre (2)	44	Independent director	2014 - 2018

(1) End of mandate on 16 April 2014
(2) Appointed on 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 five regularly scheduled meetings. The Board of Directors must also evaluate the strategic long-term plan in an extra meeting each year. In general, the Board's decisions are made by simple majority of the directors present or represented, although for certain issues a qualified majority is required. The Board of Directors has adopted a Board Charter which, together with the charters of the Board Committees, reflects the principles by which the Board of Directors and its Committees operate. The Board Charter 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. They 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.
Besides the legal clauses, applicable to Belgacom, the approved extra-legal stipulations are:
Directors commit to avoid any appearance of conflict of interest by, amongst other, but not limitative:

- Not exercising any position, mission or activity in a private or public-sector body that, as important part of its business, offers for profit telecommunications services or goods in Belgium or in any country in which Belgacom realizes at least 5 % of its turnover;
- Not exercising any position, mission or activity on behalf of a direct or indirect competitor of Belgacom or of one of its affiliates;
- Not to assist remunerated or not, any party in its contract negotiations with or procedures against Belgacom or one of its affiliates.

Committees of the Board of Directors

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

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

Messrs Stefaan De Clerck (Chairman), 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 are the members of the Nomination and Remuneration Committee.

Mr Stefaan De Clerck (Chairman), Mrs Dominique Leroy (as of 13 January 2014), Messrs Jozef Cornu, Guido J.M. Demuynck (until 8 May 2014), Theo Dilissen, Mrs Carine Doutrelepont and Mrs Agnès Touraine (as of 8 May 2014) are the members of the Strategic and Business Development Committee.

Activity report

In its meeting of 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 relationships are arm's length of nature, and are typically not addressed at the level of the Board of Directors. 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 € 30,250 in 2014.

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.

8.4.2. Executive Committee

The members of the Belgacom Executive Committee, other than Mrs Dominique Leroy, the CEO, are Messrs Ray Stewart, Michel Georgis, Bart Van Den Meersche, Geert Standaert, Dirk Lybaert, Phillip Vandervoort, Renaud Tilmans and Mrs Sandrine Dufour (as of 1 January 2015).

Mr Bruno Chauvat left the company on 24 January 2014.

Belgacom has, on its own initiative, appointed members of the Executive Committee and of its staff to mandates in companies, groups and organisms in which it has holdings and is involved. Such mandates are not remunerated. A list of the persons concerned is given in point 10.1 of this report.

8.5. Remuneration report

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 voluntary 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%.

8.5.1. Directors' Remuneration

8.5.1.1. 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.

8.5.1.2. 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 (1)	7/7			3/3	0 €
Jozef Cornu	7/8		7/7	3/3	78,500 €
Pierre Demuelenaere (2)	7/8		2/2		60,500 €
Guido Demuynck (3)	7/8	6/6		1/1	83,000 €
Pierre-Alain De Smedt (4)	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 (4)	3/3	1/1			22,896 €
Agnès Touraine (5)	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 (6)	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

8.5.2. 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.

8.5.3. Executive Remuneration

8.5.3.1. 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

8.5.3.2. 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.).

8.5.3.3. 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 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.

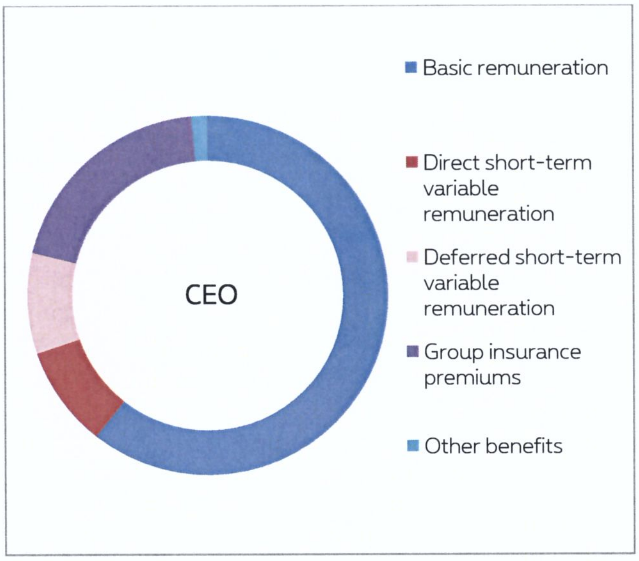
With her nomination, a new ceiling has also been defined in our executive remuneration policy, which is taken into consideration for every new member entering the Executive Committee.

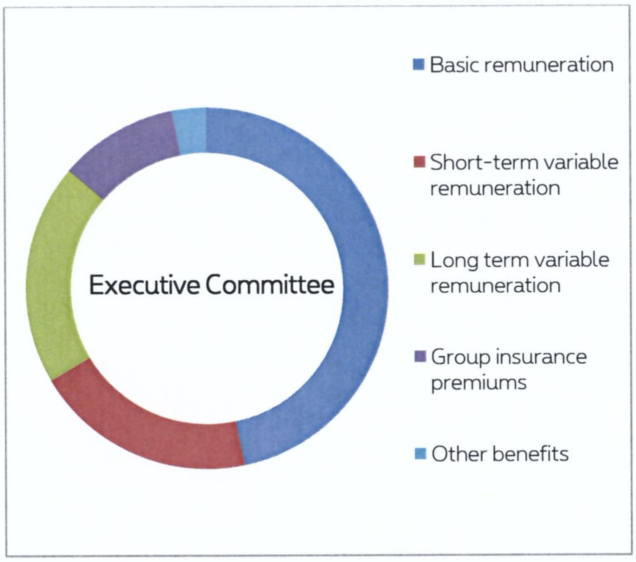
8.5.3.4. Overview of Executive Committee's remuneration

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 Belgacom 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.

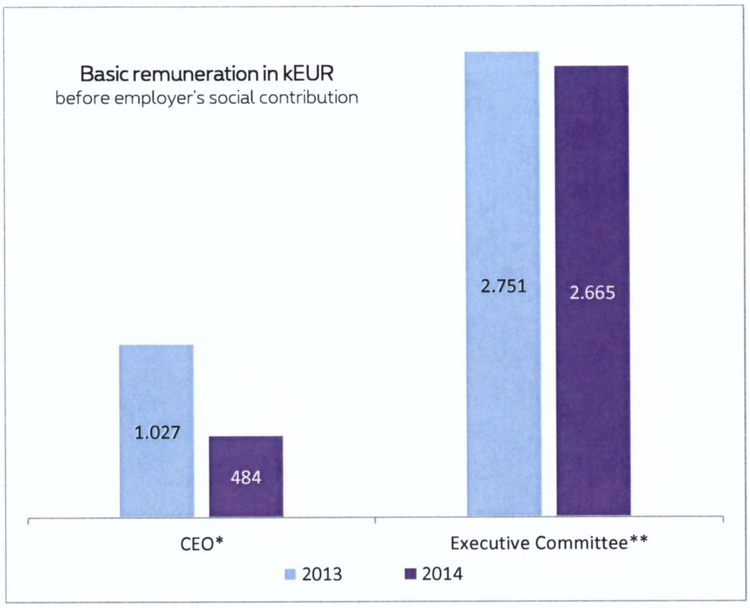
Basic remuneration

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 before employer's social contribution



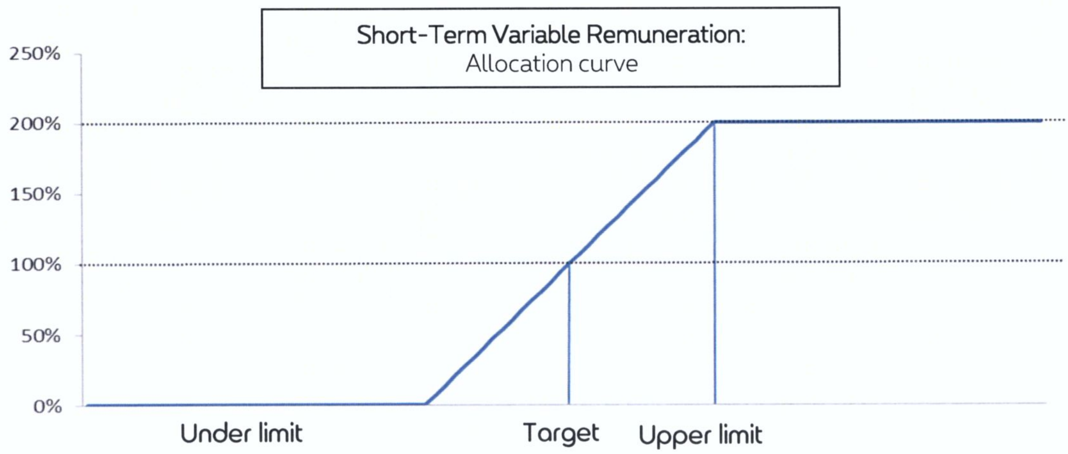
Variance 2013/14 in a few words:
* Appointment of our new CEO, Mrs Dominique Leroy, on January 13, 2014
** Important changes within the Executive Committee in 2014

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.



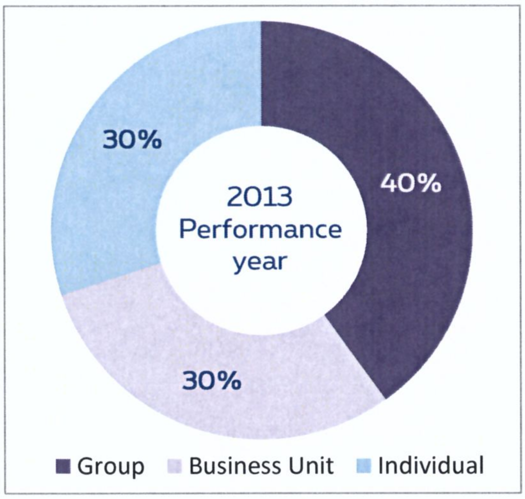
Short-term variable remuneration components

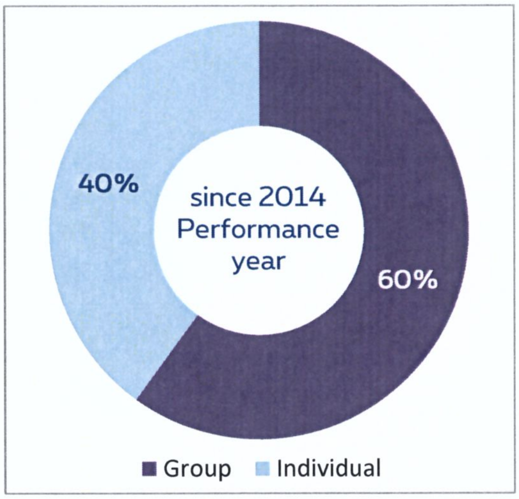
This curve determines the short-term variable remuneration that is granted to the members of the executive committee, based on the effective result of each component.

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.

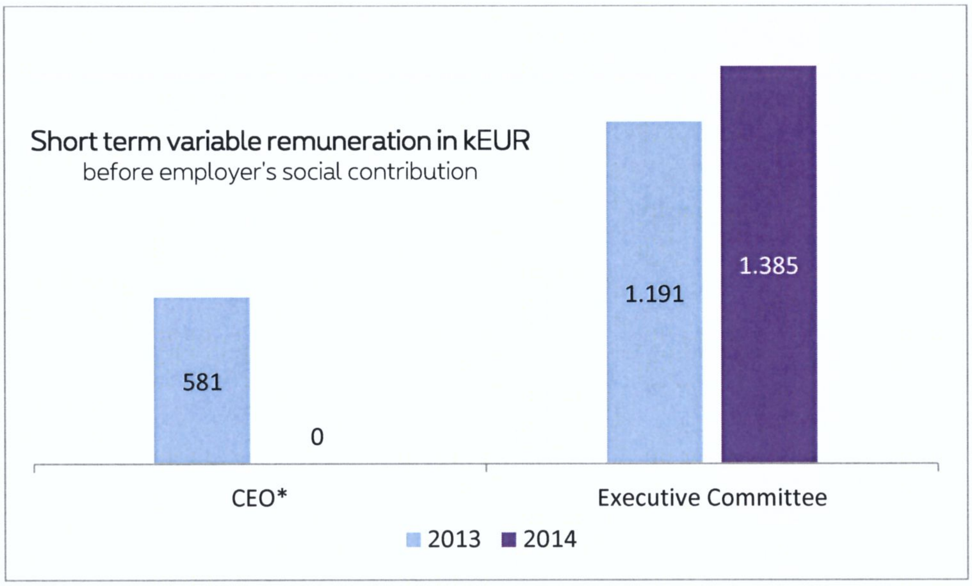
The members who performed (part of) the performance year 2013 as members of the Executive Committee all opted to receive their short-term variable remuneration in 2014 in cash bonus.

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 for the first time 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.



* CEO role 2013: No short term variable remuneration granted to the former President & CEO 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

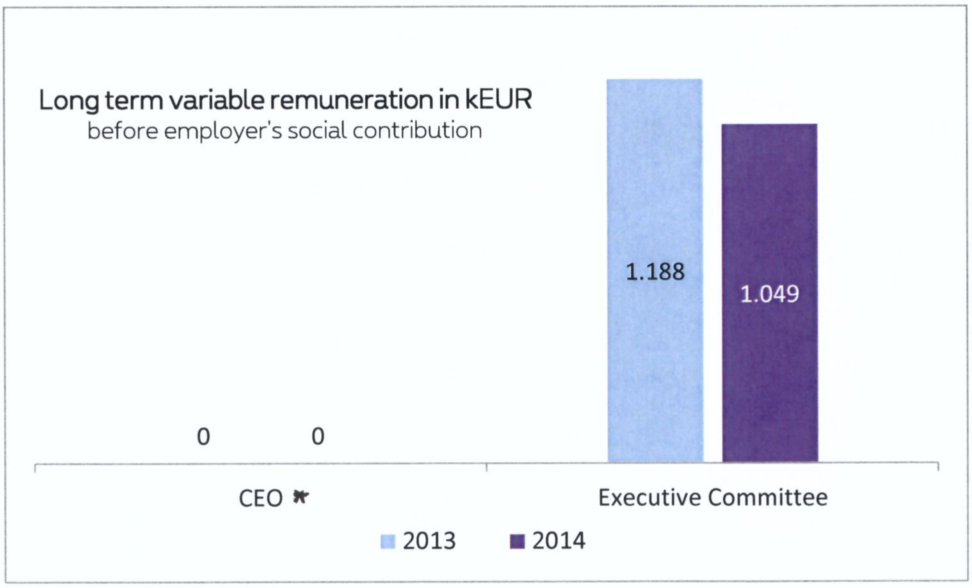
The members of the Executive Committee can choose between 3 different pay-out options being cash, Discounted Shares Purchase Plan, and Belgacom shares. These options cannot be combined and the preferred pay-out option has to be made at the date of grant and is irreversible.

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.



* 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 MEERSCHE
on January 1st, 2014, Stock options remaining from previous years:		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						
TOTAL		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-employent 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 Belgacom or any other undertaking belonging to the Belgacom 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
SUBTOTAL (excl. employer's social contribution)	**1,717,253**	**657,258**	**6,005,519**	**5,905,131**
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
TOTAL (incl. employer's social contribution)	**2,083,220**	**671,618**	**7,678,830**	**8,985,824**

* 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 amount were rewarding her 2013 performances as member of the Executive Committee (her 1st variable remuneration in a CEO role will be allocated in 2015)

8.5.3.5. 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 Belgacom in Belgium and in those countries where the Belgacom Group generates at least 5% of its consolidated revenues. If activated by Belgacom, 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 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.

9. POSITION OF CONFLICTING INTEREST

In accordance with article 523 of the Belgian Companies Code, Mrs D. Leroy, CEO, declared, during the Board of Directors of 24 January 2014, to have a conflict of interest in connection with the "CEO Contract", item of the agenda of this Board meeting.

In accordance with article 523 of the Belgian Companies Code, Mrs D. Leroy, CEO, declared, during the Board of Directors of 27 February 2014, to have a conflict of interest in connection with the "Employee incentive plans", item of the agenda of this Board meeting and more especially on the determination of the Short & Long Term Incentives granted to her under the Plan 2011.

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

In accordance with article 523 of the Belgian Companies Code, the minutes of these meetings are included below.

Minutes of the meeting of the Board of Directors of 24 January 2014

"In accordance with article 523 of the Belgian Companies Code, Mrs D. Leroy declares to have a conflict of interest in connection with the "CEO Contract" item.

Mrs D. Leroy requests the Board to take note of her statement in this respect and to include the necessary statements in the management report of Belgacom relating to the accounting year 2014.

Mrs D. Leroy will also inform the auditor of Belgacom of this conflict of interest. She voluntarily decides not to participate in the deliberation and voting on this item and leaves the meeting for the agenda item impacted by this conflict of interest statement and situation.

The Board approves the Management Services Agreement and the Employee Termination Agreement between Mrs Leroy and Belgacom and mandates the Chairman to conclude the contracts."

Financial impact for the company: base fee of 500.000 € per year; target variable fee of 150.000 € per year. Based on an evaluation on the merit of the CEO with respect to long term value creation, the Board can decide to increase the variable pay, after approval by the General Shareholders Meeting. Continuation of current other elements such as complementary pension plan, life insurance, travel insurance, disability insurance, hospitality insurance, D&O liability insurance, alarm system, bi-yearly medical check up

Minutes of the meeting of the Board of Directors of 27 February 2014

"In accordance with article 523 of the Belgian Companies Code, the CEO, Mrs D. Leroy, declares to have a conflict of interest in connection with the Employee Incentive Plans item of the agenda of the present Board meeting and more especially on the determination of the Short & Long Term Incentives granted to her under the Plan 2011.

Mrs D. Leroy requests the Board to take note of her statement in this respect and to include the necessary statements in the management report of Belgacom relating to accounting year 2014.

Mrs D. Leroy shall also inform the auditor of Belgacom of this conflict of interest.

