



Management Report Proximus PLC under Belgian Public Law

2016

proximus

Report by the Board of Directors to the annual general meeting of shareholders on 19 april 2017 on the annual accounts of Proximus PLC under Belgian Public Law as at 31 december 2016

Dear Shareholders,

We are pleased to report on the operations of the 2016 financial year and to submit for your approval, the annual accounts as per of 31 December 2016.

The development and the results of Proximus in 2016

Comments on the annual accounts

In order to comply with the new Accounting Law of December 18th 2015, some changes have been made in the presentation of the 2015 financial information. The changes are mainly related to the structure of the income statement where the extraordinary income and expense are reclassified in the operating and financial results as non-recurring. Furthermore some additional notes have been incorporated.

Balance sheet

Intangible assets decreased with € 249 million down to € 3,358 million mainly as a consequence of the amortization of the goodwill from the 2010 merger by absorption, partly offset by important investments in IT assets and by the goodwill which results from the merger of Wireless Technologies with Proximus SA¹.

The net book value of the “plant, machinery and equipment” increased by € 109 million, as investments exceeded the depreciation cost of 2016. On the one hand, there are the investments made in the mobile network to maintain the mobile leadership in the Belgian market; on the other hand, there are the important investments made in the fixed network to roll-out fiber and vectoring in order to increase the broadband speed.

The change in financial fixed assets (-€ 81 million) mainly results from the merger of Wireless Technologies into Proximus SA and the liquidation of Scarlet Business, partly offset by the capital increase in Be-Mobile NV (previously Mobile For N.V.).

The stock increased with € 18,5 million up to € 98 million.

The amounts receivable within one year decreased significantly as 2015 included dividends to be received from subsidiaries.

The own shares decreased by approximately € 26 million mainly as a result of the sale of shares, stock options exercised and amounts written down.

¹ This merger goodwill is amortized over 10 years. This amortization period reflects the useful life over which the

economic benefits from the assets in the business combination are expected to be consumed by Proximus S.A

The cash and cash equivalent are approximately € 15 million higher end of December of 2016 compared to December 2015.

The equity decreases by more than € 32 million mainly due to the Net Income being lower than the profit distribution.

The provisions for liabilities and charges increased with € 234 million mainly as a consequence of the voluntary early leave plan approved in April 2016.

The total carrying value (long term and short term parts) of the unsubordinated debentures decreased by € 671 million compared to 2015, as a consequence of the repayments of two unsubordinated debentures matured in November 2016 for a nominal amount of € 675 million.

Income statement

Operating income decreased with € 28 million down to € 4,492 million mainly as a result of a decrease in other operating income (-€ 9 million) and non recurring operating income (-€ 29 million) partially offset by an increase in revenue (€ 9 million). The 2016 non recurring operating income (€ 10 million) mainly relates to income recognized with respect to the compensation mechanism for statutory retirees foreseen in the transfer of the obligation of legal pensions to the Belgian State in 2003. In 2015 this non recurring operating income (€ 39 million) related also to the compensation mechanism (€15 million) and to the reversal of an exceptional provision (€ 21 million) related to Financial Fixed Assets (Telindus UK).

The operating charges increased with € 140 million up to € 4286 million. This is mainly the result of an increase in depreciation and amortization (+ € 43 million), and non recurring operating charges (+ € 183 million) partly offset by a decrease in services and other goods (-€ 21 million), amounts written down on stock and

Credit institutions payable after more than one year are composed of intercompany borrowings, part of which are maturing in 2017 and were reclassified to amounts payable within one year. In 2016 two borrowings were renewed, on 28/9/2016 for an amount of € 396 million and on 30/12/2016 for an amount of 3,500 million.

Per 31 December 2016, the current liabilities exceed the current assets. However, Proximus benefits from different sources of financing: such as the use of readily available excess cash within the Group, the issuance of short term notes under its commercial paper program, the use of existing credit facilities and/or the use of its existing Euro Medium Term Notes program.

receivables (- € 9 million), provisions (- € 34 million) and other operating charges (- € 22 million). The increase of non recurring operating charges is mainly the consequence of the voluntary early leave plan and collective agreement. In 2015 these charges included also the impact of the settlement with KPN, BASE Company, and Mobistar (€ 116 million).

As a result, the operating profit decreased with € 168 million down to € 206 million.

The net financial income decreased with € 18 million down to € 298 million. The 2016 earnings before income tax amount to € 504 million (vs. € 691 million in 2015).

Corporate income taxes decreased with € 30 million down to € 25 million, mainly as a result of one-off items.

As a consequence the profit of the year before appropriation of the result amounted to € 479 million compared to € 635 million for 2015.

Appropriation of the account

We propose the following appropriation (in €):

		2016
Profit of the financial year to be appropriated	+	479,265,083 EUR
Accumulated profits	+	336,107,163 EUR
Profit to be appropriated	=	815,372,246 EUR
Transfers from capital and reserves	+	1,993,908 EUR
Transfers to capital and reserves	-	1,764,276 EUR
Profit to be distributed (Dividends)	-	485,884,870 EUR
Other beneficiaries (personnel)	-	25,215,774 EUR
Profit to be carried forward	=	304,501,233 EUR

On December 9th 2016 an interim dividend of € 161.3 million has been paid.

Right and commitments not included in the balance sheet

Proximus has the right to issue Commercial Paper for a total of € 1,000 million, of which € 405 million has been issued end 2016, and the right to

issue Euro Medium Term Notes for a total of € 3,500 million, of which € 2,430 million has been issued as of end 2016.

Most important risks and uncertainties

Taking risks is inherent to doing business and successfully managing risks delivers return to Proximus stakeholders. Proximus believes that risk management is fundamental to corporate governance and the development of sustainable business. The Group has adopted a risk philosophy that is aimed at maximizing business success and shareholder value by effectively balancing risk and reward. The objective of risk management is not only to safeguard the Group's assets and financial strength but also to protect Proximus' reputation. A structured risk management process

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

Enterprise-wide risks

Proximus' Enterprise Risk Management (ERM) is a structured and consistent framework for assessing, responding to and reporting on risks that could affect the achievement of Proximus' strategic development objectives. The Group's ERM covers the spectrum of business risks ("potential adverse events") and uncertainties that Proximus could encounter. It seeks to maximize value for shareholders by aligning risk management with the corporate strategy, assessing the emerging risk from regulation, new technologies on the market, and developing risk tolerance and mitigating strategies. Proximus ERM has been reviewed and updated every year since 2006. This risk assessment and evaluation takes place as an integral part of Proximus' annual strategic planning cycle. All relevant risks and opportunities are prioritized in terms of impact and

likelihood, considering quantitative and/or qualitative aspects. The bottom-up identification and prioritization process is supported by a self-assessment template and validation sessions. The resulting report on major risks and uncertainties is then reviewed by the Executive Committee, the CEO and the Audit and Compliance Committee. The main findings are communicated to the Board of Directors. Among the risks identified in the ERM exercise of 2016, the following risk categories were prioritized:

- Competitive market dynamics
- Human Resource cost flexibility
- Business model evolution
- Customer experience
- Innovation

Competitive market dynamics

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

The market is in constant evolution, with competitive dynamics at play that might impact market value going-forward. The Telenet-Base merger, the entry of Mobistar (renamed Orange Belgium as from May 2016) into cable, the transfer of Telenet MVNO customers to the BASE network freeing up capacity on the network of Orange Belgium, the acceleration of adoption of OTT applications disrupting the value of voice and

messaging are important, non-exhaustive, factors that could lead to further pressure on the market.

Moreover, Proximus' main competitors Orange Belgium, BASE and Telenet, are subsidiaries of Orange and Liberty Global respectively, all large international operators able to leverage their larger organisation. Nethys and Brutélé (commercial name VOO) are important local cable competitors in the South of the country.

A stronger combined competition (e.g. Telenet-Base or a potential consolidation among cable operators), a new market entrant (e.g. Orange via cable wholesale) or radical price competition could cost Proximus market share or force the company to revise prices downwards, impacting negatively revenue and profit.

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

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

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

In 2016, Proximus continued to leverage and nurture its single convergent 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 face competition from niche players in the different product markets. In the large-company market, Proximus faces competition from internationally oriented operators like Orange Business Services, Colt, Verizon Business and BT Belgium, and from integrators such as Dimension Data, Getronics, Cegeka and RealDolmen. The scattered competitive landscape drives price competition, which might further impact revenue and margins. Also Telenet's acquisition of Base could further drive price competition on the Enterprise mobile market. Cable operators are also making further inroads into the Fixed Enterprise market.

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

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

Human resources cost flexibility

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

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

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

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

In the digital era, knowledge workers are a competitive asset if they have the right skills and

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

In 2016, a voluntary early leave plan prior to retirement for employees above 60 years old was agreed by the unions (with implementation started and ongoing). However, the need remains to get unions approval on new measures to enhance employability, to obtain more flexibility to move employees within the organization, to adapt the workforce faster in line with the actual workload, and to align remuneration items with common market practices.

Proximus will continue to adapt and simplify the organizational structure in order to evolve towards a high-performance organization.

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

Business model evolution

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

The direct relationship with customers is a source of value and losing part or all of it to those new

entrants could affect revenues, margins, the financial position and the outlook of Proximus classical telecommunications products & services.

Like other operators, Proximus will continue to experience a decline in traditional services (voice and access), partly offset by the increase in revenues from innovative services, but the margins delivered by these new services are, on average, lower than the ones from legacy activities.

In response to this competition, Proximus aims at providing an improved answer to the needs of its customers by offering them integrated solutions that are composed of convergent products, including fixed and mobile communications solutions, service level agreements and managed services. Adding meaningful innovation and

embracing selected OTT partners will be instrumental to remain relevant to its customers .

Proximus will continue to increase collaboration with partners and open more and more assets to them, playing a new role of enabling company.

Customer experience

A lack of customer focus could negatively impact loyalty and growth ambition .

For Proximus , delivering a superior customer experience remains a daily challenge considering:

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

To support Proximus ambition to deliver a superior customer experience an ambitious transformation program was set up to address these challenges, steer and monitor the transformation of Proximus organization into a customer centric one in line with the Proximus sense of purpose to connect everyone and everything so people live better and work smarter.

The following main achievements have been realised in 2016:

- Anticipating what matters for the customer, preventing as much as possible what might impact him negatively by visiting customer proactively so that they can benefit from a optimized in-home multi-screen experience
- Best Mobile Experience
- Improved Speed : 73,3% of digital homes have line speed >30Mb/s
- Improved business continuity also for small enterprise with same day repair
- Improved first time right
- Improved staff friendliness leading to a better customer satisfaction
- Improved Enterprise Service Team tailored to business customer need
- Simplified invitation to pay/invoice

Innovation

To succeed the Telco industry has to innovate, diversify and shorten their time to market

As the Telco ecosystem evolves and reshapes, getting to market first with new service propositions is a primary route to value. In a world being revolutionized by the digitalization of services and channels, innovation needs to be multi-facet: from technology to business models, from enhancements of core products to development of totally new revenue streams.

With the new technologies (incl. IoT, Cloud solutions, ...) and devices with increased data capacity, data traffic volumes will continue to grow steadily.

Operators like Proximus need to ensure that they stand at the cutting edge of innovation rather than act as fast followers and that they respond by engaging and interacting in new ways with new ecosystems combining leading sector actors, the world of technology startups and other complementary service providers. The quest to attract the best in new talent and develop new skills will be key.

Operational risks

Operational risk relates to risks arising from systems, processes, people and external events that affect the operation of Proximus businesses. It includes product life cycle and execution; product safety and performance; information management, data protection and cyber security; business continuity; supply chain; and other risks, including human resources and reputation. Depending on the nature of the risk involved and the particular business or function affected, Proximus is using a wide variety of risk mitigation strategies, including adverse scenario stress tests, back up/business continuity plans, business process reviews, and insurance. Proximus' operational risk measurement and management

relies on the AMA (Advanced Measurement Approach) methodology. A dedicated "as-if" adverse scenario risk register has been developed in order to make stress tests relevant.

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

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

Business Continuity

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

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

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

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

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

Cyber Security

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

confidentiality, availability and integrity of Proximus and its customers' data are also at risk.

We are taking the necessary actions & investments to mitigate those risks by employing a number of measures, including employee

training, monitoring testing, and maintenance of protective systems and contingency plans.

Supply chain

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

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

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

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

Data protection & privacy

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

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

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

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

- Appointment of a Data Protection Officer (DPO) for Proximus (& subsidiaries) who reports to Executive Committee & the Audit and Compliance Committee and

who is responsible for privacy compliance & implementation of privacy laws, e.g. GDPR.

- Since end of 2015, a Proximus Privacy Committee (PPC) has been established, which reports to the Executive Committee and consists of C-level members from all business units. The Committee decides on the framework and conditions for new and privacy sensitive use cases (“privacy by design”) and provides recommendations on all other pertinent aspects related to privacy.
- A Proximus Privacy Charter, adopted in 2016, describes the Proximus’ approach to privacy and serves as an internal compass to assess use cases and to respect our stakeholders’ privacy, ...
- In view of the EU General Data Protection Regulation, Proximus performed a GDPR readiness assesment and developed a compliance roadmap.