Mrs D. Leroy voluntarily decides not to participate in the deliberation and voting on such items on the agenda and has left the meeting for the agenda items impacted by this conflict of interest statement and situation.

The Committee endorses the proposal of management to limit, as a signal within the company, the individual part of the bonus for BMC and TGRs to only 90% of the envelope.

Based on the evaluation of the members by the CEO and upon the Committee's recommendation, the Board endorses the Short Term Incentives amount for the BMC members as proposed by the CEO, for a total amount of 1.39 Mio € gross, before employer social taxes and application of the Short Term Incentives Plan.

The Committee recommends to the Board to deploy the Short Term Incentive Plan 2005, tranche 2014.

Upon the Committee's recommendation, the Board approves the Long Term Incentive grants for BMC members as proposed by the CEO for a total amount of 1.05 Mio € in performance value and to deploy tranche 2014 of the Long Term Incentive Plan 2013."

Minutes of the meeting of the Board of Directors of 18 December 2014

"bpost Contract

In accordance with article 523 of the Belgian Companies Code, Mr L. Levaux declares to have a conflict of interest in connection with the bpost item.

Mr L. Levaux requests the Board to take note of his statement in this respect and to include the necessary statements in the management report of Belgacom relating to accounting year 2014.
Mr L. Levaux shall also inform the auditor of Belgacom of this conflict of interest.

Mr L. Levaux voluntarily decides not to participate in the deliberation and voting on this item and leaves the meeting for the agenda item impacted by this conflict of interest statement and situation.

The Board decides to authorise the CEO, with the power to sub delegation:

- to sign a frame agreement 03/2015 – 02/2018 with bpost for postal services. The estimated value of the contract for Belgacom for three years is 80 to 90 Mio EUR.
- to sign a pricing agreement 03/2014 – 02/2015 with bpost for admin mail and direct mail. The estimated value of these pricing agreements is 23.9 Mio EUR."

10. OBLIGATION OF THE LAW OF 21 MARCH 1991 ON THE REFORM OF SOME AUTONOMOUS PUBLIC SECTOR ENTERPRISES

10.1. Mandates exercised in companies in which Belgacom participates

The mandates exercised by members of the management of Belgacom within companies, groups and organisations in which Belgacom participates or to which she contributes to the functioning are not remunerated.

PARTICIPATIONS	MEMBERS ON 31/12/2014
BELGACOM GROUP INTERNATIONAL SERVICES S.A.	R. Stewart G. Geerkens G. Kerremans
BELGACOM OPAL S.A.	J. Robeyns O. Moumal D. Lybaert
BELGACOM INTERNATIONAL CARRIER SERVICES (BICS) S.A.	D. Leroy R. Stewart D. Lybaert M. Gatta M. Georgis
CONNECTIMMO S.A.	J. Joos R. Stewart O. Moumal J. Luystermans
TANGO S.A .	D. Leroy M. Georgis L. Kervyn de Meerendre O. Moumal G. Hoffmann L. Claus C. Dujardin P. Vandervoort
TELINDUS LUXEMBOURG S.A.	G. Hoffmann A. Meyers B. Van Den Meersche B. Watteeuw D. Leroy M. Lindemans J-F. Willame
SKYNET iMOTION ACTIVITIES S.A.	P. Verdingh E. Provoost
BELGIAN MOBILE WALLET S.A.	B. Van Den Meersche G. Standaert

belgacom

PARTICIPATIONS	MEMBERS ON 31/12/2014
BGC RE S.A.	L. Kervyn de Meerendre O. Moumal
MOBILE-FOR S.A.	A. Lorette G. Geerkens B. Dierickx
BELGACOM BRIDGING ICT S.A.	B. Van Den Meersche P. Wauters B. Watteeuw G. Hoffmann
BELGACOM ICT-EXPERT COMMUNITY (B.I.C.) C.V.B.A.	K. De Man (permanent representative of Belgacom Bridging ICT S.A.) Ph. Vandervoort (permanent representative of Belgacom Opal S.A.) B. Watteeuw (permanent representative of Belgacom S.A.)
CLEARMEDIA S.A.	B. Watteeuw S. Bovy D. Van Eynde O. Malherbe S. Huijbrechts
WIRELESS TECHNOLOGIES S.A.	M. Georgis E. Nickmans D. Bossuyt
SCARLET BELGIUM S.A.	P. Vandervoort C. Dujardin A. Marchant M. Georgis V. Licoppe
SCARLET BUSINESS S.A.	C. Dujardin B. Delhaise
MBS TELECOM S.A.	C. Dujardin B. Delhaise
SOFTKINETICS S.A.	L. Claus
AWINGU S.A.	M. Lindemans

11. MISCELLANEOUS

Members of the Joint Auditors

The mandate of Deloitte Statutory Auditors SC sfd SCRL, Berkenlaan 8b, 1831 Diegem, represented by Mr Geert Verstraeten and of Luc Callaert SC sfd SPRLU, Zwaluwstraat 117, 1840 Londerzeel, represented by Luc Callaert, for the statutory audit mandate of Belgacom S.A. will expire at the Annual General Meeting of 2016.

The mandate of Mr Pierre Rion will expire on the date of the 2016 annual general meeting.

The mandate of Mr Romain Lesage has been renewed on 1 July 2014.

Auditor responsible for certification of the consolidated accounts of Belgacom Group

The mandate of Deloitte Statutory Auditors SC sfd SCRL represented by Mr. Geert Verstraeten and Mr. Nico Houthaeve for the consolidated audit mandate of Belgacom S.A. will expire at the annual general meeting of 2016.

In conclusion

We would like to propose that you approve the annual accounts as they are presented herein and respectfully request that you grant discharges to the directors and auditors of the annual accounts for the execution of their mandate during the past financial year.

On recommendation of the Nomination & Remuneration Committee, we nominate in accordance with article 18 of the bylaws, Mr. Martin De Prycker (mandate until the annual general meeting of 2019), as candidate for member of the Board of Directors.

Yours truly,

On behalf of the Board of Directors,

Brussels, 26 February 2015.

Dominique Leroy
Chief Executive Officer

Stefaan De Clerck
Chairman of the Board of Directors

40				1	EUR		
Nr.	Date of the deposition	No. 0202.239.951	PP.	E.	D.		C 1.1

ANNUAL ACCOUNTS IN EURO

NAME: **BELGACOM**

Legal form: **S.A. de droit public**

Address: **Boulevard du Roi Albert II-Koning Albert II laan** Nr.: **27**

Postal Code: **1030** City: **Brussel 3**

Country: **Belgium**

Register of Legal Persons (RLP) - Office of the commercial court at: **Bruxelles**

Internet address *: **www.proximus.com**

Company number: **0202.239.951**

DATE **29/04/2014** of the deposition of the partnership deed OR of the most recent document mentioning the date of publication of the partnership deed and the act changing the articles of association.

ANNUAL ACCOUNTS approved by the General Meeting of **15/04/2015**

concerning the financial year covering the period from **01/01/2014** till **31/12/2014**

Previous period from **01/01/2013** till **31/12/2013**

The amounts of the previous financial year are / ~~are not~~ ** identical to those which have been previously published.

COMPLETE LIST WITH name, first name, profession, residence-address (address, number, postal code, municipality) and position with the enterprise, OF DIRECTORS, MANAGERS AND AUDITORS

LEROY Dominique **Profession : Delegated director**

Avenue de Putdael 6, 1150 Brussel 15, Belgium

Title : Delegated director

DE CLERCK Stefaan **Profession : Director**

Damkaai 7, 8500 Kortrijk, Belgium

Title : President of the board of directors

Enclosed to these annual accounts:

Total number of pages deposited:

Number of the pages of the standard form not deposited for not being of service: 5.1, 5.2.1, 5.2.4, 5.3.4, 5.3.6, 5.5.2, 8, 9

Signature (name and position)
LEROY Dominique
Chief Executive Officer

Signature (name and position)
DE CLERCK Stefaan
Chairman

* Optional statement.

** Delete where appropriate.

LIST OF DIRECTORS, MANAGERS AND AUDITORS (continuation of the previous page)

DILISSEN Theo , Director of Companies
Dikkemeerweg 54, 1653 Dworp, BELGIUM
Director

DUREZ Martine, Director of Companies
Avenue de Saint-Pierre 34, 7000 Mons, BELGIUM
Director

LEVAUX Laurent, Executive Chairman & CEO Aviapartner Holding
Avenue du Maréchal 23, 1180 Uccle, BELGIUM
Director

SANTENS Isabelle, CEO & Executive Chairman Andres
Wannegem-Ledestraat 36, 9772 Kruishoutem, BELGIUM
Director

VAN de PERRE Paul, CEO Five Financial Solutions
Leliestraat 80, 1780 Dilbeek, BELGIUM
Director

Representatives of shareholders other than the Belgian State:

CORNU Jozef, CEO NMBS
Grouwesteenstraat 13, 9170 Sint-Gillis-Waas, BELGIUM
Director

DEMUELENAERE Pierre, President & CEO I.R.I.S. Group
Rue des Couteliers 24, 1490 Court Saint-Etienne, BELGIUM
Director

DEMUYNCK Guido J.M., Director of Companies
Wagnerlaan 11, 1217 CP Hilversum, THE NETHERLANDS
Director

DOUTRELEPONT Carine, Lawyer Doutrelepont & Partners, Professor ULB
Avenue Bois du Dimanche 21b, 1150 Bruxelles, BELGIUM
Director

VAN den BERGHE Lutgart, Executive director Guberna & Vlerick Leuven Gent Management School
Sparrenstraat 7, 9950 Waarschoot, BELGIUM
Director

TOURAINE Agnès, Chef d'entreprise
Rue Bude 5, 75004 PARIS, FRANCE
Director

VANDENBORRE Catherine, Chief Financial Officer Elia
Clos du Champ de Bourgeois 11, 1330 Rixensart, BELGIUM
Director

LIST OF DIRECTORS, MANAGERS AND AUDITORS (continuation of the previous page)

DELOITTE, Réviseurs d'entreprises S.C. s.f.d. S.C.R.L
Berkenlaan 8b, 1831 Diegem, BELGIUM
Chairman of the Board of Auditors
Company number: BE 0429.053.863
Number of membership with the Institute of Auditors: B00025

Represented by G. Verstraeten
Berkenlaan 8b, 1831 Diegem, BELGIUM
Auditor
Number of membership with the Institute of Auditors: A01481

LESAGE Romain, Councillor Auditor's Office
Tervuursesteenweg 465, 1982 Elewijt, BELGIUM
Auditor

RION Pierre , Councillor Auditor's Office
Rue Nestor Bouillon 41A, 5377 Sinsin, BELGIUM
Auditor

CALLAERT Luc S.C. s.f.d. S.P.R.L.U
Zwaluwstraat 117, 1840 Londerzeel, BELGIUM
Auditor
Company number: BE 0463.716.022
Number of membership with the Institute of Auditors: B00342

Represented by L. Callaert
Zwaluwstraat 117, 1840 Londerzeel, BELGIUM
Auditor
Number of membership with the Institute of Auditors: A01123

DECLARATION ABOUT SUPPLEMENTARY AUDITING OR ADJUSTMENT MISSION

The managing board declares that the assignment neither regarding auditing nor adjusting has been given to a person who was not authorised by law pursuant to art. 34 and 37 of the Law of 22nd April 1999 concerning the auditing and tax professions.

The annual accounts ~~have~~/ have not * been audited or adjusted by an external accountant or auditor who is not a statutory auditor.

If YES, mention here after: name, first names, profession, residence-address of each external accountant or auditor, the number of membership with the professional Institute ad hoc and the nature of this engagement:

A. Bookkeeping of the undertaking**,
B. Preparing the annual accounts**,
C. Auditing the annual accounts and/or
D. Adjusting the annual accounts.

If the assignment mentioned either under A or B is performed by authorised accountants or authorised accountants-tax consultants, information will be given on: name, first names, profession and residence-address of each authorised accountant or accountant-tax consultant, his number of membership with the Professional Institute of Accountants and Tax consultants and the nature of this engagement.

Name, first name, profession, residence-address	Number of membership	Nature of the engagement (A, B, C and/or D)

* Delete where appropriate.

** Optional disclosure.

BALANCE SHEET

	Notes	Codes	Period	Previous period
ASSETS				
FIXED ASSETS		20/28	15.443.436.954	15.671.582.170
Formation expenses	5.1	20		
Intangible fixed assets	5.2	21	3.871.508.746	4.185.027.895
Tangible fixed assets	5.3	22/27	2.343.037.079	2.194.686.425
Land and buildings		22	155.735.339	188.337.188
Plant, machinery and equipment		23	2.121.308.771	1.928.544.017
Furniture and vehicles		24	29.144.193	36.937.293
Leasing and other similar rights		25		
Other tangible fixed assets		26	36.848.776	40.867.927
Assets under construction and advance payments		27		
Financial fixed assets	5.4/ 5.5.1	28	9.228.891.129	9.291.867.850
Affiliated enterprises	5.14	280/1	9.221.730.963	9.279.679.222
Participating interests		280	9.221.730.963	9.279.679.222
Amounts receivable		281		
Other enterprises linked by participating interests	5.14	282/3	5.525.001	7.815.416
Participating interests		282	5.525.001	7.815.416
Amounts receivable		283		
Other financial assets		284/8	1.635.165	4.373.212
Shares		284		2.720.000
Amounts receivable and cash guarantees		285/8	1.635.165	1.653.212
CURRENT ASSETS		29/58	1.408.659.254	1.408.037.826
Amounts receivable after more than one year		29	584.204	1.256.585
Trade debtors		290		
Other amounts receivable		291	584.204	1.256.585
Stocks and contracts in progress		3	104.264.408	127.085.058
Stocks		30/36	88.018.766	105.422.898
Raw materials and consumables		30/31	41.677.267	40.704.618
Work in progress		32		
Finished goods		33		
Goods purchased for resale		34	46.341.499	64.718.280
Immovable property intended for sale		35		
Advance payments		36		
Contracts in progress		37	16.245.642	21.662.160
Amounts receivable within one year		40/41	741.046.483	792.655.077
Trade debtors		40	694.564.936	773.721.469
Other amounts receivable		41	46.481.547	18.933.608
Current investments	5.5.1/ 5.6	50/53	481.245.842	434.677.191
Own shares		50	464.758.146	418.454.914
Other investments and deposits		51/53	16.487.696	16.222.277
Cash at bank and in hand		54/58	40.789.645	7.919.998
Deferred charges and accrued income	5.6	490/1	40.728.672	44.443.917
TOTAL ASSETS		20/58	16.852.096.208	17.079.619.996

EQUITY AND LIABILITIES	Notes	Codes	Period	Previous period
EQUITY		10/15	1.965.218.580	1.763.440.033
Capital	5.7	10	1.000.000.000	1.000.000.000
Issued capital		100	1.000.000.000	1.000.000.000
Uncalled capital		101		
Share premium account		11		
Revaluation surpluses		12		
Reserves		13	744.987.398	762.988.580
Legal reserve		130	100.000.000	100.000.000
Reserves not available		131	486.793.783	457.895.759
In respect of own shares held		1310	464.758.146	418.454.915
Other		1311	22.035.637	39.440.844
Untaxed reserves		132	11.093.108	11.689.082
Available reserves		133	147.100.507	193.403.739
Accumulated profits (losses) (+)/(-)		14	220.214.627	
Investment grants		15	16.555	451.453
Advance to associates on the sharing out of the assets		19		
PROVISIONS AND DEFERRED TAXES		16	564.619.565	605.713.036
Provisions for liabilities and charges		160/5	561.260.328	601.812.128
Pensions and similar obligations		160	5.557	19.500
Taxation		161		
Major repairs and maintenance		162		
Other liabilities and charges	5.8	163/5	561.254.771	601.792.628
Deferred taxes		168	3.359.237	3.900.908
AMOUNTS PAYABLE		17/49	14.322.258.063	14.710.466.927
Amounts payable after more than one year	5.9	17	10.398.589.769	8.032.604.233
Financial debts		170/4	10.256.848.152	7.898.671.135
Subordinated loans		170		
Unsubordinated debentures		171	2.360.693.350	1.902.516.333
Leasing and other similar obligations		172		
Credit institutions		173	7.896.154.802	5.996.154.802
Other loans		174		
Trade debts		175	141.741.617	133.933.098
Suppliers		1750	141.741.617	133.933.098
Bills of exchange payable		1751		
Advances received on contracts in progress		176		
Other amounts payable		178/9		
Amounts payable within one year		42/48	3.770.983.918	6.485.370.609
Current portion of amounts payable after more than one year falling due within one year	5.9	42	205.198.415	2.432.969.750
Financial debts		43	2.205.516.205	2.508.155.710
Credit institutions		430/8	2.205.516.205	2.193.798.979
Other loans		439		314.356.731
Trade debts		44	658.496.173	597.860.579
Suppliers		440/4	658.496.173	597.860.579
Bills of exchange payable		441		
Advances received on contracts in progress		46	8.664.326	15.757.869
Taxes, remuneration and social security	5.9	45	320.272.616	344.960.683
Taxes		450/3	136.357.850	159.405.419
Remuneration and social security		454/9	183.914.766	185.555.264
Other amounts payable		47/48	372.836.183	585.666.018
Accrued charges and deferred income	5.9	492/3	152.684.376	192.492.085
TOTAL LIABILITIES		10/49	16.852.096.208	17.079.619.996

INCOME STATEMENT

	Notes	Codes	Period	Previous period
Operating income		70/74	4.387.801.378	4.396.096.012
Turnover	5.10	70	3.964.134.311	3.986.219.563
Increase (decrease) in stocks of finished goods, work and contracts in progress (+)/(-)		71	-5.416.519	1.837.760
Own construction capitalised		72	370.183.052	343.265.157
Other operating income	5.10	74	58.900.534	64.773.532
Operating charges		60/64	3.968.691.294	3.869.462.536
Raw materials, consumables		60	550.564.546	480.727.061
Purchases		600/8	531.577.145	505.400.685
Decrease (increase) in stocks (+)/(-)		609	18.987.401	-24.673.624
Services and other goods		61	1.439.093.231	1.410.141.206
Remuneration, social security costs and pensions (+)/(-)	5.10	62	934.798.862	955.944.356
Depreciation of and amounts written off formation expenses, intangible and tangible fixed assets		630	1.007.189.437	961.543.713
Amounts written down stocks, contracts in progress and trade debtors - Appropriations (write-backs) (+)/(-)		631/4	-2.473.419	-5.735.412
Provisions for risks and charges - Appropriations (uses and write-backs) (+)/(-)	5.10	635/7	-18.048.877	13.451.585
Other operating charges	5.10	640/8	57.567.514	53.390.027
Operation charges carried to assets as restructuring costs (-)		649		
Operating profit (loss) (+)/(-)		9901	419.110.084	526.633.476
Financial income		75	76.207.683	60.476.651
Income from financial fixed assets		750	44.786.986	51.271.257
Income from current assets		751	21.658.656	1.340.491
Other financial income	5.11	752/9	9.762.041	7.864.903
Financial charges	5.11	65	317.861.402	434.820.749
Debt charges		650	401.607.139	404.099.291
Amounts written down on current assets except stocks, contracts in progress and trade debtors (+)/(-)		651	-103.038.608	7.625.828
Other financial charges		652/9	19.292.871	23.095.630
Gain (loss) on ordinary activities before taxes (+)/(-)		9902	177.456.365	152.289.378

		Codes	Period	Previous period
Extraordinary income		76	807.679.430	745.127.329
Write-back of depreciation and of amounts written down intangible and tangible fixed assets		760		
Write-back of amounts written down financial fixed assets		761	96.833.203	10.402.166
Write-back of provisions for extraordinary liabilities and charges		762		
Gains on disposal of fixed assets		763	685.110.076	734.619.111
Other extraordinary income		764/9	25.736.151	106.052
Extraordinary charges		66	147.766.181	85.161.842
Extraordinary depreciation of and extraordinary amounts written off formation expenses, intangible and tangible fixed assets		660		
Amounts written down financial fixed assets		661	9.685.416	76.475.460
Provisions for extraordinary liabilities and charges - Appropriations (uses) (+)/(-)		662	-22.502.923	-96.457.716
Loss on disposal of fixed assets		663	90.281.169	7.850.167
Other extraordinary charges	5.11	664/8	70.302.519	97.293.931
Extraordinary charges carried to assets as restructuring costs (-)		669		
Profit (loss) for the period before taxes (+)/(-)		9903	837.369.614	812.254.865
Transfer from postponed taxes		780	541.671	388.887
Transfer to postponed taxes		680		
Income taxes	5.12	67/77	91.380.192	103.122.460
Income taxes		670/3	99.688.715	115.623.060
Adjustment of income taxes and write-back of tax provisions		77	8.308.523	12.500.600
Profit (loss) for the period (+)/(-)		9904	746.531.093	709.521.292
Transfer from untaxed reserves		789	661.449	617.049
Transfer to untaxed reserves		689	65.475	80.054
Profit (loss) for the period available for appropriation (+)/(-)		9905	747.127.067	710.058.287

APPROPRIATION ACCOUNT

	Codes	Period	Previous period
Profit (loss) to be appropriated ....(+)/(-)	9906	747.127.067	710.058.287
Gain (loss) to be appropriated ....(+)/(-)	(9905)	747.127.067	710.058.287
Profit (loss) to be carried forward ....(+)/(-)	14P		
Transfers from capital and reserves	791/2	20.607.495	41.821.343
from capital and share premium account	791		
from reserves	792	20.607.495	41.821.343
Transfers to capital and reserves	691/2	3.202.287	9.062.990
to capital and share premium account	691		
to the legal reserve	6920		
to other reserves	6921	3.202.287	9.062.990
Profit (loss) to be carried forward ....(+)/(-)	(14)	220.214.627	
Owner's contribution in respect of losses	794		
Profit to be distributed	694/6	544.317.648	742.816.640
Dividends	694	502.449.167	702.203.897
Director's or manager's entitlements	695		
Other beneficiaries	696	41.868.481	40.612.743

	Codes	Period	Previous period
CONCESSIONS, PATENTS, LICENCES, KNOWHOW, BRANDS AND SIMILAR RIGHTS			
Acquisition value at the end of the period	8052P	xxxxxxxxxxxxxxx	2.248.028.724
Movements during the period			
Acquisitions, including produced fixed assets	8022	251.509.288	
Sales and disposals	8032	55.122.850	
Transfers from one heading to another (+)/(-)	8042	98.612	
Acquisition value at the end of the period	8052	2.444.513.774	
Depreciation and amounts written down at the end of the period	8122P	xxxxxxxxxxxxxxx	1.573.997.260
Movements during the period			
Recorded	8072	237.781.154	
Written back	8082		
Acquisitions from third parties	8092		
Cancelled owing to sales and disposals	8102	55.122.850	
Transfers from one heading to another (+)/(-)	8112	26.745	
Depreciation and amounts written down at the end of the period	8122	1.756.682.309	
NET BOOK VALUE AT THE END OF THE PERIOD	211	687.831.465	

	Codes	Period	Previous period
GOODWILL			
Acquisition value at the end of the period	8053P	xxxxxxxxxxxxxxx	4.935.450.048
Movements during the period			
Acquisitions, including produced fixed assets	8023		
Sales and disposals	8033		
Transfers from one heading to another (+)/(-)	8043		
Acquisition value at the end of the period	8053	4.935.450.048	
Depreciation and amounts written down at the end of the period	8123P	xxxxxxxxxxxxxxx	1.424.453.618
Movements during the period			
Recorded	8073	327.319.149	
Written back	8083		
Acquisitions from third parties	8093		
Cancelled owing to sales and disposals	8103		
Transfers from one heading to another (+)/(-)	8113		
Depreciation and amounts written down at the end of the period	8123	1.751.772.767	
NET BOOK VALUE AT THE END OF THE PERIOD	212	3.183.677.281	

STATEMENT OF TANGIBLE FIXED ASSETS

	Codes	Period	Previous period
LAND AND BUILDINGS			
Acquisition value at the end of the period	8191P	xxxxxxxxxxxxxxx	434.591.672
Movements during the period			
Acquisitions, including produced fixed assets	8161	3.512.695	
Sales and disposals	8171	69.478.985	
Transfers from one heading to another (+)/(-)	8181	12.398	
Acquisition value at the end of the period	8191	368.637.780	
Revaluation surpluses at the end of the period	8251P	xxxxxxxxxxxxxxx	
Movements during the period			
Recorded	8211		
Acquisitions from third parties	8221		
Cancelled	8231		
Transfers from one heading to another (+)/(-)	8241		
Revaluation surpluses at the end of the period	8251		
Depreciation and amounts written down at the end of the period	8321P	xxxxxxxxxxxxxxx	246.254.485
Movements during the period			
Recorded	8271	15.170.758	
Written back	8281		
Acquisitions from third parties	8291		
Cancelled owing to sales and disposals	8301	48.522.872	
Transfers from one heading to another (+)/(-)	8311	70	
Depreciation and amounts written down at the end of the period	8321	212.902.441	
NET BOOK VALUE AT THE END OF THE PERIOD	(22)	155.735.339	

	Codes	Period	Previous period
PLANT, MACHINERY AND EQUIPMENT			
Acquisition value at the end of the period	8192P	xxxxxxxxxxxxxxx	10.586.223.480
Movements during the period			
Acquisitions, including produced fixed assets	8162	594.067.926	
Sales and disposals	8172	170.167.666	
Transfers from one heading to another (+)/(-)	8182	-90.007	
Acquisition value at the end of the period	8192	11.010.033.733	
Revaluation surpluses at the end of the period	8252P	xxxxxxxxxxxxxxx	
Movements during the period			
Recorded	8212		
Acquisitions from third parties	8222		
Cancelled	8232		
Transfers from one heading to another (+)/(-)	8242		
Revaluation surpluses at the end of the period	8252		
Depreciation and amounts written down at the end of the period	8322P	xxxxxxxxxxxxxxx	8.657.679.463
Movements during the period			
Recorded	8272	401.243.181	
Written back	8282		
Acquisitions from third parties	8292		
Cancelled owing to sales and disposals	8302	170.181.602	
Transfers from one heading to another (+)/(-)	8312	-16.080	
Depreciation and amounts written down at the end of the period	8322	8.888.724.962	
NET BOOK VALUE AT THE END OF THE PERIOD	(23)	2.121.308.771	

	Codes	Period	Previous period
FURNITURE AND VEHICLES			
Acquisition value at the end of the period	8193P	xxxxxxxxxxxxxxx	121.091.593
Movements during the period			
Acquisitions, including produced fixed assets	8163	3.573.597	
Sales and disposals	8173	7.128.947	
Transfers from one heading to another (+)/(-)	8183		
Acquisition value at the end of the period	8193	117.536.243	
Revaluation surpluses at the end of the period	8253P	xxxxxxxxxxxxxxx	
Movements during the period			
Recorded	8213		
Acquisitions from third parties	8223		
Cancelled	8233		
Transfers from one heading to another (+)/(-)	8243		
Revaluation surpluses at the end of the period	8253		
Depreciation and amounts written down at the end of the period	8323P	xxxxxxxxxxxxxxx	84.154.300
Movements during the period			
Recorded	8273	11.201.971	
Written back	8283		
Acquisitions from third parties	8293		
Cancelled owing to sales and disposals	8303	6.964.221	
Transfers from one heading to another (+)/(-)	8313		
Depreciation and amounts written down at the end of the period	8323	88.392.050	
NET BOOK VALUE AT THE END OF THE PERIOD	(24)	29.144.193	

OTHER TANGIBLE FIXED ASSETS

	Codes	Period	Previous period
Acquisition value at the end of the period	8195P	xxxxxxxxxxxxxxx	254.807.586
Movements during the period			
Acquisitions, including produced fixed assets	8165	10.524.750	
Sales and disposals	8175	12.017.053	
Transfers from one heading to another (+)/(-)	8185	-21.002	
Acquisition value at the end of the period	8195	253.294.281	
Revaluation surpluses at the end of the period	8255P	xxxxxxxxxxxxxxx	
Movements during the period			
Recorded	8215		
Acquisitions from third parties	8225		
Cancelled	8235		
Transfers from one heading to another (+)/(-)	8245		
Revaluation surpluses at the end of the period	8255		
Depreciation and amounts written down at the end of the period	8325P	xxxxxxxxxxxxxxx	213.939.659
Movements during the period			
Recorded	8275	14.473.223	
Written back	8285		
Acquisitions from third parties	8295		
Cancelled owing to sales and disposals	8305	11.956.643	
Transfers from one heading to another (+)/(-)	8315	-10.734	
Depreciation and amounts written down at the end of the period	8325	216.445.505	
NET BOOK VALUE AT THE END OF THE PERIOD	(26)	36.848.776	

STATEMENT OF FINANCIAL FIXED ASSETS

	Codes	Period	Previous period
AFFILIATED ENTERPRISES - PARTICIPATING INTERESTS AND SHARES			
Acquisition value at the end of the period	8391P	xxxxxxxxxxxxxxx	9.454.142.274
Movements during the period			
Acquisitions, including produced fixed assets	8361	1.748.890.568	
Sales and disposals	8371	1.861.345.647	
Transfers from one heading to another (+)/(-)	8381		
Acquisition value at the end of the period	8391	9.341.687.195	
Revaluation surpluses at the end of the period	8451P	xxxxxxxxxxxxxxx	
Movements during the period			
Recorded	8411		
Acquisitions from third parties	8421		
Cancelled	8431		
Transfers from one heading to another (+)/(-)	8441		
Revaluation surpluses at the end of the period	8451		
Amounts written down at the end of the period	8521P	xxxxxxxxxxxxxxx	174.463.052
Movements during the period			
Recorded	8471	5.500.000	
Written back	8481	73.466.972	
Acquisitions from third parties	8491		
Cancelled owing to sales and disposals	8501		
Transfers from one heading to another (+)/(-)	8511		
Amounts written down at the end of the period	8521	106.496.080	
Uncalled amounts at the end of the period	8551P	xxxxxxxxxxxxxxx	
Movements during the period (+)/(-)	8541	13.460.152	
Uncalled amounts at the end of the period	8551	13.460.152	
NET BOOK VALUE AT THE END OF THE PERIOD	(280)	9.221.730.963	
AFFILIATED ENTERPRISES - AMOUNTS RECEIVABLE			
NET BOOK VALUE AT THE END OF THE PERIOD	281P	xxxxxxxxxxxxxxx	
Movements during the period			
Additions	8581		
Repayments	8591		
Amounts written down	8601		
Amounts written back	8611		
Exchange differences (+)/(-)	8621		
Other (+)/(-)	8631		
NET BOOK VALUE AT THE END OF THE PERIOD	(281)		
ACCUMULATED AMOUNTS WRITTEN OFF ON AMOUNTS RECEIVABLE AT THE END OF THE PERIOD	8651		

	Codes	Period	Previous period
OTHER ENTERPRISES LINKED BY PARTICIPATING INTERESTS - PARTICIPATING INTERESTS AND SHARES			
Acquisition value at the end of the period	8392P	xxxxxxxxxxxxxxx	11.900.876
Movements during the period			
Acquisitions, including produced fixed assets	8362	1	
Sales and disposals	8372	825.000	
Transfers from one heading to another (+)/(-)	8382		
Acquisition value at the end of the period	8392	11.075.877	
Revaluation surpluses at the end of the period	8452P	xxxxxxxxxxxxxxx	
Movements during the period			
Recorded	8412		
Acquisitions from third parties	8422		
Cancelled	8432		
Transfers from one heading to another (+)/(-)	8442		
Revaluation surpluses at the end of the period	8452		
Amounts written down et the end of the period	8522P	xxxxxxxxxxxxxxx	4.085.460
Movements during the period			
Recorded	8472	1.465.416	
Written back	8482		
Acquisitions from third parties	8492		
Cancelled owing to sales and disposals	8502		
Transfers from one heading to another (+)/(-)	8512		
Amounts written down at the end of the period	8522	5.550.876	
Uncalled amounts at the end of the period	8552P	xxxxxxxxxxxxxxx	
Movements during the period (+)/(-)	8542		
Uncalled amounts at the end of the period	8552		
NET BOOK VALUE AT THE END OF THE PERIOD	(282)	5.525.001	
OTHER ENTERPRISES LINKED BY PARTICIPATING INTERESTS - AMOUNTS RECEIVABLE			
NET BOOK VALUE AT THE END OF THE PERIOD	283P	xxxxxxxxxxxxxxx	
Movements during the period			
Additions	8582		
Repayments	8592		
Amounts written down	8602		
Amounts written back	8612		
Exchange differences (+)/(-)	8622		
Other (+)/(-)	8632		
NET BOOK VALUE AT THE END OF THE PERIOD	(283)		
ACCUMULATED AMOUNTS WRITTEN OFF ON AMOUNTS RECEIVABLE AT THE END OF THE PERIOD	8652		

	Codes	Period	Previous period
OTHER ENTERPRISES - PARTICIPATING INTERESTS AND SHARES			
Acquisition value at the end of the period	8393P	xxxxxxxxxxxxxxx	28.366.231
Movements during the period			
Acquisitions, including produced fixed assets	8363		
Sales and disposals	8373	23.366.231	
Transfers from one heading to another (+)/(-)	8383		
Acquisition value at the end of the period	8393	5.000.000	
Revaluation surpluses at the end of the period	8453P	xxxxxxxxxxxxxxx	
Movements during the period			
Recorded	8413		
Acquisitions from third parties	8423		
Cancelled	8433		
Transfers from one heading to another (+)/(-)	8443		
Revaluation surpluses at the end of the period	8453		
Amounts written down at the end of the period	8523P	xxxxxxxxxxxxxxx	25.646.231
Movements during the period			
Recorded	8473	2.720.000	
Written back	8483	23.366.231	
Acquisitions from third parties	8493		
Cancelled owing to sales and disposals	8503		
Transfers from one heading to another (+)/(-)	8513		
Amounts written down at the end of the period	8523	5.000.000	
Uncalled amounts at the end of the period	8553P	xxxxxxxxxxxxxxx	
Movements during the period (+)/(-)	8543		
Uncalled amounts at the end of the period	8553		
NET BOOK VALUE AT THE END OF THE PERIOD	(284)		
OTHER ENTERPRISES - AMOUNTS RECEIVABLE			
NET BOOK VALUE AT THE END OF THE PERIOD	285/8P	xxxxxxxxxxxxxxx	1.653.212
Movements during the period			
Additions	8583	159.466	
Repayments	8593	177.513	
Amounts written down	8603		
Amounts written back	8613		
Exchange differences (+)/(-)	8623		
Other (+)/(-)	8633		
NET BOOK VALUE AT THE END OF THE PERIOD	(285/8)	1.635.165	
ACCUMULATED AMOUNTS WRITTEN OFF ON AMOUNTS RECEIVABLE AT THE END OF THE PERIOD	8653		

INFORMATION RELATING TO THE SHARE IN THE CAPITAL

SHARE IN THE CAPITAL AND OTHER RIGHTS IN OTHER COMPANIES

List of both enterprises in wich the enterprise holds a participating interest (recorded in the heading 28 of assets) and other enterprises in which the enterprise holds rights (recorded in the headings 28 and 50/53 of assets) in the amount of at least 10% of the capital issued.