Risk & Compliance Committee

In 2016, the Risk Management & Compliance Committee (RMC) has held 4 sessions. The related decisions have been reported to Executive Committee & the Audit & Compliance Committee. RMC meetings give opportunity to review files where decisions have to be taken by finding the balance between risk taking and cost in line with the Group risk appetite.

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

The RMC objectives are:

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

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

Financial reporting risks

In the area of financial reporting, in addition to the general enterprise risks also impacting the financial reporting (e.g. personnel), the major risks identified include: new transactions and evolving

accounting standards, changes in tax law and regulations and the financial statement closing process.

New transactions and evolving accounting standards

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

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

are identified and the impact on the Proximus financial reporting is proactively analyzed.

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

Changes in tax law and regulations

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

The tax department continuously follows potential changes in tax law and regulations as

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

Financial statement closing process

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

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

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

systems are locked, validation meetings and reporting deliverables.

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

Important events that have occurred after the end of the period

There are no events that occurred after 31 December 2016 that have not been reflected in the financial statements.

Circumstances that can significantly influence the development of Proximus

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

Evolution in research and development activities

In 2016, the Research & Development of Proximus continued activities, started a number of new studies and introduced new technologies & services in numerous domains, in quite some cases in co-operation with other R&D actors.

Proximus makes sure to capture major trends in innovation & venturing linked to technology as well as the outcomes from standardization & industry policies bodies and continuously feeds

innovation programs with relevant elements that fit our long term company strategy.

In 2016, an increased focus has been put on closer collaboration with start-ups to feed the R&D and innovation funnel. A partnership has been signed with co-station, a leading Belgian scale-up acceleration working space. Active participation in the organization of Hackathons led to close collaboration with early stage digital companies.

Study of potential new technologies

Fixed access network

- Proximus investigated the potential offered by the new ultra-Vectoring technology (VDSL2 35 MHz) to provide an evolution path for the copper network towards the delivery of higher speeds.
- Proximus studied the concept of a small VDSL distribution point that could be deployed deeper in the network to provide improved performance thanks to shorter distribution loop length.
- Activities continued with the start-up Tessares in which Proximus invested. The objective of these activities is to develop a solution for the bundling of available capacity on access networks by implementing the Multipath TCP standard to combine fixed and mobile networks using existing infrastructure. The customers' benefits are more bandwidth, higher reliability and greater security while

combining multiple networks. In 2016 the project moved into a pilot phase with a deployment in the city of Frasnes-Lez-Anvaing.

- A pilot has been launched to investigate the potential of G.Fast for the re-use of the last meters of the existing copper pair or existing coax introduction cable for connecting the home to a fiber network.

Mobile access network

- Proximus continued investigations on how to further extend capacity in the mobile network on the long term. In this respect, a pilot with small cells was conducted in Antwerp. Proximus believes that small cells will be key for the introduction of 5G in some years.
- Proximus was the first operator in Belgium to demonstrate the capabilities of 4.5G, allowing download speeds of over 1 Gbps. Proximus also showed what 5G could bring by demonstrating a pre-5G technology achieving 70 Mbs download speed.

Service platforms

- Proximus started Proof of Concepts related to the introduction of new Function Virtualization (NFV) and Software Defined Networks (SDN). These concepts are aiming at creating network abstraction for automated and fast deployment of services. In a Call-for-Innovation, in partnership with Swisscom and Telia, Proximus called for disruptive solutions for SDN/NFV within the startup scene leading to further collaboration in 2017.
- Together with some major Belgian broadcasters, Proximus is testing via a Proof of Concept how advertising on TV can be done in a smarter and more personalized way, with the aim to offer a better user experience and creating new business models for the advertising sector.

Launch of new technologies and further enhancements of existing technologies

Fixed access network

- At the end of 2016 Proximus announced an ambitious plan to roll-out Fiber-To-The-Home with the objective to cover 50% of the homes in the country within 15 years. A pilot deployment is in progress on the Brussels Anspach Boulevard. Preparation activities have also started in 5 other cities (Antwerp, Ghent, Charleroi, Namur and Roeselare). Proximus also continued to deploy FTTH in all new residential zonings.
- In addition to the ongoing roll-out of Point-to-Point fiber to corporate customers, Proximus has also begun rolling out GPON fiber to business customers to reach 85% of the companies within 10 years. Deployments have started in 6 cities in late 2016 with

hundreds of companies already passed by the end of the year.

- In parallel, Proximus continued the deployment of VDSL vectoring technology. Vectoring is a technology that enables the cancellation of interferences between copper lines and thereby increases substantially the data throughput that can be offered. During

the year Proximus made significant progress towards the objective of equipping all ROPs with vectoring technology, making the technology available for 63% of the homes at the end of the year. The implementation of the same concept on the upstream is also in progress and will deliver similar benefits as on the downstream.

Mobile access network

- As first operator in Belgium, Proximus rolled out 4G+ (or LTE-Advanced) technology in 20 cities. With a compatible smartphone, 4G+ enables mobile download speeds of up to 225 Mbps.
- Proximus continued the deployment of its commercial Internet of Things network based on the LoRa technology and expanded significantly LoRa coverage in Belgium and Luxemburg and added geo-localisation functionality.

To evaluate the quality of our mobile network, Proximus put itself in the shoes of our customers and asked an independent company to test real smartphone usages (call, surf, watch video..) in different situations and locations. By defining this “experience dashboard” based on more than 100 use cases, Proximus shows how it delivers a very high Mobile Experience in Belgium.

Network simplification

- Proximus started the implementation of the future transport network architecture and supporting technologies, aiming to cope with disruptive traffic growth, higher resilience, as well as backbone network simplification.
- Proximus invests in simplifying its networks, ensuring that customers can be

moved to a future-proof solution. For instance, the move of customers from legacy networks, such as PSTN and ATM, to IP-based technology enabled us to power off over 200 switches in the network.

Service platforms

- Proximus launched the Enabling Company (EnCo) market place aiming at the monetization of tailored final end-user products by using the modular assets of Proximus and third parties and engaging customers, partners and

developers through the use of programmable interfaces (API).

- For its TV service, Proximus continued the roll-out of the re-designed TV user interface offering a common look and feel irrespective of the screen, be it TV, tablet or smartphone.

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

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

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

In 2016, Proximus continued the Shift-TV project, an R&D project realized in partnership with industrial partners and universities to investigate advanced solutions for video streaming, including 4K. The participation to this project is partly funded by Innoviris (The Brussels Institute for Research and Innovation) under the framework of ICON, the iMinds' Cooperative Research Program.

Proximus has received confirmation from the Belgian Science Policy Office (BELSPO) that the company is engaged in recurring R&D activities.

Branches

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

In 2016, the Strategic Committee established at the level of the branch, has supervised the implementation of the Fit-for Growth strategy in Luxembourg. Under its leadership, the first synergies between Tango, Telindus and the group were realised.

Use of financial instruments

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

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

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

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

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

Proximus has an Audit & Compliance Committee which consists of 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.

A majority of the members of the Audit & Compliance Committee have sufficient expertise

in accounting and audit. The Chairman of the Audit & Compliance Committee holds a degree in Applied Economics. The Chairman and the majority of the members exercised several board or executive mandates in large Belgian or international companies.

Corporate Governance Statement

Proximus governance model

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

The key features of Proximus' governance model are:

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

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

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

Designation applicable Code on Corporate Governance

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

Deviations from the 2009 Belgian Corporate Governance Code

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

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

as prescribed by the former article 18 paragraph 3 of the 1991 Law. As from 2016, all Directors are appointed for a term of 4 years.

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

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

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

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

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

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

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

Control environment

Organization of internal control

In accordance with the bylaws, Proximus has an Audit & Compliance Committee (A&CC) (see caption 'Independence and expertise in the accounting and audit domain of at least one member of the Audit and Compliance

Committee'). Its role is to assist and advise the Board of Directors in its oversight on (i) the financial reporting process, (ii) the efficiency of the systems for internal control and risk management of Proximus, (iii) the Proximus' internal audit

function and its efficiency, (iv) the quality, integrity and legal control of the Proximus statutory and the consolidated financial statements, including the follow up of questions and recommendations made by the auditors, (v) the relationship with the Group's auditors and the assessment and monitoring of the independence of the auditors,

(vi) Proximus compliance with legal and regulatory requirements, (vii) the compliance within the organization with the Proximus' Code of Conduct and the Dealing Code.

The A&CC meets at least once every quarter.

Ethics

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

The Code "A Socially Responsible Company", which is available on www.proximus.com, sets out

the above-mentioned principles, and aims to inspire each employee in his or her daily behaviour and attitudes. The ethical behaviour is not limited to the text of the Code. The Code is a summary of the main principles and is thus not exhaustive.

In addition, Proximus in general, and the Finance department in particular, has a tradition of a high importance to compliance and a strict adherence to a timely and qualitative reporting.

Policies and procedures

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

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

Roles & responsibilities

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

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

profitability and to manage effectively corporate financial services.

The team of the Corporate Accounting department assumes this accounting responsibility for the mother company Proximus and the major Belgian companies. They also provide the support to the other affiliates. For this centralized support, the organization is structured according to the major (financial) processes. These major processes include capital expenditures and assets, inventories, contracts in

progress & revenue recognition, financial accounting, operational expenditures, provisions & litigations, payroll, post-employment benefits and taxes. This centralized support, organized around specific processes and IFRS standards, allows for in depth accounting expertise and ensures compliance with group guidelines.

The consolidation of all different legal entities into the Consolidated Financial Statements of the Proximus Group is done centrally. The Consolidation department defines and distributes

information relating to the implementation of accounting standards, procedures, principles and rules. It also monitors changes in regulations to ensure that the financial statements continue to be prepared in accordance with IFRS, as adopted by the European Union. The monthly instructions for consolidation set forth not only the schedules for preparing accounting information for reporting purposes, but also includes detailed deadlines and items requiring particular attention, such as complex issues or new internal guidelines.

Skills & expertise

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

For financial reporting purposes, a specific formation cycle was put in place, whereby junior as well as senior staff have to participate

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

Risk analysis

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

Risk mitigating factors and control measures

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

Information and communication

Financial reporting IT systems

The accounting records of Proximus and most of its affiliates are kept on large integrated IT systems. Operational processes are often integrated in the same system (e.g. supply chain management, payroll). For the billing systems,

which are not integrated, adequate interfaces and a monitoring system have been developed. For the consolidation purposes, a specific consolidation tool is used.

The organizational set-up and access management are designed to support an adequate segregation of duties, prevent unauthorized access to the sensitive information

and prevent unauthorized changes. The set-up of the system is regularly subject to the review by the internal audit department or external auditors.

Effective Internal communication

Most of the accounting records today are kept under IFRS as well as local GAAP. In general, financial information delivered to management and used for budgeting, forecasting and

controlling activities is established under IFRS. A common financial language used throughout the organization positively contributes to an effective and efficient communication.

Reporting and validation of the financial results

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

comparison with historical figures, as well as budget-actual and forecast-actual analysis. Validation requires (absences of) variances to be analyzed and satisfactorily explained.

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

Supervision and assessment of internal control

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

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

management. These recommendations, the related action plan and

implementation status are at least annually reported to the A&CC.

Composition and functioning of the governing bodies and their committees

Board of Directors

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

- Directors directly appointed by the Belgian State via royal decree, in proportion to its shareholding;
- Directors appointed by a separate vote among the other shareholders for the remaining Board seats.
- The Board of Directors was composed of a maximum of 16 members, including the person appointed as CEO.

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

- All Directors are appointed by the Shareholders' Meeting with 50% + one vote, upon proposal by the Board from those candidates withheld by the Nomination & Remuneration Committee;
- Any shareholder holding at least 25% has the right to propose a number of Directors proportionate to its shareholding;
- All Directors other than the CEO and those appointed through the aforementioned nomination right are independent. In any case there must be 3 independent Directors according to the criteria of article 526ter of the Belgian Company Code and of the Belgian Corporate Governance Code;
- The Board is composed of maximum fourteen members.

- Directors are appointed for a maximum term of four years. Mandates are renewable but there is a maximum term of in total 12 years for independent Directors.

The modified 1991 Law does not impact the current mandates.

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

Changes in the composition of the Board of Directors:

- On 20 April 2016 the mandates of Mrs. Carine Doutrelepont and Mrs. Lutgart Van den Berghe came to an end, after having served 12 years as independent Directors.
- On 20 April 2016 Mrs. Tanuja Randery and Mr. Luc Van den hove were appointed as independent Directors by the Shareholders' Meeting.