NAME, full address of the REGISTERED OFFICE and for the enterprise governed by Belgian law, the COMPANY NUMBER	Shares held by			Information from the most recent period for which annual accounts are available			
	directly		subsi-diaries	Primary financial statement	Mone-tary unit	Capital and reserves	Net result
	Number	%	%			(+) or (-) (in monetary units)	
Connectimmo S.A. Boulevard du Roi Albert II 27 1030 Brussel 3 Belgium 0477.931.965	4865300	100,00	0,00	31/12/2013	EUR	659.158.322	38.632.429
Belgacom Opal S.A. Boulevard du Roi Albert II 27 1030 Brussel 3 Belgium 0861.585.672	620	100,00	0,00	31/12/2013	EUR	64.755	3
Tango S.A. Rue de Luxembourg 177 8077 Bertrange Luxembourg	84809204	100,00	0,00	31/12/2013	EUR	7.796.263.000	25.515.000
Belgacom International Carrier Services S.A. Rue J. Lebeau 4 1000 Brussel 1 Belgium 0866.977.981	548640	57,60	0,00	31/12/2013	EUR	137.541.863	77.210.172
Allô Bottin SRL (in liquidatie/en liquidation/in liquidation) Rue Jean Jaurès 101 , box 109 92300 Levallois-Perret France	100000	50,00	0,00	31/12/2007	EUR	-1.682.700	0
Mobile-For S.A. Boulevard du Roi Albert II 27 1030 Brussel 3 Belgium 0881.959.533	2000	100,00	0,00	31/12/2013	EUR	734.938	201.275
Jinni Media Ltd Hatamar Street 2 Yehud Israel 51-392455-5	30945	10,00	0,00	31/12/2012	ILS	8.315.000	-1.746.000

INFORMATION RELATING TO THE SHARE IN THE CAPITAL

SHARE IN THE CAPITAL AND OTHER RIGHTS IN OTHER COMPANIES

NAME, full address of the REGISTERED OFFICE and for the enterprise governed by Belgian law, the COMPANY NUMBER	Shares held by			Information from the most recent period for which annual accounts are available			
	directly		subsidiaries	Primary financial statement	Monetary unit	Capital and reserves	Net result
	Number	%	%			(+) or (-) (in monetary units)	
Belgacom Bridging ICT S.A. Boulevard du Roi Albert II 27 1030 Schaarbeek Belgium 0826.942.915	4340	100,00	0,00	31/12/2013	EUR	-2.830.629	-4.554.190
e-port communications systems N.V. Slijkensesteenweg 2 8400 Oostende Belgium 0864.818.940	1000	50,00	0,00	31/12/2013	EUR	2.509.647	-192.516
Wireless Technologie N.V. Stationstraat 34 1702 Groot-Bijgaarden Belgium 0464.030.479	7558202	100,00	0,00	31/12/2013	EUR	1.888.070	-10.745.409
Telindus S.A. Route d'Arlon 81-83 8009 Strassen Luxembourg	129400	64,70	0,00	31/12/2013	EUR	11.927.977	281.100
Telindus LTD Centurion, Riverside Way, Watchmoor Park GU13 3Y Camberley, Surrey United Kingdom	3212635	100,00	0,00	31/12/2013	GBP	-5.171.000	-5.808.000
Telindus-Isit B.V. Krommewetering 7 3543 AP Utrecht Netherlands	71129	100,00	0,00	30/06/2012	EUR	-10.222.000	-15.181.000
Awingu N.V. Antwerpsesteenweg 19 9080 Lochristi Belgium 0835.566.215	516403	17,30	0,00	31/12/2013	EUR	-1.370.809	-5.018.800
Belgian Mobile Wallet S.A. Place Sainte Gudule 5 1000 Brussel 1 Belgium 0541.659.084					EUR	0	0

INFORMATION RELATING TO THE SHARE IN THE CAPITAL

SHARE IN THE CAPITAL AND OTHER RIGHTS IN OTHER COMPANIES

NAME, full address of the REGISTERED OFFICE and for the enterprise governed by Belgian law, the COMPANY NUMBER	Shares held by			Information from the most recent period for which annual accounts are available			
	directly		subsidiaries	Primary financial statement	Monetary unit	Capital and reserves	Net result
	Number	%	%			(+) or (-) (in monetary units)	
	4675	33,18	0,00				
Belgacom ICT-Expert Community C.V.B.A. Ferdinand Allenstraat 38 3290 Diest Belgium 0841.396.905				31/12/2013	EUR	116.728	75.603
	1	0,68	83,22				
Skynet Imotion Activities S.A. Rue Carli 2 1140 Brussel 14 Belgium 0875.092.626				31/12/2013	EUR	33.768.618	2.250.050
	19999	100,00	0,00				
Scarlet Belgium s.A. Rue Carli 2 1140 Brussel 14 Belgium 0447.976.484				31/12/2013	EUR	2.591.600	-5.448.442
	850343	100,00	0,00				
Scarlet Business S.A. Rue Carli 2 1140 Brussel 14 Belgium 0463.079.780				31/12/2013	EUR	4.650.529	-205.825
	1000	100,00	0,00				

OTHER INVESTMENTS AND DEPOSIT, DEFFERED CHARGES AND ACCRUED INCOME (ASSETS)

	Codes	Period	Previous period
INVESTMENTS: OTHER INVESTMENTS AND DEPOSITS			
Shares	51		
Book value increased with the uncalled amount	8681		
Uncalled amount	8682		
Fixed income securities	52		
Fixed income securities issued by credit institutions	8684		
Fixed term deposit with credit institutions	53	16.487.696	16.222.277
Falling due			
less or up to one month	8686	12.247.696	10.619.475
between one month and one year	8687		44.802
over one year	8688	4.240.000	5.558.000
Other investments not yet shown seperately	8689		

	Period
DEFFERED CHARGES AND ACCRUED INCOME	
Allocation of heading 490/1 of assets if the amount is significant.	
Deferred cost - services and other goods	23.620.027
Deferred financial costs	3.661.539
Accrued income	180.812
Deferred cost of sales	13.266.294

Nr.	0202.239.951		C. 5.7

STATEMENT OF CAPITAL AND STRUCTURE OF SHAREHOLDINGS

STATEMENT OF CAPITAL

Social capital

	Codes	Period	Previous period
Issued capital at the end of the period	100P	XXXXXXXXXXXXXX	1.000.000.000
Issued capital at the end of the period	(100)	1.000.000.000	

	Codes	Amounts	Number of shares
Changes during the period:			
Structure of the capital			
Different categories of shares			
Bearer shares w/o specification of nominal value		417.510.219	141.128.948
Registered shares		582.489.781	196.896.187
Registered shares	8702	XXXXXXXXXXXXXX	196.896.187
Bearer shares and/or dematerialized shares	8703	XXXXXXXXXXXXXX	141.128.948

	Codes	Uncalled capital	Capital called, but not paid
Capital not paid			
Uncalled capital	(101)		XXXXXXXXXXXXXX
Capital called, but not paid	8712	XXXXXXXXXXXXXX	
Shareholders having yet to pay up in full			

	Codes	Period
OWN SHARES		
Held by the company itself		
Amount of capital held	8721	49.684.288
Number of shares held	8722	16.794.538
Held by the subsidiaries		
Amount of capital held	8731	
Number of shares held	8732	
Commitments to issue shares		
Following the exercising of CONVERSION RIGHTS		
Amount of outstanding convertible loans	8740	
Amount of capital to be subscribed	8741	
Corresponding maximum number of shares to be issued	8742	
Following the exercising of SUBSCRIPTION RIGHTS		
Number of outstanding subscription rights	8745	
Amount of capital to be subscribed	8746	
Corresponding maximum number of shares to be issued	8747	
Authorized capital, not issued	8751	200.000.000

STATEMENT OF CAPITAL AND STRUCTURE OF SHAREHOLDINGS

	Codes	Period
Shared issued, not representing capital		
Distribution		
Number of shares held	8761	
Number of voting rights attached thereto	8762	
Allocation by shareholder		
Number of shares held by the company itself	8771	
Number of shares held by its subsidairies	8781	

STRUCTURE OF SHAREHOLDINGS OF THE ENTERPRISE AS AT THE ANNUAL BALANCING OF THE BOOKS, AS IT APPEARS FROM THE STATEMENT RECEIVED BY THE ENTERPRISE

The Belgian State holds 180.887.569 shares and Belgacom S.A. de droit public/N.V. van publiek recht 16.794.538 shares on a total of 338.025.135 shares.

Additional information:
The Company may acquire its own shares and transfer the shares thus acquired in accordance with the provisions of the Commercial Companies Code. The Board of Directors is empowered by article 13 of the Articles of Association to acquire the maximum number of own shares permitted by law. The price paid for these shares must not be more than five percent above the highest closing price in the thirty-day trading period preceding the transaction nor more than ten percent below the lowest closing price in that same thirty-day period. Said authorization is granted for a period of five years starting on 16 April 2014.

PROVISIONS FOR OTHER LIABILITIES AND CHARGES

ALLOCATION OF THE HEADING 163/5 OF LIABILITIES IF THE AMOUNT IS CONSIDERABLE	Period
Social advantages for personnel and retirees	422.802.996
Tutorship program	50.975.550
Pending litigations	22.973.838
Annuity due to industrial accidents	36.925.000
Capital increase (affiliates)	21.000.000
Other	6.577.388

STATEMENT OF AMOUNTS PAYABLE, ACCRUED CHARGES AND DEFERRED INCOME

ANALYSIS BY CURRENT PORTIONS OF AMOUNTS INITIALLY PAYABLE AFTER MORE THAN ONE YEAR

	Codes	Period
Amounts payable after more than one year, not more than one year		
Financial debts	8801	144.678.192
Subordinated loans	8811	
Unsubordinated debentures	8821	144.678.192
Leasing and other similar obligations	8831	
Credit institutions	8841	
Other loans	8851	
Trade debts	8861	60.520.223
Suppliers	8871	60.520.223
Bills of exchange payable	8881	
Advance payments received on contracts in progress	8891	
Other amounts payable	8901	
Total amounts payable after more than one year, not more than one year	(42)	205.198.415
Amounts payable after more than one year, between one and five years		
Financial debts	8802	5.536.205.603
Subordinated loans	8812	
Unsubordinated debentures	8822	1.440.050.801
Leasing and other similar obligations	8832	
Credit institutions	8842	4.096.154.802
Other loans	8852	
Trade debts	8862	63.648.896
Suppliers	8872	63.648.896
Bills of exchange payable	8882	
Advance payments received on contracts in progress	8892	
Other amounts payable	8902	
Total amounts payable after more than one year, between one and five years	8912	5.599.854.499
Amounts payable after more than one year, over five years		
Financial debts	8803	4.720.642.549
Subordinated loans	8813	
Unsubordinated debentures	8823	920.642.549
Leasing and other similar obligations	8833	
Credit institutions	8843	3.800.000.000
Other loans	8853	
Trade debts	8863	78.092.721
Suppliers	8873	78.092.721
Bills of exchange payable	8883	
Advance payments received on contracts in progress	8893	
Other amounts payable	8903	
Total amounts payable after more than one year, over five years	8913	4.798.735.270

	Codes	Period
AMOUNTS PAYABLE GUARANTEED *(headings 17 and 42/48 of liabilities)*		
Amounts payable guaranteed by Belgian public authorities		
Financial debts	8921	
Subordinated loans	8931	
Unsubordinated debentures	8941	
Leasing and other similar obligations	8951	
Credit institutions	8961	
Other loans	8971	
Trade debts	8981	
Suppliers	8991	
Bills of exchange payable	9001	
Advance payments received on contracts in progress	9011	
Remuneration and social security	9021	
Other amounts payable	9051	
Total amounts payable guaranteed by Belgian public authorities	9061	
Amounts payable guaranteed by real guarantees given or irrevocably promised by the enterprise on its own assets		
Financial debts	8922	
Subordinated loans	8932	
Unsubordinated debentures	8942	
Leasing and other similar obligations	8952	
Credit institutions	8962	
Other loans	8972	
Trade debts	8982	
Suppliers	8992	
Bills of exchange payable	9002	
Advance payments received on contracts in progress	9012	
Taxes, remuneration and social security	9022	
Taxes	9032	
Remuneration and social security	9042	
Other amounts payable	9052	
Total amounts payable guaranteed by real guarantees given or irrevocably promised by the enterprise on its own assets	9062	
AMOUNTS PAYABLE FOR TAXES, REMUNERATION AND SOCIAL SECURITY		
Taxes *(heading 450/3 of the liabilities)*		
Expired taxes payable	9072	
Non expired taxes payable	9073	31.731.632
Estimated taxes payable	450	104.626.218
Remuneration and social security *(heading 454/9 of the liabilities)*		
Amount **due** to the National Office of Social Security	9076	
Other amounts payable relating to remuneration and social security	9077	183.914.766

ACCRUED CHARGES AND DEFERRED INCOME

	Period
Allocation of the heading 492/3 of liabilities if the amount is considerable	
Not yet expired interests on loans	71.935.288
Billed turnover for subsequent periods	80.408.941
Accrued charges	340.148

OPERATING RESULTS

	Codes	Period	Previous period
OPERATING INCOME			
Net turnover			
Broken down by categories of activity			
Fixed products		2.436.729.122	2.463.482.096
Mobile products		1.527.405.188	1.522.737.467
Allocation into geographical markets			
Other operating income			
Total amount of subsidies and compensatory amounts obtained from public authorities	740	35.463	53.640
OPERATING COSTS			
Employees for whom the company has submitted a DIMONA declaration or are recorded in the general personnel register			
Total number at the closing date	9086	13.724	14.007
Average number of employees calculated in full-time equivalents	9087	13.208,8	13.464,7
Number of actual worked hours	9088	19.572.909	20.065.877
Personnel costs			
Remuneration and direct social benefits	620	703.830.584	718.122.832
Employers' social security contributions	621	171.409.415	176.925.220
Employers' premiums for extra statutory insurances	622	36.520.988	38.288.062
Other personnel costs	623	23.024.807	22.561.295
Old-age and widows' pensions	624	13.068	46.947
Provisions for pensions			
Additions (uses and write-back) (+)/(-)	635	-13.943	-39.628
Amounts written off			
Stocks and contracts in progress			
Recorded	9110	5.991.491	8.581.670
Written back	9111	7.760.747	4.741.453
Trade debtors			
Recorded	9112	101.777.563	89.945.101
Written back	9113	102.481.726	99.520.730
Provisions for risks and charges			
Additions	9115	53.323.088	30.590.399
Uses and write-back	9116	71.371.965	17.138.814
Other operating charges			
Taxes related to operation	640	26.619.065	17.850.565
Other charges	641/8	30.948.449	35.539.462
Hired temporary staff and persons placed at the enterprise's disposal			
Total number at the closing date	9096	23	35
Average number calculated as full-time equivalents	9097	24,8	41,1
Number of actual worked hours	9098	36.695	61.249
Charges to the enterprise	617	1.357.362	2.116.584

FINANCIAL AND EXTRAORDINARY RESULTS

	Codes	Period	Previous period
FINANCIAL RESULTS			
Other financial income			
Amount of subsidies granted by public authorities, credited to income for the period			
Capital subsidies	9125	434.898	138.185
Interest subsidies	9126		
Allocation of other financial income			
Exchange gains		4.864.557	3.931.135
Interests from IRS		517.812	483.552
Other		2.544.788	3.269.534
Amounts written down off loan issue expenses and repayment premiums	6501		
Intercalary interests recorded as assets	6503		
Value adjustments to current assets			
Appropriations	6510		7.643.459
Write-backs	6511	103.038.608	17.631
Other financial charges			
Amount of the discount borne by the enterprise, as a result of negotiating amounts receivable	653		
Provisions of a financial nature			
Appropriations	6560		
Uses and write-backs	6561		
Allocation of other financial charges			
Exchange losses		2.768.937	4.004.539
Interests on IRS		8.920.800	8.920.800
Less value on realisation of own shares		4.111.096	5.494.127
Miscellaneous bankcosts		2.088.756	1.989.426
Other		1.403.281	2.686.738

	Period
EXTRAORDINARY RESULTS	
Allocation other extraordinary income	
Compensation mechanism statutary retirees	25.433.515
Sale of vehicles	226.330
Other	76.306
Allocation other extraordinary charges	
Real restructering cost (use of provision)	50.865.599
Real cost social advantages inactive personnel (use of provision)	16.190.965
Real cost industrial accidents inactive personnel (use of provision)	2.535.236
Other	710.718

INCOME TAXES AND OTHER TAXES

	Codes	Period
INCOME TAXE		
Income taxes on the result of the current period	9134	99.688.715
Income taxes paid and withholding taxes due or paid	9135	33.211.714
Excess of income tax prepayments and withholding taxes recorded under assets	9136	
Estimated additional taxes	9137	66.477.001
Income taxes on previous periods	9138	
Taxes and withholding taxes due or paid	9139	
Estimated additional taxes estimated or provided for	9140	
In so far as income taxes of the current period are materially affected by differences between the profit before taxes, as stated in the annual accounts, and the estimated taxable profit		
Profit sharing employees		-41.868.481
Changes in taxable reserves		-427.542.949
Disallowed expenses		18.315.443
Various tax deductions		-101.008.338

An indication of the effect of extraordinary results on the amount of income taxes relating to the current period

- Realized capital gains on shares: 685.110.076
- Write down and losses on shares: 71.988.243
- Reversal of write down on shares: - 96.833.203
- Provisions movement: - 6.102.710

	Codes	Period
Status of deferred taxes		
Deferred taxes representing assets	9141	474.847.519
Accumulated tax losses deductible from future taxable profits	9142	
Other deferred taxes representing assets		
Taxable provisions		446.495.163
Excess depreciation		22.846.501
Other		5.505.855
Deferred taxes representing liabilities	9144	
Allocation of deferred taxes representing liabilities		

	Codes	Period	Previous Period
THE TOTAL AMOUNT OF VALUE ADDED TAX AND TAXES BORNE BY THIRD PARTIES			
The total amount of value added tax charged			
To the enterprise (deductible)	9145	319.334.031	293.408.741
By the enterprise	9146	794.949.158	802.641.149
Amounts retained on behalf of third parties for			
Payroll withholding taxes	9147	207.242.000	215.497.859
Withholding taxes on investment income	9148	58.738.475	39.820.570

RIGHTS AND COMMITMENTS NOT REFLECTED IN THE BALANCE SHEET

	Code	Period
PERSONAL GUARANTEES GIVEN OR IRREVOCABLY PROMISED BY THE ENTERPRISE AS SECURITY FOR DEBTS AND COMMITMENTS OF THIRD PARTIES	9149	36.735.154
Of which		
Bills of exchange in circulation endorsed by the enterprise	9150	
Bills of exchange in circulation drawn or guaranteed by the enterprise	9151	
Maximum amount for which other debts or commitments of third parties are guaranteed by the enterprise	9153	36.472.154
REAL GUARANTEES		
Real guarantees given or irrevocably promised by the enterprise on its own assets as a security of debts and commitments from the enterprise		
Mortgages		
Book value of the immovable proporties mortgaged	9161	
Amount of registration	9171	
Pledging on goodwill - amount of registration	9181	
Pledging of other assets - Book value of other assets pledged	9191	
Guarantees provided on future assets - Amount of assets involved	9201	
Real guarantees given or irrevocably promised by the enterprise on its own assets as a security of debts and commitments from third parties		
Mortgages		
Book value of the immovable proporties mortgaged	9162	
Amount of registration	9172	
Pledging on goodwill - amount of registration	9182	
Pledging of other assets - Book value of other assets pledged	9192	
Guarantees provided on future assets - Amount of assets involved	9202	
GOODS AND VALUES, NOT DISCLOSED IN THE BALANCE SHEET, HELD BY THIRD PARTIES IN THEIR OWN NAME BUT AT RISK TO AND FOR THE BENEFIT OF THE ENTERPRISE		
SUBSTANCIAL COMMITMENTS TO ACQUIRE FIXED ASSETS		
Intangible, tangible and financial fixed assets		105.159.493
SUBSTANCIAL COMMITMENTS TO DISPOSE FIXED ASSETS		
FORWARD TRANSACTIONS		
Goods purchased (to be received)	9213	
Goods sold (to be delivered)	9214	
Currencies purchased (to be received)	9215	264.939.424
Currencies sold (to be delivered)	9216	264.939.424

INFORMATION RELATING TO TECHNICAL GUARANTEES, IN RESPECT OF SALES OR SERVICES

Belgacom gives technical guarantees to its clients. In most cases, these are covered by similar guarantees granted by the suppliers, there has been no dotation to the provisions for theses. For those that are not covered by the suppliers, provisions (included in the code 163/5) have been dotated.