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

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

Name	Age	Position	Term
Stefaan De Clerck	65	Chairman	2013 – 2019
Dominique Leroy	52	Chief Executive Officer	2014 – 2020
Karel De Gucht	63	Director	2015 – 2021
Martine Durez	66	Director	1994 – 2019
Laurent Levaux	61	Director	2013 - 2019
Isabelle Santens	57	Director	2013 - 2019
Paul Van de Perre	64	Director	1994 - 2019

Members of the Board of Directors appointed by the General Shareholders' Meeting under the previous version of the 1991 Law:

Name	Age	Position	Term
Pierre Demuelenaere	58	Independent director	2011 - 2017
Guido J.M. Demuyck	66	Independent director	2007 - 2019
Martin De Prycker	62	Independent director	2015 - 2019
Carine Doutrelepon (1)	56	Independent director	2004 - 2016
Tanuja Randery (2)	50	Independent director	2016 - 2020
Agnès Touraine	62	Independent director	2014 - 2018
Lutgart Van den Berghe (1)	65	Independent director	2004 - 2016
Catherine Vandendorre	46	Independent director	2014 - 2018
Luc Van den hove (2)	57	Independent director	2016 - 2020

(1) End of mandate on 20 April 2016

(2) Appointed on 20 April 2016

Functioning of the Board of Directors

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

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

The Corporate Governance Charter, the Charter of the Board of Directors and the Charter of the Remuneration & Nomination Committee have been updated in September 2016 in order to incorporate the amendments made in December 2015 to the Law of 1991 and those decided by the Shareholders' meeting in April 2016.

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

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

offers for profit telecommunications services or goods in Belgium or in any country in which Proximus realizes at least 5 % of its turnover;

- Not exercising any position, mission or activity on behalf of a direct or indirect competitor of Proximus or of one of its affiliates;
- Not to assist, remunerated or not, any party in its contract negotiations with or procedures against Proximus or one of its affiliates.

Committees of the Board of Directors

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

Following the appointment of two new directors by the general shareholders meeting in April 2016, the Board reviewed the composition of all the committees.

Messrs. Guido J.M. Demuynck (Chairman), Stefaan De Clerck, Pierre Demuelenaere, Paul Van de Perre and Mrs. Catherine Vandendorre are the members of the Audit & Compliance Committee.

Messrs. Stefaan De Clerck (Chairman), Pierre Demuelenaere, Martin De Prycker, Guido J.M. Demuynck (as of 3 May 2016), Mrs. Martine Durez and Mrs. Lutgart Van den Berghe (until 20 April 2016) are the members of the Nomination & Remuneration Committee.

Messrs. Stefaan De Clerck (Chairman), Karel De Gucht, Martin De Prycker, Mrs. Carine Doutrelepon (until 20 April 2016), Mrs. Tanuja Randery (as of 3 May 2016), Mrs. Agnès Touraine and Luc Van den hove (as of 3 May 2016), are the members of the Strategic & Business Development Committee.

Activity report

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

Proximus has contractual relationships and 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. Proximus is also a Partner of Guberna, the Belgian Institute for Directors (affiliated with Mrs. Lutgart Van den Berghe, member of the Board of Directors until 20 April 2016, who is Executive Director of Guberna), for which it has paid a fee of € 30,250 in 2016.

Evaluation of the Board

The Board of Directors organized a self-evaluation at the end of 2016 together with

external partner Guberna. This evaluation will be concluded in Q1 2017.

Executive Committee

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

Mr. Michel Georgis, Chief Human Resources Officer, retired and left the company on 15 June 2016.

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

Remuneration report

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

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

Remuneration of the members of the Board of Directors

Directors' remuneration policy

The principle of continuity with the past has been maintained. The policy adopted by the General Assembly of 2004 has remained applicable in 2016 and no substantial change of the policy is expected for the coming two years.

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

The remuneration policy of the non-executive Directors foresees an annual fixed compensation of EUR 50,000 for the Chairman of the Board of Directors and of EUR 25,000 for the other members of the Board of Directors. All members of the Board of Directors have the right to an attendance fee of EUR 5,000 per attended meeting of the Board of Directors. This fee is doubled for the Chairman. Attendance fees of EUR 2,500 are foreseen for each member of an advisory committee of the Board of Directors. For the Chairman of the respective advisory committee, these attendance fees are doubled. These amounts, defined in 2004, have remained

unchanged since then and are not subject to indexation.

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

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

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

The Chairman of the Board of Directors is also Chairman of the Joint Committee and of the Pension Fund. Mrs Catherine Vandendorre and Mrs Sandrine Dufour are members of the Board of the Pension Fund. They do not receive any fees for these board mandates.

Overview of Directors' Remuneration

The total amount of the remunerations granted in 2016 to all the members of the Board of Directors, Chairman included, is amounting to gross 970.638 EUR.

The individual Directors' gross amounts paid out to the Directors in 2016, based on their activities and attendance to Board and Committee meetings, is presented in the following table.

These amounts have been granted based on seven Board meetings, one being not remunerated, and twelve Committee meetings.

Activities report and attendance at Board and Committee meetings

Name	Board (total 7*)	ACC (total 5)	NRC (total 5)	SBDC (total 2)	Total yearly gross remuneration**
Stefaan De Clerck	7/7	5/5	5/5	2/2	166,499 €
Dominique Leroy	7/7			2/2	0€
Karel De Gucht ⁽⁰⁾	7/7			2/2	69,500 €
Pierre Demuelenaere	7/7	5/5	5/5		82,000 €
Guido Demuyne ⁽¹⁾	7/7	5/5	2/2		87,000€
Martin De Prycker	7/7		5/5	2/2	74,500 €
Carine Doutrelepon ⁽²⁾	1/1			1/1	15,570 €
Martine Durez	7/7		5/5		69,500 €
Laurent Levaux	7/7				57,000 €
Tanuja Randery ⁽³⁾	6/6			1/1	46,319 €
Isabelle Santens	5/7				52,000 €
Agnès Touraine	7/7			2/2	62,000 €
Lutgart Van den Berghe ⁽²⁾	1/1		2/2		18,250 €
Catherine Vandenborre	5/7	3/5			54,500 €
Luc Van den hove ⁽³⁾	6/6			1/1	46,319 €
Paul Van de Perre	7/7	5/5			69,500€

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

* One Board meeting not remunerated

** Total remuneration:

- gross amounts on a yearly basis
- for all Directors, this amount is telecom advantage included
- for the Chairman of the Board, this amount also includes the benefit in kind related to the private use of a company car

⁽⁰⁾ The total remuneration also includes a gross amount of 7.500 € paid out for the attendance to meetings in 2015

⁽¹⁾ Member of the NRC since 3 May 2016

⁽²⁾ Mandate until 20 April 2016

⁽³⁾ Mandate since 20 April 2016 and member of the SBDC since 3 May 2016

Global reward policy and principles

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

Because of our history as a public-service company, there are some differences in our

dynamics and structure, compared to the private sector. This has a considerable influence on how our remuneration policy has evolved. Our Human Resources department has developed creative and adaptable programs to deal with its obligations related to the statutory employment status of some of its workforce, and introduced new elements that harmonized policies between civil servants and contractual employees.