INFORMATION CONCERNING IMPORTANT LITIGATION AND OTHER COMMITMENTS NOT MENTIONED ABOVE

RIGHTS AND COMMITMENTS NOT REFLECTED IN THE BALANCE SHEET

IF THEREIS A SUPPLEMENTARY RETIREMENTS OR SURVIVOR'S PENSION PLAN IN FAVOUR OF THE PERSONNEL OR THE EXECUTIVES OF THE ENTERPRISE, A BRIEF DESCRIPTION OF SUCH PLAN OF THE MEASURES TAKEN BY THE ENTERPRISE TO COVER THE RESULTING CHARGES

Within the scope of the policy for the management of the staff members, Belgacom S.A. de droit public/N.V. van publiek recht has provided a plan under the form of a "defined benefit plan" for complementary pensions (joint industrial committee of October 22nd, 1997). The employees of Belgacom S.A. de droit public/N.V. van publiek recht are also part of this complementary pension plan.

The rights of the participants of this plan are recognised as from January 1st, 1997. For the execution of these commitments and for the management of the assets that are gathered for this, a "Pensionfund Belgacom O.F.P." has been founded and recognised by R.D. of December 8th, 1998.

In 2006 the plan was amended with effect on January 1st, 2005 and in 2013 with effect on 01.04.2013. On the basis of an actuarial calculation according to the PUC- method (Project Unit Credit), based on a real discount rate of 0,25 % and the expected evolution of the salaries, the total amount of DBO (Defined Benefit Obligation) obligations to the staff members of Belgacom S.A. de droit public/N.V. van publiek recht amounts to 447,493,000 EUR on December 31st, 2014.

The amount of obligations of this fund (Belgacom S.A. de droit public/N.V. van publiek recht including some subsidiaries) amounts to 479,863,000 EUR on December 31st, 2014 (the obligation contains the taxes on the amount of the possible underfunding). The fund is funded on the basis of the annual periodic cost, also calculated according to the PUC-method. On December 31st, 2014 the total assets of this fund amount to 399,649,000 EUR.

The current members of the Executive Committee have a "Defined Benefit Plan".

	Code	Period
PENSIONS FUNDED BY THE ENTERPRISE		
Estimated amount of the commitments resulting for the enterprise from past services	9220	

Methods of estimation

NATURE AND BUSINESS PURPOSE OF OFF-BALANCE SHEET ARRANGEMENTS

Provided the risks or benefits arising from such arrangements are material and where the disclosure of such risks or benefits is necessary for assessing the financial position of the company; if required, the financial impact of these arrangements have to be mentioned too:

OTHER RIGHTS AND COMMITMENTS NOT REFLECTED IN THE BALANCE

OTHER RIGHTS AND COMMITMENTS NOT REFLECTED IN THE BALANCE SHEET:

Commitments:

Interest rate swaps (swap of variable into fixed rate)	144,000,000
Currency and Interest rate swaps (swap of fixed into variable rate)	217,192,996
Rent commitments	
buildings	337,793,119
sites	160,718,954
technical or network equipment	16,279,109
vehicles	55,025,698
Delivery of shares due to granted share options	37,338,073
Distribution of dividends due to granted share options	13,538,763

Received guarantees:

to cover Belgacom S.A. de droit public/N.V. van publiek recht	
from banks (bank guarantees)	39,771,182
to cover commitments from third parties towards Belgacom S.A. de droit public/N.V. van publiek recht	
from banks (bank guarantees)	14,481,363
on blocked bank accounts	153,684
as deposit at the "Caisse des Dépôts et Consignation"	121,723

Rights:

Credit line long term		650,000,000
Credit line short term		150,000,000
Credit line at Belgacom Group International Services S.A.		2.500.000.000
Right of emission of commercial papers		1,000,000,000
of which emitted	0	
Right of emission of Euro Medium Term Notes		2,500,000,000
of which emitted	2,300,000,000	
Interest rate swaps (swap of variable into fixed rate)		144,000,000
Currency and Interest rate swaps (swap of fixed into variable rate)		217,192,996

Some credit facilities are conditional to the respecting of certain debt ratios at group level.

Belgacom gives support letters to some of its affiliates. These letters provide assurance that the affiliates will be able to fulfil their financial obligations.

Belgacom often has, for the rented spaces where she installs network antennas, the obligation to hand over these spaces in their original state at the end of the rent agreement.

Universal Services

Belgacom has a right, established by Belgian legislation with respect to Universal Services, to ask for a compensation for offering Social Tariffs as from July 1st, 2005. This right was contested by some operators and the European Commission brought Belgium before the European Court for this Belgian legislation. Begin October 2010, the European Court has passed judgement and in January 2011, the Constitutional Court has annulled certain provisions of the Belgian law. On 29 June 2012 a new law was voted to comply with the European legislation. No results concerning the application of this new law are available at 31 December 2014. On 29 December 2013, the Constitutional Court has confirmed the possibility of the retroactivity of the financing since 2005. However, the I.B.P.T. still has to decide if there is a net cost and an unfair burden per operator. In May 2014, the I.B.P.T. started with an external consultant to analyse the costs of the social subscribers of Belgacom in view of the assessment of the possibility of an unfair burden. A draft decision is expected early 2015.

Tax on pylons

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.
Belgacom 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 fiscal year 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 amongst other the new decrees for fiscal year 2015, the implementation measures and the assessment notice for fiscal year 2014 amounting to EUR 13.2 Mio, Belgacom reviewed its position and recorded a liability per 31 December 2014.
Belgacom intends to further safeguard its legal rights and will not pay the tax as long as legal procedures are pending.

Compensation mechanism statutory retirees

On 31 December 2003, Belgacom transferred to the Belgian State its legal pension obligation for its statutory employees and their survivors, in exchange of a payment of EUR 5 Billion to the Belgian State. The transfer of the statutory pension liability to the Belgian State in 2003 was coupled with an increased employer social security contribution for civil servants as from 2004 and included an annual compensation mechanism to offset certain future increases or decreases in the Belgian State's obligations as a result of actions taken by Belgacom.
Belgacom does not anticipate this compensation mechanism to have a materially unfavourable impact for Belgacom.

V.A.T. unit

The company is member of a V.A.T.-unit, named BECIBEL, established on October 1, 2010 under the V.A.T. number BE0829.001.392. All members of the V.A.T.-unit are towards the State jointly liable for all V.A.T. debts, interest, penalties and costs which are due under the acts of the members of the V.A.T.-unit. In 2014, the members of this V.A.T.-unit BECIBEL were Belgacom S.A. under public law, Belgacom Group International Services S.A., Belgacom Bridging ICT S.A., ConnectImmo S.A., Mobile-For S.A., Belgacom ICT Expert Community Coop. and Wireless Technologies S.A..

INFORMATION CONCERNING IMPORTANT LITIGATIONS:

Since 2003, Belgacom considers some of the enrolments of real estate tax on buildings and telecom equipment as undue and therefore recognizes an asset against the tax authorities in the 'other receivables' caption of the balance sheet.

From time to time, Belgacom has been subject to legal, regulatory and tax proceedings and claims arising in the ordinary course of its business. Belgacom is currently involved in various judicial and regulatory proceedings, including those for which a provision has been made and those described below for which no or limited provisions have been accrued, in the jurisdictions in which it operates concerning matters arising in connection with the conduct of its business. These include also proceedings before the Belgian Institute for Postal services and Telecommunications ("BIPT"), appeals against decisions taken by the BIPT, and proceedings with the Belgian tax administrations with respect to real estate withholding taxes and corporate income taxes.

1.

After the launch on 1 June 2005 of the Happy Time tariff scheme by Belgacom, Tele2 filed a complaint with the Belgian Competition Authority i) alleging that said tariffs constitute an abuse of dominant position (27 June 2005) and ii) requesting interim measures, i.e. suspension of the Happy Time offer, pending the procedure (5 July 2005).
On 1 September 2006, Tele2's request for interim measures was initially rejected by the President of the Competition Council. Following an appeal by Tele2, the Court of Appeal, on 18 December 2007, annulled the aforementioned decision, arguing amongst other lack of reasoning.
However, Tele2 did not ask the President to adopt a new decision on its request for interim measures but (i) initiated on 18 April 2008 a damage claim before the Commercial Court based on an alleged abuse of dominance (the Happy Time plan) (claim for EUR 1 provisional and request for appointment of an expert to compute the precise damage) and (ii) requested the proceedings in front of the Competition Authority on the merits to be dealt with.
It is to be noted that given different reorganizations within the KPN Group (who bought in the meantime Tele2), KPN Belgium became the claimant in the aforementioned case.
On 29 November 2012, two decisions regarding Belgacom's Happy Time offer were adopted.

- Through a decision on the merits of the case, the Competition Council concluded that there are no grounds for actions against Belgacom for its Happy Time offer. This ruling follows the complaint lodged in 2005 by Tele2 arguing that such tariff amounted to a price squeeze. After having performed four different margin squeeze tests for the period 2005-2008, the Competition Council decided not to follow the Statement of Objections of the College of Competition Prosecutors issued in September 2009 that concluded that Belgacom abused and was still abusing its dominant position. The Competition Council has now indicated that none of the tests that it performed has led to the conclusion that a margin squeeze existed or has existed. The Competition Authority therefore closed the case. On 4th February 2013, KPN lodged an appeal before the Court of Appeal.
- In the damage claim case before the Commercial Court, based on an alleged abuse of dominance, the Commercial Court issued an interim ruling. It stated that it did not see evidence of an infringement but nevertheless appointed an expert to carry out further verifications on price squeeze and predatory pricing. In the meantime, this expert has refused the task entrusted to him by the Commercial Court so that a new expert should be appointed.

Belgacom and Base Company (KPN Group) have agreed to terminate all the litigations in connection with the Happy Time tariff scheme. Consequently, the 2 legal procedures have been withdrawn in 2014.

2.

Between 12 and 14 October 2010, the Belgian Directorate General of Competition started a dawn raid in Belgacom's offices in Brussels. This investigation concerns allegations by Mobistar and KPN regarding the wholesale DSL services of which Belgacom would have engaged in obstruction practices. This measure is without prejudice to the final outcome of the full investigation. Following the inspection, the Directorate General of Competition is to examine all the relevant elements of the case. Eventually the College of Competition Prosecutors may propose a decision to be adopted by the Competition Council. During this procedure, Belgacom will be in a position to make its views heard. (This procedure may last several years.)

During the investigation of October 2010, a large numbers of documents were seized (electronic data such as a full copy of mail boxes and archives and other files). Belgacom and the prosecutor of the Competition authority exchanged extensive views on the way to handle the seized data. Belgacom wanted to be sure that the lawyers "legal privilege" (LPP) and the confidentiality of in house counsel advices are guaranteed. Moreover, Belgacom sought to prevent the Competition authority from having access to (sensitive) data that were out of scope. Not being able to convince the prosecutor of its position, Belgacom started two proceedings, one before the Brussels Court of Appeal and one before the President of the Competition Council, in order to have the communication of LPP data and data out of scope to the investigation teams suspended.

On 5 March 2013, the Court of Appeal issued a positive judgment in this appeal procedure by which it ruled that investigators had no authority to seize documents containing advices of company lawyers and documents that are out of scope and that these documents should be removed/destroyed. To be noted that this is a decision on the procedure in itself and not on the merit of the case. On 14 October 2013, the Competition authority launched a request for cassation against this decision. Belgacom has joined this cassation procedure.

In the meantime, KPN has withdrawn its complaint; Mobistar remaining the sole complainant.

Mobistar launched on 3 May 2013 a claim for damages against Belgacom before the commercial court of Brussels for allegedly wrongful and/or abusive termination by Belgacom of negotiations with Mobistar on the conclusion of a commercial agreement on DSL-based services. Belgacom contests Mobistar's claims entirely, particularly as Mobistar has publicly expressed at several occasions its interest for and its intention to obtain wholesale access from the cable operators. The claims are scheduled to be heard by the commercial court in June 2015.

3.

In June 2003, KPN Group Belgium (operating under the brand name BASE) filed an action for damages against Belgacom (former Belgacom Mobile – operating under the brand name Proximus) before the Commercial Court of Brussels, with Mobistar joining this action with an own claim in March 2004. KPN and Mobistar claimed that Belgacom had abused its dominant position by applying inappropriately low prices for on-net calls (calls from Proximus to Proximus) with KPN also claiming that Belgacom had applied mobile termination rates (MTR) that were too high. Both operators claimed for compensation.

On 29 May 2007, an interim decision of the Commercial Court of Brussels found Belgacom to be dominant between 1999 and 2004, rejected several claims and appointed two experts to examine questions related to the allegations concerning price squeeze and anti-competitive network effects, and to assess whether damage was caused, and -if so- to attempt evaluating the damage. On 2 October 2009, these experts filed a (first) preliminary report that concluded to the existence of the alleged competition law infringements and in particular, on the basis of an unprecedented and prospective method, that it could be considered that the alleged impact on Mobistar and KPN Group Belgium of the Proximus on-net tariffs during the years 1999-2004 amounted to EUR1.182 million. On 10 December 2010, the two experts filed another (second) preliminary report.

Notwithstanding the detailed critical observations that had been submitted to the experts by Belgacom on all aspects of their first report, this second report basically reiterated the findings of the first report, but found the alleged impact amounted to EUR 1.840 million. According to Belgacom, this second report did not provide any demonstration of the alleged infringements of the competition rules. Belgacom also noted that the vast majority of its observations remained unanswered and that moreover Belgacom's own expert reports were largely disregarded. For this and a number of other reasons, Belgacom introduced on 21 January 2011 a motion with the Commercial Court in respect of the expert panel, requesting their recusal/replacement. Following the dismissal by the Commercial Court on 17 March 2011 of Belgacom's motion, an appeal procedure was initiated by Belgacom. The Court of Appeal decided on 6 March 2012 that the experts indeed committed several errors, refrained systematically from replying appropriately to Belgacom's observations, thus affecting the rights of defence, and failed to respect several other principles governing judicial expert proceedings. The Court consequently decided that the experts had to be replaced and that the judicial expert proceedings should be restarted by new experts.

Upon a joint proposal by the parties, the Court of Appeal of Brussels appointed on 1 October 2012 such new experts. Both Mobistar and KPN Group Belgium continue to contest the replacement of the former court experts through actions with the Cour de cassation. These former court experts also started a procedure ("tierce opposition") against the judgment of 6 March 2012 replacing them. On 31 December 2012, the newly appointed court experts informed the Court of Appeal and the Commercial Court of their decision that, for various reasons, they would not pursue their assignment.

On 14 October 2013, the Cassation Court rejected the appeal of Mobistar and KPN Group Belgium. Following to this ruling, Mobistar and KPN Group Belgium relaunched the designation procedure, which led to a joint proposal of all the parties to designate two new experts. Meetings between the experts and parties took place in the second quarter of 2014 (including an initial exchange of documents as requested by the experts). After the communication of a first document established by the experts Mobistar and KPN Group Belgium have strongly criticized the work performed by the experts. The work of the experts is currently on hold awaiting the judgement of the Court of Appeal on Belgacom's appeal (against the initial decision of 29 May 2007 - see next paragraph) and awaiting an intervention by the Commercial Court in respect of the incidents raised by Mobistar and Base Company (KPN Group Belgium).

In the meantime, Belgacom lodged an appeal against the initial decision of 29 May 2007 of the Commercial Court and this was followed by the filing of cross-appeals against the said judgment by both KPN and Mobistar. The Court will ultimately need to determine (i) whether anti-competitive practices have been committed and whether Belgacom's MTR failed to respect its regulatory obligations, (ii) whether Belgacom is liable for such practices, and (iii) whether damages are to be paid and -if so- the amount of these possible damages. Belgacom will continue to submit at the required stages of the proceedings its detailed observations and criticisms that will cover all aspects of the pending matter. Indeed, this matter does not only involve a debate on the possible damages that would have been caused, but first the existence of the alleged infringements is to be demonstrated. Belgacom continues to contest the claims of both KPN Group Belgium and Mobistar. In this procedure, the Court of Appeal has set hearing sessions in October and November 2014 during which the case was pleaded.