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

The main objectives of our Global Rewards Program are:

- To drive performance that generates long-term profitable growth;
- To stimulate empowerment that reinforces the business strategy and desired culture;
- To offer a fair and equitable remuneration to our staff (both to civil servants and to the contractual employees), and competitive on the market;

- To recognize and reward high performance and the promotion of the company values and culture;
- To link pay to both individual performance and the overall success of our company;
- To enable our company to attract and retain market's talents at all levels;
- To combine the needs and responsibilities of employees and their families with those of the company and society as a whole.

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

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

Executive Remuneration

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

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

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

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

The market positioning of these remuneration packages is reviewed on a regular basis by benchmarking the remuneration of the members of our Executive Committee against both the BEL

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

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

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

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

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

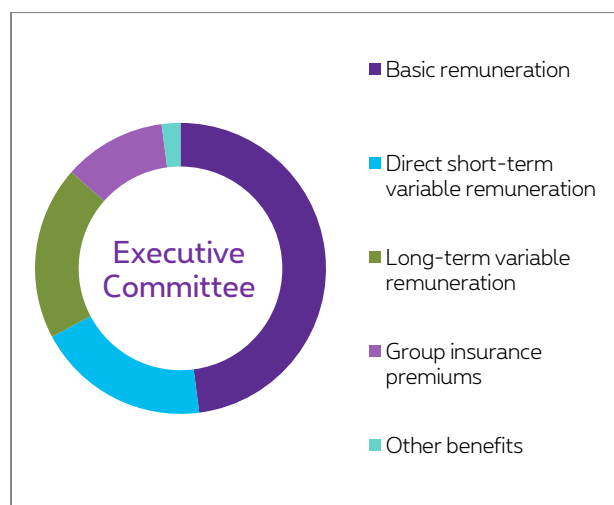
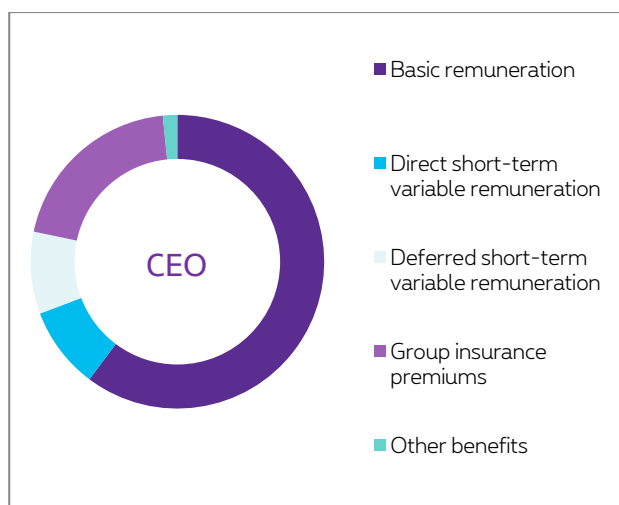
Executive Committee's remuneration structure

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

- Basic remuneration
- Short-term variable remuneration
- Long-term variable remuneration
- Group insurance premiums and other benefits

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

Relative importance of various components of the on-target remuneration before employer's social contribution (end 2016)



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

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

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

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

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

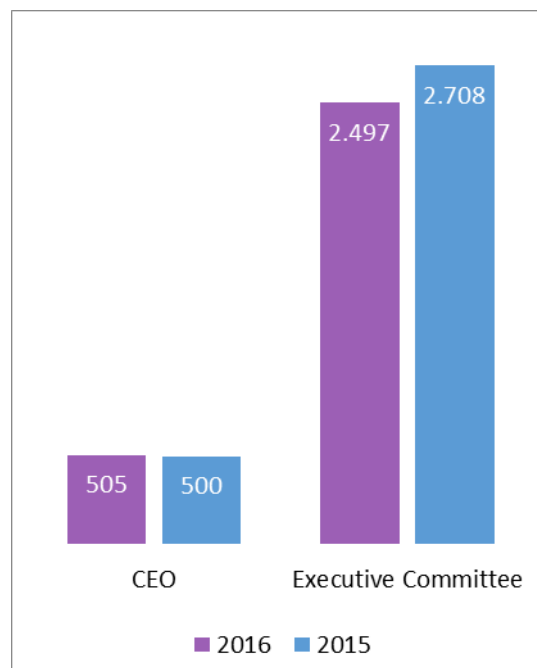
Except this variable remuneration alignment of the other members of the Executive Committee, no substantial change of the remuneration policy is expected for the coming two years.

Basic remuneration

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

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

Basic remuneration in kEUR before employer social contribution



Year-to-year variations in the amounts are resulting from the 2% index of July 2016 on the one hand and on the other hand from the changes operated in the composition of the Executive Committee, i.e. the nomination of a new Chief Financial Officer in 2015 and of a new Chief Human Resources Officer in 2016.

Short-term variable remuneration

Short-term variable remuneration components

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

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

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

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

Group performance - Key Performance Indicators (KPIs)

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

The performance indicators at Group level are as follows:

- the operational cash flow
- the number of new customers in voice, fix, internet and TV businesses
- the Simplification and the Customer Experience, measuring our progresses versus our ambition in these domains

- the “employee engagement index”, measuring on a yearly basis our employees' engagement, agility and strategic alignment.

The achievement of these KPI's are regularly followed-up and communicated. The results are based on audited financial figures and are measured by internal and external agencies specialized in market and customer intelligence, of which the processes are audited on a regular basis.

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

Individual performance

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

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

Short-term variable remuneration allocation

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

As explained above, the short term variable remuneration is allocated by the Board of Directors upon proposal of the Nomination & Remuneration Committee. The amount effectively allocated to the Chief Executive Officer and to the other members of the Executive

Committee varies according to the Group results and to the evaluation of the individual performances by the Board of Directors.

In case of objectives realisation at 100%, the Chief Executive Officer or the other member of the Executive Committee gets 100% of his short-term variable remuneration target amount. In case of sustained excellent performance at Group and individual level, the short-term variable remuneration can go above the 100% of the target amount, with a cap at 200%, according to a linear allocation curve. Conversely, this percentage can drop down to 0% in case of

severe underachievement.