On 26 February 2015, the Court of Appeal gave an interlocutory judgment in which it modified the decision of the first judge of 2007. The Court first confirmed that there was no reason for examining further the allegations related to the alleged absence of cost orientation of the termination rates that had already been rejected by the first judge. However, with respect to the alleged abuses of dominant position, the Court considered that there were sufficient indications to extend the court expert proceedings to all the alleged abuses, as well as with respect to the reference period for Mobistar, an extension to 2005.

In October 2009, seven parties (Telenet, KPN Group Belgium (former Base), KPN Belgium Business (Tele 2 Belgium), KPN BV (Sympac), BT, Verizon, Colt Telecom) filed an action against Belgacom Mobile (currently Belgacom and hereinafter indicated as Belgacom) before the Commercial Court of Brussels formulating allegations that are similar to those in the case mentioned above (including Proximus-to-Proximus tariffs constitute an abuse of Belgacom's alleged dominant position in the Belgian market), but for different periods depending on the claimant, in particular, in the 1999 up to now timeframe (claim for EUR 1 provisional and request for appointment of an expert to compute the precise damage). In November 2009 Mobistar filed another similar claim for the period 2004 and beyond. These cases have been postponed for an undefined period.

4.

In the proceedings following a complaint by KPN Group Belgium in 2005 with the Belgian Competition Authority the latter confirmed on 26 May 2009 one of the five charges of abuse of dominant position put forward by the Prosecutor on 22 April 2008, i.e. engaging in 2004-2005 in a "price-squeeze" on the professional market. The Belgian Competition Authority considered that the rates for calls between Proximus customers ("on-net rates") were lower than the rates it charged competitors for routing a call from their own networks to that of Proximus (=termination rates), increased with a number of other costs deemed relevant. All other charges of the Prosecutor were rejected. The Competition Authority also imposed a fine of EUR 66.3 million on Belgacom (former Belgacom Mobile) for abuse of a dominant position during the years 2004 and 2005. Belgacom was obliged to pay the fine prior to 30 June 2009 and recognized this charge (net of existing provisions) as a non-recurring expense in the income statement of the second quarter 2009.

Belgacom filed an appeal against the ruling of the Competition Authority with the Court of Appeal of Brussels, contesting a large number of elements of the ruling: amongst other the fact that the market impact was not examined. Also KPN Group Belgium and Mobistar filed an appeal against said ruling. The parties are exchanging briefs to organize the access to the file.

RELATIONSHIPS WITH AFFILIATED ENTERPRISES AND ENTERPRISES LINKED BY PARTICIPATING INTERESTS

	Codes	Period	Previous period
AFFILIATED ENTERPRISES			
Financial fixed assets	(280/1)	9.221.730.963	9.279.679.222
Investments	(280)	9.221.730.963	9.279.679.222
Amounts receivable subordinated	9271		
Other amounts receivable	9281		
Amounts receivable	9291	102.525.420	119.469.510
After one year	9301		1.256.585
Within one year	9311	102.525.420	118.212.925
Current investments	9321	16.395.085	16.169.837
Shares	9331		
Amounts receivable	9341	16.395.085	16.169.837
Amounts payable	9351	10.169.163.871	10.597.477.244
After one year	9361	7.896.154.802	5.996.154.802
Within one year	9371	2.273.009.069	4.601.322.442
Personal and real guarantees			
Provided or irrevocably promised by the enterprise, as security for debts or commitments of affiliated enterprises	9381	36.472.154	10.754.336
Provided or irrevocably promised by affiliated enterprises as security for debts or commitments of the enterprise	9391		
Other substancial financial commitments	9401	290.476.577	355.109.508
Financial results			
Income from financial fixed assets	9421	44.784.000	51.264.000
Income from current assets	9431	20.218.228	80.540
Other financial income	9441	3.204.627	1.661.123
Debts charges	9461	311.573.995	323.967.961
Other financial charges	9471	587.371	2.972.052
Gains and losses on disposal of fixed assets			
Obtained capital gains	9481	685.031.748	734.593.400
Obtained capital losses	9491	66.914.938	3.850.167
ENTERPRISES LINKED BY PARTICIPATING INTERESTS			
Financial fixed assets	(282/3)	5.525.001	7.815.416
Investments	(282)	5.525.001	7.815.416
Amounts receivable subordinated	9272		
Other amounts receivable	9282		
Amounts receivable	9292	464	
After one year	9302		
Within one year	9312	464	
Amounts payable	9352		
After one year	9362		
Within one year	9372		

RELATIONSHIPS WITH AFFILIATED ENTERPRISES AND ENTERPRISES LINKED BY PARTICIPATING INTERESTS

	Period
TRANSACTIONS WITH RELATED PARTIES OUTSIDE NORMAL MARKET CONDITIONS	
Mention of such operations if they are material, stating the amount of these transactions, the nature of the relationship with the related party and other information about the transactions necessary for the understanding of the financial position of the company:	
Nil	

Additional information

Belgacom supplies telecommunication services to the Belgian State, to various administrations of the Belgian State and to various State-controlled enterprises. All such transactions are made within normal customer/supplier relationships on terms and conditions that are not more favorable than those available to other customers and suppliers. The services provided to those administrations and those various State-controlled enterprises do not represent a significant component of Belgacom's net income.

Belgacom has transactions with Belgacom International Carrier Services S.A. for inbound and outbound telecom services. The underlying contracts are approved by management taking into account the current market references.

As far as transactions with members of leading, supervising or governing bodies concerns, we refer to the section "corporate governance statement" of the annual report and to the remuneration report in which the remuneration of the members of the Board of Directors and of the members of the Executive Committee are detailed.

FINANCIAL RELATIONSHIPS WITH

	Codes	Period
DIRECTORS AND MANAGERS, INDIVIDUALS OR BODIES CORPORATE WHO CONTROL THE ENTERPRISE WITHOUT BEING ASSOCIATED THEREWITH OR OTHER ENTERPRISES CONTROLLED BY THESE PERSONS, OTHER ENTERPRISES CONTROLLED BY THE SUB B. MENTIONED PERSONS WITHOUT BEING ASSOCIATED THEREWITH		
Amounts receivable from these persons	9500	
Conditions on amounts receivable		
Guarantees provided in their favour	9501	
Guarantees provided in their favour - Main condition		
Other significant commitments undertaken in their favour	9502	
Other significant commitments undertaken in their favour - Main condition		
Amount of direct and indirect remunerations and pensions, included in the income statement, as long as this disclosure does not concern exclusively or mainly, the situation of a single identifiable person		
To directors and managers	9503	1.713.276
To former directors and former managers	9504	52.542

	Codes	Period
AUDITORS OR PEOPLE THEY ARE LINKED TO		
Auditor's fees	9505	317.762
Fees for exceptional services or special missions executed in the company by the auditor		
Other attestation missions	95061	35.372
Tax consultancy	95062	
Other missions external to the audit	95063	46.704
Fees for exceptional services or special missions executed in the company by people they are linked to		
Other attestation missions	95081	
Tax consultancy	95082	
Other missions external to the audit	95083	191.710

Mention related to article 133 paragraph 6 from the Companies Code

DERIVATIVES NOT MEASURED AT FAIR VALUE

ESTIMATE OF THE FAIR VALUE FOR EACH CATEGORY OF DERIVATIVE FINANCIAL INSTRUMENTS THAT ARE NOT MEASURED ON THE BASIS OF THE FAIR VALUE IN THE ECONOMIC TRAFFIC, INDICATING THE EXTENT AND THE NATURE OF THE INSTRUMENTS

	Period
2 IRS and 3 IRCS measured at fair value	6.789.513
Forex derivatives measured at fair value	1.436.298

INFORMATION RELATING TO CONSOLIDATED ACCOUNTS

INFORMATION THAT MUST BE PROVIDED BY EACH COMPANY, THAT IS SUBJECT OF COMPANY LAW ON THE CONSOLIDATED ANNUAL ACCOUNTS OF ENTERPRISES

The enterprise has drawn up publiced a consolidated annual statement of accounts and a management report*

~~**The enterprise has not published a consolidated annual statement of accounts and a management report, since it is exempt for this obligation for the following reason***~~

The enterprise and its subsidiaries on consolidated basis exceed not more than one of the limits mentioned in art. 16 of Company Law*

The enterprise itself is a subsidiary of an enterprise which does prepare and publish consolidated accounts, in which her yearly statement of accounts is included*

If yes, justification of the compliance with all conditions for exemption set out in art. 113 par. 2 and 3 of Company Law:

Name, full address of the registered office and, for an enterprise governed by Belgian Law, the company number of the parent company preparing and publishing the consolidated accounts required:

INFORMATION TO DISCLOSE BY THE REPORTING ENTERPRISE BEING A SUBSIDIARY OR A JOINT SUBSIDIARY

Name, full address of the registered office and, for an enterprise governed by Belgian Law, the company number of the parent company(ies) and the specification whether the parent company(ies) prepare(s) and publish(es) consolidated annual accounts in which the annual accounts of the enterprise are included**

If the parent company(ies) is (are) (an) enterprise(s) governed by foreign law disclose where the consolidated accounts can be obtained**

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* Delete where no appropriate.

** Where the accounts of the enterprise are consolidated at different levels, the information should be given for the consolidated aggregate at the highest level on the one hand and the lowest level on the other hand of which the enterprise is a subsidiary and for which consolidated accounts are prepared and published.

Nr.	0202.239.951		C 5.17.2

FINANCIAL RELATIONSHIPS OF THE GROUP LED BY THE COMPANY IN BELGIUM WITH THE AUDITOR(S) OR PEOPLE HE (THEY) IS (ARE) LINKED TO

	Codes	Period
Mentions related to article 134, paragraphs 4 and 5 from the Companies Law		
Auditor's fees for carrying out an auditor's mandate on the level of the group led by the company that publishes the information	9507	1.185.334
Fees for exceptional services or special missions executed in this group by the auditor(s)		
Other attestation missions	95071	44.116
Tax consultancy	95072	
Other missions external to the audit	95073	73.104
Fees for the people they are linked to the auditor(s) for carrying out an auditor's mandate on the level of the group led by the company that publishes the information	9509	
Fees for exceptional services or special missions executed in this group by the people they are linked to the auditor(s)		
Other attestation missions	95091	
Tax consultancy	95092	
Other missions external to the audit	95093	372.745

Mention related to article 133, paragraph 6 from the Companies Law

SOCIAL REPORT

Numbers of joint industrial committees which are competent for the enterprise:

STATEMENT OF THE PERSONS EMPLOYED

EMPLOYEES FOR WHOM THE COMPANY HAS SUBMITTED A DIMONA DECLARATION OR ARE RECORDED IN THE GENERAL PERSONNEL REGISTER

During the period	Codes	Total	1. Men	2. Women
Average number of employees				
Full-time	1001	11.418,3	8.449,9	2.968,4
Part-time	1002	2.461,2	1.123,4	1.337,8
Total of full-time equivalents (FTE)	1003	13.208,8	9.301,6	3.907,2
Number of hours actually worked				
Full-time	1011	16.994.712	12.888.000	4.106.712
Part-time	1012	2.578.197	1.251.630	1.326.567
Total	1013	19.572.909	14.139.630	5.433.279
Personnel costs				
Full-time	1021	849.890.048	654.122.582	195.767.465
Part-time	1022	126.763.352	63.525.729	63.237.623
Total	1023	976.653.399	717.648.311	259.005.088
Advantages in addition to wages	1033	8.244.335	6.057.966	2.186.369

During the previous period	Codes	P. Total	1P. Men	2P. Women
Average number of employees	1003	13.464,7	9.503,1	3.961,6
Number of hours actually worked	1013	20.065.877	14.525.514	5.540.363
Personnel costs	1023	996.507.066	734.970.758	261.536.308
Advantages in addition to wages	1033	8.653.562	6.382.408	2.271.154

At the closing date of the period	Codes	1. Full-time	2. Part-time	3. Total in full-time equivalents
Number of employees	105	11.297	2.427	13.065,4
By nature of the employment contract				
Contract for an indefinite period	110	11.107	2.427	12.875,4
Contract for a definite period	111	153		153,0
Contract for the execution of a specifically assigned work	112			
Replacement contract	113	37		37,0
According to the gender and by level of education				
Male	120	8.345	1.106	9.184,3
primary education	1200			
secondary education	1201	3.494	800	4.099,9
higher education (non-university)	1202	1.640	159	1.759,4
university education	1203	3.211	147	3.325,0
Female	121	2.952	1.321	3.881,1
primary education	1210			
secondary education	1211	1.227	931	1.864,0
higher education (non-university)	1212	547	204	699,5
university education	1213	1.178	186	1.317,6
By professional category				
Management staff	130	161		161,0
Employees	134	9.930	1.990	11.367,5
Workers	132	1.193	436	1.523,1
Other	133	13	1	13,8

HIRED TEMPORARY STAFF AND PERSONNEL PLACED AT THE ENTERPRISE'S DISPOSAL

During the period	Codes	1. Temporary personnel	2. Persons placed at the disposal of the enterprise
Average number of employees	150	24,8	
Number of hours actually worked	151	36.695	
Charges of the enterprise	152	1.357.362	

TABLE OF PERSONNEL CHANGES DURING THE PERIOD

ENTRIES	Codes	1. Full-time	2. Part-time	3. Total in full-time equivalents
The number of employees for whom the company has submitted a DIMONA declaration or are recorded in the personnel register during the financial year in the general personnel register	205	531	10	533,0
By nature of the employment contract				
Contract for an indefinite period	210	86		86,0
Contract for a definite period	211	445	10	447,0
Contract for the execution of a specifically assigned work	212			
Replacement contract	213			

DEPARTURES	Codes	1. Full-time	2. Part-time	3. Total in full-time equivalents
The number of employees with a in the DIMONA declaration indicated or in the general personnel register listed date of termination of the contract during the financial year	305	733	89	780,7
By nature of the employment contract				
Contract for an indefinite period	310	297	63	339,5
Contract for a definite period	311	418	26	423,2
Contract for the execution of a specifically assigned work	312			
Replacement contract	313	18		18,0
According to the reason for termination of the employment contract				
Retirement	340	97	44	126,7
Unemployment with company allowance	341			
Dismissal	342	56	6	59,0
Other reason	343	580	39	595,0
Of which the number of persons who continue to render services to the enterprise at least half-time on a self-employed basis	350			

INFORMATION WITH REGARD TO TRAINING RECEIVED BY EMPLOYEES DURING THE PERIOD

	Codes	Male	Codes	Female
Total number of official advanced professional training projects at company expense				
Number of participating employees	5801	7.655	5811	3.289
Number of training hours	5802	270.597	5812	138.636
Costs for the company	5803	21.970.650	5813	11.256.346
of which gross costs directly linked to the training	58031	21.597.373	58131	11.065.103
of which paid contributions and deposits in collective funds	58032	373.277	58132	191.243
of which received subsidies (to be deducted)	58033		58133	
Total number of less official and unofficial advance professional training projects at company expense				
Number of participating employees	5821	1.617	5831	722
Number of training hours	5822	5.013	5832	1.506
Costs for the company	5823	400.103	5833	120.165
Total number of initial professional training projects at company expense				
Number of participating employees	5841		5851	
Number of training hours	5842		5852	
Costs for the company	5843		5853	

SOCIAL REPORT

Note to codes 110, 210 and 310

These codes can be divided in : a. statutary staff
b. contractually staff

Code 110 :

	Codes	1.Full-time	2.Part-time	3. Total Full-time equivalents
Statutary staff	code 110	4.268	1.364	5.257,8
Contractually staff	code 110	6.839	1.063	7.617,6

Code 210 :

	Codes	1.Full-time	2.Part-time	3. Total Full-time equivalents
Statutory staff	code 210	0	0	0,0
Contractually staff	code 210	86	0	86,0

Code 310 :

	Codes	1.Full-time	2.Part-time	3. Total Full-time equivalents
Statutory staff	code 310	112	37	136,5
Contractually staff	code 310	185	26	203,0

Numbers of joint industrial committees which are competent for the enterprise :
Belgacom N.V. van publiek recht/S.A. de droit public has her own national joint industrial committee.

Code 1023

The code 1023 of the social report contains the personnel charges for the personnel for which the enterprise has filed a DIMO-NA-declaration, more specifically:
- the charges taken in section 62 excluding those attributed to retirees ;
- the part of the profit that is legally and statutory allocated to the personnel by the appropriation of the profit.

The split men / women of code 1023 for the year 2014 has, as it was also the case for 2013, mainly been drawn up using the full inventory and split between the men/women of the salary data as derived from the salary calculation.

Information with regard to training received by employees during the period

In 2014, Belgacom received subsidies for employees of 338.720 EUR in the framework of the training leave concerning 2012 and 2013.

VALUATION RULES

The valuation rules comply with the terms of Chapter II of the R.D. of Jan 30, 2001.

These rules were approved and adapted by the Board of Directors at their meetings on May 27, 1993, Dec 4, 1997, Oct 22, 1998, Oct 28, 1999, Oct 26, 2000, April 25, 2002, Oct 23, 2003, Dec 13, 2004, Dec 18, 2008, Feb 24, 2011, March 1, 2012 and February 27, 2014.

BALANCE SHEET

FORMATION EXPENSES

The loan issue expenses are charged entirely to the year during which they are issued.
Important formation expenses are capitalised and depreciated over a period of 5 years. The acquisitions of the year are depreciated pro rata temporis.
Reorganisation costs are expensed.

INTANGIBLE ASSETS

The intangible assets are valued at the acquisition cost; this is the purchase price, production cost or the assigned value. General expenses are not incorporated.