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

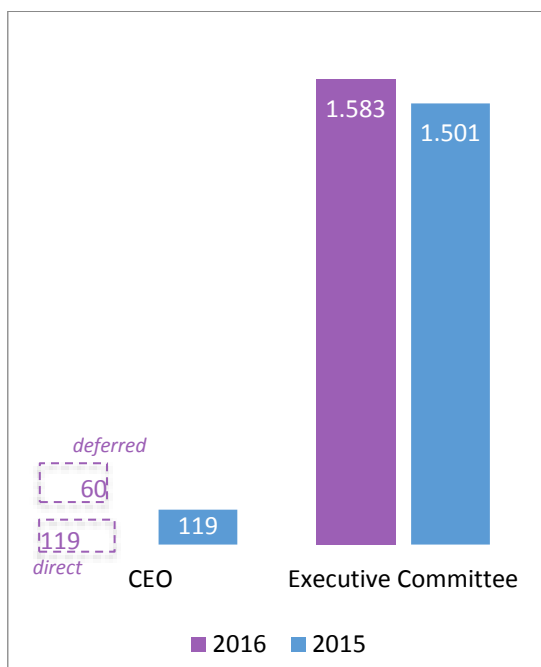
The CEO started her mandate in January 2014, so only a direct short-term variable remuneration has been allocated to her in 2015, for the performance indicators related to the 2014 year. A deferred short-term variable remuneration, for the performance indicators related to the years 2014 and 2015, has been allocated to the CEO for the first time in the course of the first quarter of 2016, on top of a direct short-term variable

remuneration for the performance indicators related to the 2015 year only.

In the last couple of years, the Board of Directors did a positive evaluation of the realizations of the Chief Executive Officer, given the overachievement of her objectives and the long term value she has created since her nomination in this role. A direct short-term variable remuneration amounting to gross 118.950 EUR were thus allocated to her in 2015 (performance indicators related to 2014). In 2016, direct and deferred short-term variable remuneration were allocated to her for respectively gross 119.400 EUR (performance indicators related to 2015) and gross 59.475 EUR (performance indicators related to the years 2014 and 2015).

The total short-term variable remuneration effectively allocated in 2016 to the other members of the Executive Committee (2015 performance year) amounts to gross 1.583.327 EUR, a slightly higher amount compared to the total amount allocated in 2015 (2014 performance year).

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



- Chief Executive Officer :

- Pay-out in 2015: only a non-deferred direct short-term variable remuneration had been allocated, related to the performance year 2014, for the amount of EUR 118.950 EUR

- Pay-out in 2016 : a direct short-term variable remuneration has been allocated, related to the performance year 2015, for the amount of 119.400 EUR, as well as a deferred short-term variable remuneration amounting to 59.475 EUR for the 2014 and 2015 performance years

- Other members of the Executive Committee:

Impact of the few changes within the composition of the Executive Committee

Long-term variable remuneration

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

The other members of the Executive Committee receive a long-term variable remuneration expressed as a percentage of the annual basic remuneration. This percentage is the same as the percentage of their short-term variable remuneration.

The long-term variable remuneration is allocated to the other members of the Executive

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

Long-term Performance Value Plan

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

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

Telecommunications companies.

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

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

Peer companies currently included in the basket

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

Current CEO, who started her mandate in January 2014, is not eligible to long-term variable remuneration. As a consequence, no long-term variable remuneration has been granted to her in 2015. The contract of the CEO allows the Board to propose a long-term variable remuneration in case of value creation. This condition has clearly been met in 2015. Because she is the only member of the Executive Committee without

such long-term variable remuneration and because the Board of Directors wants the CEO also to be incentivized on the longer term, the Board of Directors unanimously decided in its meeting of February 2016 to propose granting such long-term variable remuneration as from performance year 2015. Given however the negative reaction from the Belgian State this was not put on the agenda of the General Assembly.

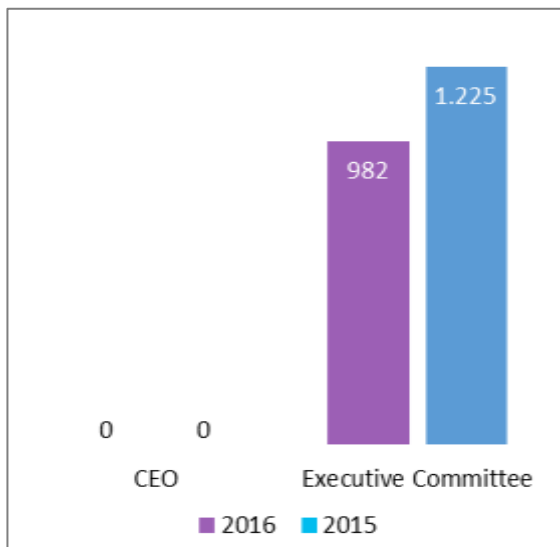
As a consequence, no long-term variable remuneration has been granted to the CEO in 2016.

The total long-term variable remuneration effectively granted to the members of the Executive Committee others than the CEO was amounting to gross 1.225.250 EUR in 2015 and to gross 982.000 EUR in 2016.

Long-term variable remuneration in kEUR before employer social contribution

The changes in the composition of the Executive Committee over the last three years have

impacted the total long-term variable remuneration granted.



Former long-term variable remuneration plan: Stock Options Plan

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

their evolution in the course of 2016 is presented in below chart.

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

In 2015 and 2016, the CEO and the other members of the Executive Committee did not receive any Proximus shares nor Proximus stock options.

Overview of the stock options still held by the members of the Executive Committee

		Dominique LEROY	Dirk LYBAERT	Geert STANDAERT	Bart VAN DEN MEERSCHE
STOCK OPTIONS					
on January 1 st , 2016		12,665	1,834	8,000	15,000
Exercised in 2016	Number	0	0	5,000	0
	Year of grant	-	-	2011	-
Lapsed in 2016	Number				
	Year of grant				
Forfeited in 2016	Number				
	Year of grant				
on December 31, 2016		12,665	1,834	3,000	15,000

Sandrine Dufour, Renaud Tilmans, Jan Van Acoleyen and Phillip Vandervoort do not hold stock options...

Group insurance premiums and other benefits

Group insurance premiums

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

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

Other benefits

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

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

General overview

Below chart reflects the remuneration and other benefits allocated directly or indirectly to the members of the Executive Committee in 2016 and 2015 by the company or any other undertaking belonging to the Group (benefit based on gross or net remuneration, depending on the type of benefit).