For depreciations the straight line method is used. The acquisitions of the year are depreciated pro rata temporis.

Intangible assets with an unlimited useful life are not depreciated. These assets shall only be written down in case of a permanent impairment or diminution in value.

Intangible assets with a limited useful life are depreciated at a fixed rate using the following plan, established on the basis of economic criteria:

- Goodwill: 5 to 15 years
- Software: 5 years
- Network licenses: over the license period
- Rights to use, football and broadcasting rights: over the contract period
- Customer bases and trademarks: 3 to 10 years

The goodwill generated by the merger of beginning of 2010 is depreciated over 15 years. This depreciation period is justified by the long life character of the expected profitability of all the merged companies.

TANGIBLE ASSETS

Tangible assets are valued at their acquisition cost; this is the purchase price, production cost or the assigned value. General expenses are not incorporated.

Tangible assets with an unlimited useful life are not depreciated. These assets shall only be written down in case of a permanent impairment or diminution in value.

Tangible assets with a limited useful life are depreciated using the straight line method. The determination of the depreciable amount takes into account a residual value if it can be determined with sufficient precision, if it is significant and if its realization is sufficiently certain.

They are depreciated at a fixed rate using the following plan, established on the basis of economic criteria:

	Useful life (years)
Land and buildings	
- Land	indefinite
- Buildings and building equipment	22 - 33
- Facilities in buildings	3 - 10
- Leasehold improvements	3 - 10
Technical and network equipment	
- Cables and ducts	15 – 20
- Switches	8 – 10
- Transmission equipment	6 – 8
- Radio Access Network	6 – 7
- Mobile sites and site facility equipment	5 – 10
- Equipment installed at client premises	2 – 8
- Data and other network equipment	2 - 15
Furniture and vehicles	
- Furniture and office equipment	3 – 10
- Vehicles	3 – 10

Fixed assets held under leasing or other similar rights are depreciated according to the life period of the real property as mentioned in the contract.

Assets under construction and advance payments are depreciated over the life period of the assets to which they relate.

Fixed assets that are put out of order are valued at net book value or at their expected realisation value if lower. They are no longer depreciated.

The acquisitions of the year are depreciated pro rata temporis.

FINANCIAL ASSETS

Participating interests and shares are valued at their acquisition cost, which is the purchase price or the assigned value. Only the important ancillary costs are capitalised.

A write down is recorded if a durable permanent impairment or reduction in value of these assets is observed, based on the financial situation, the profitability or the prospects of the company in which the participating interests or shares are held, taking into account the CBN/CNC advice n° 126-8.

Receivables are booked at their nominal value. A write down is recorded when, at the due date, the payment is partially or entirely uncertain.

AMOUNTS RECEIVABLE AFTER MORE THAN ONE YEAR

Amounts receivables are booked at nominal value. Amounts receivable expressed in foreign currencies are converted to EUR at the rate in force on the date of booking of the outgoing invoice and are translated at the year-end rate.

A write down is recorded on the nominal value when at the due date, the payment is partially or entirely uncertain.

STOCKS AND CONTRACTS IN PROGRESS

Inventories of consumables and goods for resale are booked at their acquisition cost.

At the time of the annual inventory, the Weighted Average Price method is used to assess the various subdivisions in this caption.

A write down is applied when the sales or market value is lower than the acquisition cost or to take into consideration the risks inherent to the nature of the products.

Contracts in progress and work in process are valued at production cost or at market price (if this is lower than the production cost).

The projects of the ICT activity (contracts in progress) are taken into result in function of their realisation percentage.

AMOUNTS RECEIVABLE WITHIN ONE YEAR

These amounts appear on the balance sheet at nominal value.

A write down is recorded on the nominal value when at the due date, the payment is partially or entirely uncertain.

Amounts receivable expressed in foreign currencies are converted into EUR at the rate in force on the date of entry of the outgoing invoice. At balance date they are translated at closing rate.

CURRENT INVESTMENTS

Current investments are valued at nominal value when they concern funds held in financial institutions and at acquisition cost, acquisition price without ancillary costs, in the other case.

A write-down is recorded on the nominal value or on the acquisition cost when the sales value on the closing date of the balance sheet is less than the previously booked value.

For the determination of the sales value of own shares the market value is taken into account on the one hand and the execution price of emitted share options for which these shares are held on the other hand.

Current investments in foreign currencies are translated into EUR at the rate in force on the closing date of the balance sheet.

CASH AT BANK AND IN HAND

Cash at bank and in hand is valued at nominal value. A write-down is recorded on the nominal value when the realisation value on the closing date of the balance sheet is less than the previously booked value. Cash at bank and in hand in foreign currencies is translated into EUR at the rate in force on the closing date of the balance sheet.

PROVISIONS AND DEFERRED TAXES

On the closing date of the balance sheet, an inventory is made of all foreseeable liabilities and contingent losses arising during the current year or during prior years. Provisions are established based on a reliable estimate of the risk on the moment of the establishment of the annual accounts.
In the framework of post employment benefits, a provision is made for as well the current as for the future beneficiaries of these benefits. For the current beneficiaries this provision is determined as the present value of the obligation for the accorded benefits. For future beneficiaries, this provision is constituted gradually in function of the number of years in service in order that, at the pension date, the provision reaches also the present value of the obligation for the accorded benefits.

The provision for damages concerning vehicles is constituted by the company as “own insurer” and is valued through an individualisation of all damages that occurred before 2014 and for which the costs will reasonably be bared by the company in future years.

Deferred taxes are booked in compliance with article 76 of the R.D. of January 30, 2001.

AMOUNTS PAYABLE WITHIN ONE YEAR AND AFTER MORE THAN ONE YEAR

Amounts payables appear on the balance sheet at nominal value.

Amounts payable in foreign currencies are converted into EUR as follows:

- loans in foreign currencies at the rate in force at the time the loan is concluded;

- trade debts at the exchange rate on the date of entry of the incoming invoice.

Trade debts and financial debts, not covered against exchange risks, expressed in foreign currencies are translated at closing rate.

TRANSLATION DIFFERENCES

Exchange gains and losses resulting from the translation are taken in the income statement.

INCOME STATEMENT

The items in the income statement are valued at nominal value. Own construction is booked at production cost excluding indirect costs.

TURNOVER

Revenue is registered in the period to which they refer, regardless of their payment.
The turnover takes commercial and volume discounts into account.

Specific revenue streams and related recognition criteria are as follows:
- revenue from fixed line, mobile and carrier traffic is recognized on usage.
- revenue from connection fees and installation fees is recognized in income at the time of connection or installation.
- revenue from sales of communication equipment is recognized upon delivery to the third party distributors or upon delivery by the own Belgacom shops to the end-customer.
- revenue relating to the monthly rent, the monthly subscription fee and access fees in the framework of fixed and mobile telephony, internet and digital television are recognized in the period in which the services are provided.
- prepaid revenue such as revenue from pre-paid fixed and mobile phone cards is deferred and recognized based on usage of the cards.
- maintenance fees are recognized as revenue over the maintenance period on a pro-rata basis.
- revenue from the ICT activity linked to projects is recognized in the result in function of the realization percentage.

RIGHT AND COMMITMENTS NOT ACCRUED IN THE BALANCE SHEET

The rights and commitments not accrued in the balance sheet are mentioned in the notes, per category, at the nominal value of the commitment in the contract, or failing that, at their estimated value.

SUPPLEMENTARY INFORMATION

APPROPRIATION ACCOUNT AND EVOLUTION OF THE RESERVES

In 2014, the profit of the financial year available for appropriation amounts to 747,127,067 EUR.

- 5 % of this net profit is to be appropriated to the legal reserve. Since this obligation expires when the legal reserve reaches 10 % of the Capital, limit that has been reached in the meanwhile, there is no appropriation to the legal reserve.
- There are no accumulated profits from previous years.

The profit to be appropriated then amounts to 747,127,067 EUR.

- 17,405,208 EUR net transfers from the reserves, to be further detailed as follows:
  - 20,607,497 EUR transferred from the reserves in the framework of exercised stock options;
  - 3,202,289 EUR transferred to the reserves unavailable for distribution for own shares.
- 502,449,167 EUR are dividends to be distributed, as decided by the General Assembly. This amount can be further detailed as follows:
  - 160,611,074 EUR has been paid on December 10, 2014 as interim dividend;
  - 20,607,496 EUR have been paid in the framework of stock options exercised in 2014;
  - 321,230,597 EUR shall be distributed in April 2015;
- 41,868,481 EUR to be distributed to the personnel, pursuant to article 43 of the by-laws, representing 5 % of the result before taxes.
- The resulting profit to be carried forward amounts to 220,214,627 EUR.

A SUMMARY of the accounts relative to the PUBLIC SERVICE DUTIES (obligation stipulated by art. 27 of the law of March 21, 1991).

Article 155 of the law of June 13, 2005 with regard to the electronic communication has cancelled the chapter V, that treats the public telecommunication service (being the tasks of public service), of the law of March 21st, 1991 and has been replaced by the provisions of chapter I, that treats the universal service (art. 68 to 104 included) of title IV of the new law. However, article 86ter of the law of March 21st, 1991 has been preserved and taken over as such under chapter II – Supplementary services of title IV of the law of June 13, 2005 (art. 105 to 107 included). The figures below contain the assignment of the public services as defined in the articles of the law and in the articles 4 to 9 included in the management contract.

1. Operating income	2,008,656	EUR
2. Operating charges	2,251,347	EUR
Operating result (loss)	(242,691)	EUR

The calculations were made based on a cost model developed by Belgacom S.A. de droit public/N.V. van publiek recht for the products that meet the requirements of the management contract and based on business economic criteria taking into account the expected life span of the products.

INVESTMENT GRANTS

Belgacom has not received investment grants from public governments or institutions in 2014.

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Belgacom
NV van publiek recht /
SA de droit public

Report of the joint auditors to the shareholders' meeting on the annual accounts for the year ended 31 December 2014

The original text of this report is in Dutch/French

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Belgacom NV van publiek recht / SA de droit public

Report of the joint auditors to the shareholders' meeting on the annual accounts for the year ended 31 December 2014

To the shareholders

As required by law and the company's articles of association, and more specifically by articles 143 and 144 of the Companies Code, applicable to Belgacom NV van publiek recht / SA de droit public under article 37 of the law of 21 March 1991 reforming certain economic public corporations, we report to you in the context of our appointment as the company's joint auditors. This report includes our report on the annual accounts together with our report on other legal and regulatory requirements. These annual accounts comprise the balance sheet as at 31 December 2014 and the income statement for the year then ended, as well as the summary of accounting policies and other disclosures.

Report on the annual accounts – Unqualified opinion

We have audited the annual accounts of Belgacom NV van publiek recht / SA de droit public ("the company"), prepared in accordance with the financial reporting framework applicable in Belgium, which show total assets of 16,852,096 (000) EUR and a profit for the year of 746,531 (000) EUR.

Board of directors' responsibility for the preparation of the annual accounts

The board of directors is responsible for the preparation and fair presentation of annual accounts in accordance with the financial reporting framework applicable in Belgium, and for such internal control as the board of directors determines is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

Joint auditors' responsibility

Our responsibility is to express an opinion on these annual accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the joint auditors' judgment, including the assessment of the risks of material misstatement of the annual accounts, whether due to fraud or error. In making those risk assessments, the joint auditors consider internal control relevant to the company's preparation and fair presentation of annual accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the board of directors, as well as evaluating the overall presentation of the annual accounts. We have obtained from the company's officials and the board of directors the explanations and information necessary for performing our audit.

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

Unqualified opinion

In our opinion, the annual accounts of Belgacom NV van publiek recht / SA de droit public give a true and fair view of the company's net equity and financial position as of 31 December 2014 and of its results for the year then ended, in accordance with the financial reporting framework applicable in Belgium.

Emphasis of matter

Without questioning the above unqualified opinion, we draw the attention to the disclosure C 5.13 of the annual accounts and section 2 of the management report 'Important events that have occurred after the end of the period', where disclosure is given about the recent evolution of the litigation concerning the alleged abuse of dominant position filed by Mobistar and KPN against the company.

Report on other legal and regulatory requirements

The board of directors is responsible for the preparation and the content of the directors' report on the annual accounts, as well as for maintaining the company's accounting records in compliance with the legal and regulatory requirements applicable in Belgium and for the company's compliance with the Companies Code and the company's articles of association.

As part of our mandate and in accordance with the Belgian standard which is complementary to the International Standards on Auditing as applicable in Belgium, our responsibility is to verify, in all material respects, compliance with certain legal and regulatory requirements. On this basis, we make the following additional statements, which do not modify the scope of our opinion on the annual accounts:

- The directors' report includes the information required by law, is consistent with the annual accounts and is free from material inconsistencies with the information that we became aware of during the performance of our mandate.
- Without prejudice to certain formal aspects of minor importance, the accounting records are maintained in accordance with the legal and regulatory requirements applicable in Belgium.
- The appropriation of results proposed to the general meeting is in accordance with the relevant requirements of the law and the company's articles of association.
- There are no transactions undertaken or decisions taken in violation of the company's articles of association or the Companies Code that we have to report to you.
- In accordance with article 523 of the Companies Code, we are required to report on the following operations which have taken place between 1 January 2014 and 31 December 2014:
  - During the meeting of the board of directors of 24 January 2014, the board of directors has decided upon the Management Services Agreement and the Employee Termination Agreement between the President & CEO and the company, triggering a conflict of interest for the President & CEO, Mrs. D. Leroy, in her capacity as director of the company. The board of directors estimates the financial consequences for the company at 500 (000) EUR per year basic remuneration and 150 (000) EUR per year on target variable remuneration. Based on an evaluation on the merit of the CEO with respect to long term value creation, the Board can decide to increase the variable pay, after approval by the General Shareholders Meeting. The current other elements such as complementary pension plan, life insurance, travel insurance, disability insurance, hospitality insurance, D&O liability insurance, alarm system, bi-yearly medical check up were kept. The President & CEO did not participate in the deliberation and decision on this item.

- During the meeting of the board of directors of 27 February 2014, the board of directors has decided upon the short and long term incentives of the BMC members and thus also including the current President & CEO as member of the BMC during 2013, triggering a conflict of interest for Mrs. D. Leroy. In respect of the offering to all the BMC members under the short term incentives, the board of directors estimates the financial consequences for the company at 1.39 million EUR for the past year. In respect of the offering to all the BMC members under the long term incentives, the board of directors estimates the financial consequences for the company at 1.05 million EUR for the past year. The President & CEO did not participate in the deliberation and decision on this item.
- During the meeting of the board of directors of 18 December 2014, the board of directors has decided upon the conclusion of a frame and pricing agreement with Bpost, triggering a conflict of interest for Mr. L. Levaux in his capacity as director of both the company and Bpost. In respect of the frame agreement for postal services over the period March 2015 until February 2018, the board of directors estimates the financial consequences for the company at 80 to 90 million EUR. In respect of the pricing agreement for Admin and direct mail during the period March 2014 until February 2015, the board of directors estimates the financial consequences for the company at 23.9 million EUR. Mr. L. Levaux did not participate in the deliberation and decision on this item.

In the director's report, the board of directors has, in accordance with the requirements of article 523 of the Companies Code, reported on the above transactions, which triggered a conflict of interest for the aforementioned board members. We refer to chapter 9 of the attached director's report for the respective extract of the minutes of the board of directors.

- During the period, the company paid an interim dividend on which the statutory auditors, member of the joint auditors, have issued the report attached to the present report, as required by law.

Brussels, 27 February 2015

The joint auditors

DELOITTE Bedrijfsrevisoren / Reviseurs d'Entreprises
BV o.v.v.e. CVBA / SC s.f.d. SCRL
Represented by Geert Verstraeten

Luc CALLAERT BV o.v.v.e. EBVBA / SC s.f.d. SPRLU
Represented by Luc Callaert

The Belgian Court of Audit
Represented by
Pierre Rion
Counselor

Romain Lesage
Counselor

Belgacom SA under public law

Statutory auditors' report on the statement of assets and liabilities as of 30 September 2014 with respect to the proposed distribution of an interim dividend

Free Translation

Table of content

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1. Introduction

In accordance with article 45 of the company's bylaws, the board of directors proposes to distribute an interim dividend out of the profit of the year.

In accordance with article 618 of the Company Code we have performed a limited review of the attached statement of assets and liabilities for period between 1 January 2014 and 30 September 2014, which shows a balance sheet total of 16.312.661 (000) EUR.

This attached statement of assets and liabilities has been established under the responsibility of the board of directors in order to allow the directors to verify whether the available profit of the period, determined in accordance with the below mentioned article 618, is sufficient in order to distribute an interim dividend up to approximately 162 million EUR.

The wording (free translation from Dutch) of article 618 reads as follows:

"The articles of association can empower the board of directors to distribute an interim dividend on the results of the financial year.

The distribution can only relate to the profit of the current financial year, and, in such case, decreased by losses carried forward or increased by profit carried forward excluding the reserves set aside based upon a legal or statutory requirement. In addition, the distribution can only be realized after the board of directors has verified that the profit, determined in accordance with the second paragraph, is adequate in order to distribute an interim dividend on the basis of the statement of assets and liabilities, which is reviewed by the statutory auditor.

The verification report of the statutory auditor is attached to his annual opinion.

The board of directors' decision to distribute an interim dividend should be taken no later than 2 months subsequent to the date on which the statement of assets and liabilities has been drafted.

The distribution can be decided upon as early as 6 months after the closing of the previous financial year and following the approval of the financial statements of that financial year.

Subsequent to a first interim dividend distribution, a new distribution can be decided upon as early as 3 months after the first interim dividend was decided upon.

If the interim dividends exceed the amount of the year-end annual dividend, which is decided upon by the General Assembly, the surplus is considered as an advance on the subsequent dividend."

2. Limited review procedures

We conducted our review in accordance with International Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We also ascertained that, based on the company's by-laws, the board of directors has the required legal power to distribute an interim dividend.

3. Comments on the statement of assets and liabilities

The statement of assets and liabilities as of 30 September 2014 has been established under the responsibility of the board of directors in accordance with the accounting law and regulations and the company's valuation rules and is derived from the accounting records of Belgacom NV van publiek recht/SA de droit public (hereafter 'Belgacom'). The valuation rules are consistent with those used in the previous accounting year.

Management is in the process of finalizing its plan for the period 2015-2017. This plan will be presented to the board of directors on 18 December 2014. As disclosed in the consolidated annual accounts of 31 December 2013, management performs an annual impairment review in the fourth quarter of its accounting year. Only after the finalization of this exercise, the management and the board will be able to assess the accounting consequences, if any, on the valuation of financial fixed assets held by the company. The potential impact, if any, has not been reflected in the statement of assets and liabilities for the nine-month period ended 30 September 2014 but will be reflected, when final, in the financial statements for the year ending 31 December 2014.

The establishment of a statement of assets and liabilities for purposes of issuing an interim dividend does not require the inclusion of disclosures. Nevertheless, we would like to refer to the disclosures with respect to important claims and legal proceedings as included in the company's annual accounts as per 31 December 2013 and the consolidated half-year results of the Belgacom Group per 30 June 2014. The board of directors of Belgacom has to assess this situation in the context of the intended distribution of an interim dividend. For the purpose of the distribution of an interim dividend, the attached statement of assets and liabilities is reliable to the extent that the assessment previously made by the board of directors with respect to the risks resulting from the claims and legal proceedings remains unchanged.

4. Important post balance sheet date events

In the fourth quarter of 2014 the company plans to contribute its shares in Belgacom Group International Services SA, a 15,56% owned subsidiary, into the capital of Tango SA. Such contribution would generate additional income for Belgacom in the current accounting year.

5. Limitations on the profit appropriation

In accordance with article 616 of the Company Code, an amount of at least one twentieth of the net profit is to be annually withheld for the creation of a legal reserve. The obligation to withhold ends when the reserve fund has reached one tenth of the nominal capital.

In accordance with article 617 of the Company Code, no distribution may occur if, as a result of that distribution, the net assets would fall below the paid-in capital, or when this is higher, of the called-upon capital, increased by the reserves, which according to the legal and statutory requirements cannot be distributed. The net assets concern the total amount of assets, as shown in the balance sheet, less provisions and debts. In the event of a distribution of dividends, the shareholders' equity may not include the amount of unamortized formation expenses, and, subject to motivation in exceptional instances, the amount of unamortized research and development costs.

In accordance with article 618, the distribution of an interim dividend can only be made on the profit of the current year and the profit carried forward, excluding the reserves set aside based upon a legal or statutory requirement.

In accordance with article 62 §2 of the Law of 21 March 1991, article 43 of the bylaws of Belgacom states that five percent of the annual profit before tax needs to be distributed towards the management and the personnel of the company. This happens via the profit appropriation in the annual accounts. The attached statement of assets and liabilities per 30 September 2014 does not contain this appropriation.

In case new elements in connection with the existing claims and legal proceedings would arise prior to the general assembly that will approve the annual accounts as per 31 December 2014, which would give rise to a possible negative assessment that can be made in a reasonable and reliable manner, the distribution of the result could be influenced or potentially affected accordingly.

6. Conclusion

Management is in the process of finalizing its plan for the period 2015-2017. This plan will be presented to the board of directors on 18 December 2014. As disclosed in the consolidated annual accounts per 31 December 2013, management performs an annual impairment review in the fourth quarter of its accounting year. Only after the finalization of this exercise, the management and the board will be able to assess the accounting consequences, if any, on the valuation of financial fixed assets held by the company. The potential impact, if any, has not been reflected in the statement of assets and liabilities for the nine-month period ended 30 September 2014 but will be reflected, when final, in the financial statements for the year ending 31 December 2014.

Except for what is mentioned above, our review did not reveal any facts or circumstances which would lead to important modifications to the statement of assets and liabilities for the period between 1 January 2014 and 30 September 2014.

The result of the current period as mentioned in the statement as per 30 September 2014 (277 million EUR), excluding the reserves based upon legal or statutory requirements, is higher than the amount of the proposed interim dividend.

Also, in case new elements in connection with the claims and legal proceedings would arise prior to the general assembly that will approve the annual accounts per 31 December 2014, which would give rise to a possible negative assessment that can be made in a reasonable and reliable manner, the distribution of the result could be influenced or potentially affected accordingly.

Taking into account what is stated above, we conclude that the planned distribution of an interim dividend of approximately 162 million EUR corresponds to the legal and statutory requirements.

The present report is solely intended for the use of the board of directors and the company's shareholders within the framework of the planned distribution of an interim dividend as set out above and can therefore not be used for any other purpose. In accordance with article 618, it should be annexed to the statutory report on the financial statements for the year ended 31 December 2014.

Brussels, 24 October 2014

The auditors

DELOITTE Bedrijfsrevisoren
BV o.v.v.e. CVBA
Represented by Geert Verstraeten

Luc CALLAERT
BV o.v.v.e. EBVBA
Represented by Luc Callaert

Attachment: Statement of Assets and Liabilities per 30 September 2014 and valuation rules of the company

Belgacom Board
October 23, 2014

Statement of assets and liabilities as per September 30, 2014 of Belgacom S.A. under public Law

(in EUR)

Nr.	

BALANCE SHEET

ASSETS	Notes	Codes		
FIXED ASSETS		20/28	14.879.439.033,53	
Formation expenses	5.1	20		
Intangible fixed assets	5.2	21	3.887.471.540,06	
Tangible fixed assets	5.3	22/27	2.276.066.987,01	
Land and buildings		22	178.311.464,69	
Plant, machinery and equipment		23	2.032.121.534,69	
Furniture and vehicles		24	30.353.107,47	
Leasing and other similar rights		25		
Other tangible fixed assets		26	35.280.880,16	
Assets under construction and advance payments		27		
Financial fixed assets	5.4/ 5.5.1	28	8.715.900.506,46	
Affiliated enterprises	5.14	280/1	8.704.588.530,59	
Participating interests		280	8.704.588.530,59	
Amounts receivable		281		
Other enterprises linked by participating interests	5.14	282/3	6.990.417,18	
Participating interests		282	6.990.417,18	
Amounts receivable		283		
Other financial assets		284/8	4.321.558,69	
Shares		284	2.720.000,00	
Amounts receivable and cash guarantees		285/8	1.601.558,69	
CURRENT ASSETS		29/58	1.433.221.971,36	
Amounts receivable after more than one year		29	584.203,71	
Trade debtors		290		
Other amounts receivable		291	584.203,71	
Stocks and contracts in progress		3	116.744.007,09	
Stocks		30/36	94.032.440,10	
Raw materials and consumables		30/31	43.707.484,01	
Work in progress		32		
Finished goods		33		
Goods purchased for resale		34	50.324.956,09	
Immovable property intended for sale		35		
Advance payments		36		
Contracts in progress		37	22.711.566,99	
Amounts receivable within one year		40/41	770.698.864,91	
Trade debtors		40	747.041.152,23	
Other amounts receivable		41	23.657.712,68	
Current investments	5.5.1/ 5.6	50/53	477.495.564,07	
Own shares		50	468.857.599,35	
Other investments and deposits		51/53	8.637.964,72	
Cash at bank and in hand		54/58	10.109.095,82	
Deferred charges and accrued income	5.6	490/1	57.590.235,76	
TOTAL ASSETS		20/58	16.312.661.004,89	

Nr.		

EQUITY AND LIABILITIES

	Notes	Codes		
EQUITY		10/15	2.023.677.064,37	
Capital	5.7	10	1.000.000.000,00	
Issued capital		100	1.000.000.000,00	
Uncalled capital		101		
Share premium account		11		
Revaluation surpluses		12		
Reserves		13	745.874.934,26	
Legal reserve		130	100.000.000,00	
Reserves not available		131	491.620.601,81	
In respect of own shares held		1310	468.857.599,35	
Other		1311	22.763.002,46	
Untaxed reserves		132	11.253.279,00	
Available reserves		133	143.001.053,45	
Accumulated profits (losses) (+)/(-)		14	277.426.520,84	
Investment grants		15	375.609,27	
Advance to associates on the sharing out of the assets		19		
PROVISIONS AND DEFERRED TAXES		16	592.906.602,54	
Provisions for liabilities and charges		160/5	589.283.047,63	
Pensions and similar obligations		160	7.553,75	
Taxation		161		
Major repairs and maintenance		162		
Other liabilities and charges	5.8	163/5	589.275.493,88	
Deferred taxes		168	3.623.554,91	
AMOUNTS PAYABLE		17/49	13.696.077.337,98	
Amounts payable after more than one year	5.9	17	8.521.031.474,71	
Financial debts		170/4	8.400.234.418,70	
Subordinated loans		170		
Unsubordinated debentures		171	2.504.079.616,59	
Leasing and other similar obligations		172		
Credit institutions		173	5.896.154.802,11	
Other loans		174		
Trade debts		175	120.797.056,01	
Suppliers		1750	120.797.056,01	
Bills of exchange payable		1751		
Advances received on contracts in progress		176		
Other amounts payable		178/9		
Amounts payable within one year		42/48	4.821.512.452,44	
Current portion of amounts payable after more than one year falling due within one year	5.9	42	2.044.435.832,82	
Financial debts		43	1.782.905.192,34	
Credit institutions		430/8	1.782.905.192,34	
Other loans		439		
Trade debts		44	570.141.611,93	
Suppliers		440/4	570.141.611,93	
Bills of exchange payable		441		
Advances received on contracts in progress		46	26.124.912,06	
Taxes, remuneration and social security	5.9	45	388.560.296,16	
Taxes		450/3	196.738.825,03	
Remuneration and social security		454/9	191.821.471,13	
Other amounts payable		47/48	9.344.607,13	
Accrued charges and deferred income	5.9	492/3	353.533.410,83	
TOTAL LIABILITIES		10/49	16.312.661.004,89	

VALUATION RULES

The valuation rules comply with the terms of Chapter II of the R.D. of Jan 30, 2001.

These rules were approved and adapted by the Board of Directors at their meetings on May 27, 1993, Dec 4, 1997, Oct 22, 1998, Oct 28, 1999, Oct 26, 2000, April 25, 2002, Oct 23, 2003, Dec 13, 2004, Dec 18, 2008, Feb 24, 2011, March 1, 2012 and February 27, 2014.

BALANCE SHEET

FORMATION EXPENSES

The loan issue expenses are charged entirely to the year during which they are issued.
Important formation expenses are capitalised and depreciated over a period of 5 years. The acquisitions of the year are depreciated pro rata temporis.
Reorganisation costs are expensed.

INTANGIBLE ASSETS

The intangible assets are valued at the acquisition cost; this is the purchase price, production cost or the assigned value. General expenses are not incorporated.

For depreciations the straight line method is used. The acquisitions of the year are depreciated pro rata temporis.

Intangible assets with an unlimited useful life are not depreciated. These assets shall only be written down in case of a permanent impairment or diminution in value.

Intangible assets with a limited useful life are depreciated at a fixed rate using the following plan, established on the basis of economic criteria:

- Goodwill: 5 to 15 years
- Software: 5 years
- Network licenses: over the license period
- Rights to use, football and broadcasting rights: over the contract period
- Customer bases and trademarks: 3 to 10 years

The goodwill generated by the merger of beginning of 2010 is depreciated over 15 years. This depreciation period is justified by the long life character of the expected profitability of all the merged companies.

TANGIBLE ASSETS

Tangible assets are valued at their acquisition cost; this is the purchase price, production cost or the assigned value. General expenses are not incorporated.

Tangible assets with an unlimited useful life are not depreciated. These assets shall only be written down in case of a permanent impairment or diminution in value.

Tangible assets with a limited useful life are depreciated using the straight line method. The determination of the depreciable amount takes into account a residual value if it can be determined with sufficient precision, if it is significant and if its realization is sufficiently certain.

They are depreciated at a fixed rate using the following plan, established on the basis of economic criteria:

	Useful life (years)
Land and buildings	
- Land	indefinite
- Buildings and building equipment	22 - 33
- Facilities in buildings	3 - 10
- Leasehold improvements	3 - 10
Technical and network equipment	
- Cables and ducts	15 – 20
- Switches	8 – 10
- Transmission equipment	6 – 8
- Radio Access Network	6 – 7
- Mobile sites and site facility equipment	5 – 10
- Equipment installed at client premises	2 – 8
- Data and other network equipment	2 - 15
Furniture and vehicles	
- Furniture and office equipment	3 – 10
- Vehicles	3 – 10

Fixed assets held under leasing or other similar rights are depreciated according to the life period of the real property as mentioned in the contract.

Assets under construction and advance payments are depreciated over the life period of the assets to which they relate.

Fixed assets that are put out of order are valued at net book value or at their expected realisation value if lower. They are no longer depreciated.

The acquisitions of the year are depreciated pro rata temporis.

FINANCIAL ASSETS

Participating interests and shares are valued at their acquisition cost, which is the purchase price or the assigned value. Only the important ancillary costs are capitalised.

A write down is recorded if a durable permanent impairment or reduction in value of these assets is observed, based on the financial situation, the profitability or the prospects of the company in which the participating interests or shares are held, taking into account the CBN/CNC advice n° 126-8.

Receivables are booked at their nominal value. A write down is recorded when, at the due date, the payment is partially or entirely uncertain.

AMOUNTS RECEIVABLE AFTER MORE THAN ONE YEAR

Amounts receivables are booked at nominal value. Amounts receivable expressed in foreign currencies are converted to EUR at the rate in force on the date of booking of the outgoing invoice and are translated at the year-end rate.

A write down is recorded on the nominal value when at the due date, the payment is partially or entirely uncertain.

STOCKS AND CONTRACTS IN PROGRESS

Inventories of consumables and goods for resale are booked at their acquisition cost.

At the time of the annual inventory, the Weighted Average Price method is used to assess the various subdivisions in this caption.

A write down is applied when the sales or market value is lower than the acquisition cost or to take into consideration the risks inherent to the nature of the products.

Contracts in progress and work in process are valued at production cost or at market price (if this is lower than the production cost).

The projects of the ICT activity (contracts in progress) are taken into result in function of their realisation percentage.

AMOUNTS RECEIVABLE WITHIN ONE YEAR

These amounts appear on the balance sheet at nominal value.

A write down is recorded on the nominal value when at the due date, the payment is partially or entirely uncertain.

Amounts receivable expressed in foreign currencies are converted into EUR at the rate in force on the date of entry of the outgoing invoice. At balance date they are translated at closing rate.

CURRENT INVESTMENTS

Current investments are valued at nominal value when they concern funds held in financial institutions and at acquisition cost, acquisition price without ancillary costs, in the other case.

A write-down is recorded on the nominal value or on the acquisition cost when the sales value on the closing date of the balance sheet is less than the previously booked value.

For the determination of the sales value of own shares the market value is taken into account on the one hand and the execution price of emitted share options for which these shares are held on the other hand.

Current investments in foreign currencies are translated into EUR at the rate in force on the closing date of the balance sheet.

CASH AT BANK AND IN HAND

Cash at bank and in hand is valued at nominal value. A write-down is recorded on the nominal value when the realisation value on the closing date of the balance sheet is less than the previously booked value. Cash at bank and in hand in foreign currencies is translated into EUR at the rate in force on the closing date of the balance sheet.

PROVISIONS AND DEFERRED TAXES

On the closing date of the balance sheet, an inventory is made of all foreseeable liabilities and contingent losses arising during the current year or during prior years. Provisions are established based on a reliable estimate of the risk on the moment of the establishment of the annual accounts.
In the framework of post employment benefits, a provision is made for as well the current as for the future beneficiaries of these benefits. For the current beneficiaries this provision is determined as the present value of the obligation for the accorded benefits. For future beneficiaries, this provision is constituted gradually in function of the number of years in service in order that, at the pension date, the provision reaches also the present value of the obligation for the accorded benefits.

The provision for damages concerning vehicles is constituted by the company as "own insurer" and is valued through an individualisation of all damages that occurred before 2014 and for which the costs will reasonably be bared by the company in future years.

Deferred taxes are booked in compliance with article 76 of the R.D. of January 30, 2001.

AMOUNTS PAYABLE AFTER MORE AND WITHIN ONE YEAR

Amounts payables appear on the balance sheet at nominal value.

Amounts payable in foreign currencies are converted into EUR as follows:

- loans in foreign currencies at the rate in force at the time the loan is concluded;

- trade debts at the exchange rate on the date of entry of the incoming invoice.

Trade debts and financial debts, not covered against exchange risks, expressed in foreign currencies are translated at closing rate.

TRANSLATION DIFFERENCES

Exchange gains and losses resulting from the translation are taken in the income statement.

INCOME STATEMENT

The items in the income statement are valued at nominal value. Own construction is booked at production cost excluding indirect costs.

TURNOVER

Revenue is registered in the period to which they refer, regardless of their payment.
The turnover takes commercial and volume discounts into account.

Specific revenue streams and related recognition criteria are as follows:
- revenue from fixed line, mobile and carrier traffic is recognized on usage.
- revenue from connection fees and installation fees is recognized in income at the time of connection or installation.
- revenue from sales of communication equipment is recognized upon delivery to the third party distributors or upon delivery by the own Belgacom shops to the end-customer.
- revenue relating to the monthly rent, the monthly subscription fee and access fees in the framework of fixed and mobile telephony, internet and digital television are recognized in the period in which the services are provided.
- prepaid revenue such as revenue from pre-paid fixed and mobile phone cards is deferred and recognized based on usage of the cards.
- maintenance fees are recognized as revenue over the maintenance period on a pro-rata basis.
- revenue from the ICT activity linked to projects is recognized in the result in function of the realization percentage.

RIGHT AND COMMITMENTS NOT ACCRUED IN THE BALANCE SHEET

The rights and commitments not accrued in the balance sheet are mentioned in the notes, per category, at the nominal value of the commitment in the contract, or failing that, at their estimated value.