It should be noted that the global remuneration has been affected by the index of July 2016, by the allocation of the deferred short-term remuneration to the CEO for the first time in 2016, and by the changes in the composition of the Executive Committee over the last three years, i.e. the nomination of a new Chief Financial

Officer in 2015 and of a new Chief Human Resources Officer in 2016.

Remuneration overview of the members of the Executive Committee

REMUNERATION	CEO		Other members of the Executive Committee	
	2015	2016	2015	2016
Basic remuneration	500,000 €	505,005 €	2,707,781	2,497,345 €
Direct short-term variable remuneration	118,950 €	119,400 €	1,500,812 €	1,583,327 €
Deferred short-term variable remuneration	0 €	59,475 €	0 €	0 €
Long-Term variable remuneration	0 €	0 €	1,225,250 €	982,000 €
Retirement and post-employment benefits	167,066 €	169,666 €	715,319 €	919,496 € *
Other benefits	13,159 €	12,463 €	121,658 €	107,605 €
SUBTOTAL (excl. employer's social contribution)	799,175 €	866,009 €	6,270,820 €	6,089,773 €
Termination benefits	0 €	0 €	0 €	0 €
TOTAL (excl. employer's social contribution)	799,175 €	866,009 €	6,270,820 €	6,089,773 €

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

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

Main provisions of the contractual relationships

Contractual agreement related to the mandate of the CEO

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

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

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

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

Main contractual terms of the other Executive Committee members

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

compensation. Just like the CEO, the other members of the Executive Committee are also bound by exclusivity and confidentiality obligations and is liable for respecting the company codes and policies, like the Code of Conduct and the Dealing Code.

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

Position of conflicting interest

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

In accordance with article 523 of the Belgian Company Code, Mrs D. Leroy, CEO, declared during the Board of Directors of 25 February 2016 to have a conflict of interest in connection with her performance evaluation for 2015, item on the agenda of that Board meeting.

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

"In accordance with article 523 of the Belgian Companies Code, the CEO, Mrs D. Leroy, declares having a conflict of interest in connection with her performance evaluation for 2015. She requests the Board to take note of her statement and to include the necessary statements in the management report of Proximus relating to the year 2016. She also informs the auditor of Proximus of this conflict of interest and leaves the meeting.

Upon recommendation of the Remuneration Committee and on condition of approval by the majority shareholder, the Board decides:

As to the Short Term Incentive for the CEO:

- to adapt the reference period of the Short Term Variable Pay of the CEO as from

Performance year 2015, from a spread over 3 years to a 1 year reference period;

- to allocate a percentage of 200%, reflecting the individual performance of the CEO for the Performance Year 2015, meaning that a total amount of € 238.800 gross will be paid out to the CEO in 2016;
- to deploy the Fund Options plan for the individual part of the CEO's short term variable pay, and consequently to mandate the Chairman of the Board on operational items of this deployment.

As to the Long Term incentive for the CEO:

- to implement article 4.4 of the agreement, foreseeing an LTI for the CEO in case of value creation by the CEO;
- to allocate Performance Value for the amount of € 150.000 gross to the CEO in 2016, provided that the remuneration report is approved by the general shareholders' meeting of April 2016."

Given however the negative reaction from the Belgian State this was not put on the agenda of the General Assembly of April 2016. As a consequence, no long-term variable remuneration has been granted to the CEO in 2016 and the pay out of the Short Term Incentive was, in line with article 520ter of the Belgian Company Code, limited to 50% in 2016 with a deferral of 25% to 2017 and 25% to 2018.

Obligation of the law of 21 March 1991 on the reform of some autonomous public sector enterprises

Mandates exercised in companies in which Proximus participates

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

participates or to which she contributes to the functioning are not remunerated.

Participations	Members on 31/12/2016
PROXIMUS GROUP SERVICES S.A.	S. Dufour G. Kerremans L. Kervyn de Meerendré H. Wampers
PROXIMUS OPAL S.A.	O. Moumal D. Lybaert
BELGACOM INTERNATIONAL CARRIER SERVICES (BICS) S.A.	D. Leroy S. Dufour D. Lybaert M. Gatta J. Van Acoleyen D. Kurgan
CONNECTIMMO S.A.	J. Joos S. De Clerck S. Dufour P. Delcoigne
TANGO S.A.	S. Dufour G. Hoffmann R. Tilmans J. Van Acoleyen B. Van Den Meersche P. Vandervoort
TELINDUS S.A. (Luxembourg)	S. Dufour G. Hoffmann M. Lindemans A. Meyers B. Van Den Meersche B. Watteeuw J-F. Willame
TELINDUS-ISIT BV	G. Degezelle P. Van Der Perren B. Watteeuw

SKYNET iMOTION ACTIVITIES S.A.	P. Verdingh
BELGIAN MOBILE WALLET S.A.	S. Dufour B. Van Den Meersche
PXS RE S.A.	L. Kervyn de Meerendré O. Moumal
BE-MOBILE S.A.	D. Leroy S. Dufour B. Van Den Meersche
PROXIMUS SpearIT S.A.	S. Bovy G. Hoffmann B. Van Den Meersche P. Van Der Perren D. Van Eynde B. Watteeuw
PROXIMUS ICT-EXPERT COMMUNITY (PIEC) C.V.B.A.	K. De Man (permanent representative of Proximus SpearIT S.A.) P. Vandervoort (permanent representative of Proximus Opal S.A.) B. Watteeuw (permanent representative of Proximus S.A.) D. Van Eynde (permanent representative of Telindus S.A. Luxembourg)
CLEARMEDIA S.A.	B. Watteeuw S. Bovy D. Van Eynde O. Malherbe S. Huijbrechts
SCARLET BELGIUM S.A.	C. Dujardin V. Licoppe A. Marchant R. Tilmans P. Vandervoort
AWINGU S.A.	P. Vandervoort

Miscellaneous

Members of the Joint Auditors

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

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

The mandate of Mr Pierre Rion has been renewed on 10 February 2016.

Auditor responsible for certifications of the consolidated accounts of Proximus Group

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

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

In conclusion

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

On recommendation of the Nomination & Remuneration Committee, we nominate in accordance with article 18 of the bylaws, Mr Pierre Demuelenaere as candidate member of the Board of Directors which corresponds with a renewal of his mandate until the annual Shareholders' Meeting of 2021.

Yours truly,

On behalf of the Board of Directors,

Brussels, 23 February 2017.

Dominique Leroy

Chief Executive Officer

Stefaan De Clerck

Chairman of the Board of Directors