

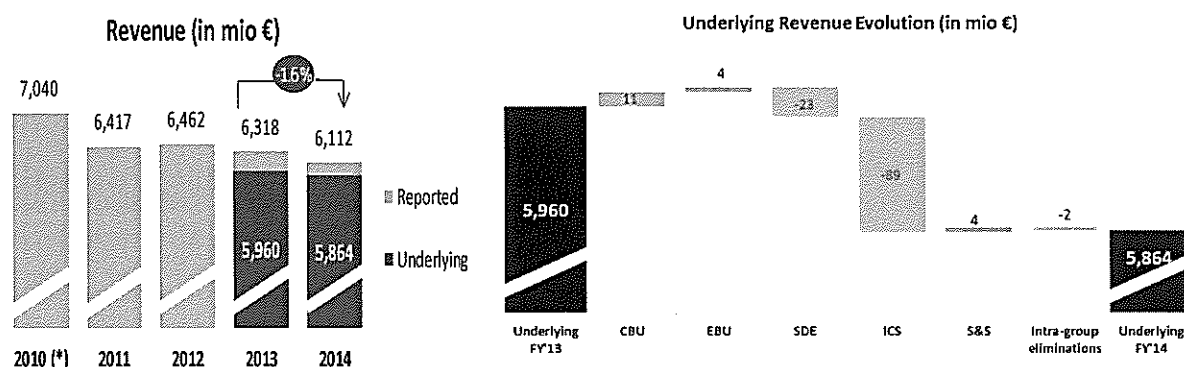
CONSOLIDATED MANAGEMENT REPORT

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL RESULTS

Belgacom Group

- Group underlying¹ revenue 1.6% lower than for 2013 mainly driven by lower BICS³ revenue
- With Mobile revenue showing good recovery, Belgacom's underlying core⁴ revenue remained fairly stable versus 2013
- Group underlying EBITDA¹ of EUR 1.653 million, i.e. -2.5 % lower than for 2013
- EUR 711 million Free Cash Flow in 2014, positively impacted by the sale of consolidated subsidiaries and buildings.

Revenues



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

The Belgacom Group ended the year 2014 with total reported revenue of EUR 6,112 million, or -3.3% versus 2013. The year-on-year variance was, however, significantly influenced by incidentals such as non-recurring items, capital gains on building sales⁴ and the revenue loss due to divestures⁵.

Adjusted for these incidentals, Belgacom Group's underlying revenue for 2014 totaled EUR 5,864 million, -1.6% or EUR 96 million lower than the previous year. The decrease was for a large part driven by Belgacom's International Carrier segment⁶, due to a decline in low-margin Voice volumes. The BICS segment aside, Belgacom generated through its core business underlying revenue of EUR 4,287 million, which was fairly stable (-0.2%) versus the prior year. This results from higher revenue from the retail Consumer and Enterprise segments, offset by lower Wholesale revenue posted in the Service Delivery Engine and Wholesale segment.

¹ Adjusted for incidentals to get a better view on Belgacom's ongoing business performance. See page 17 for more details.

² Belgacom International Carrier Services

³ Group revenue excluding revenue from Belgacom International Carrier Services (BICS)

⁴ In 2014, the Belgacom Group realized EUR 46 million capital gains on the sale of technical buildings in the framework of its network simplification program, this compares to EUR 31 million realized in 2013.

⁵ Divestiture of Telindus France, Sahara Net, and the activities of Scarlet Netherlands and Telindus UK

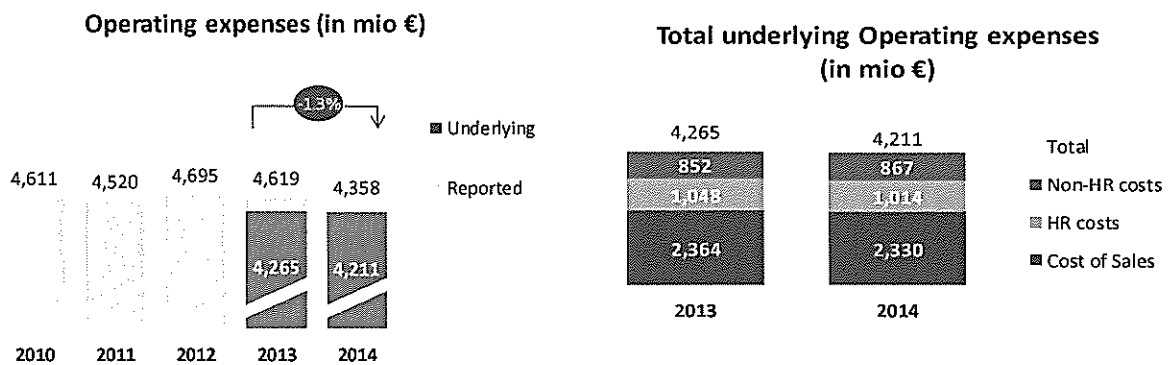
⁶ See page 16 for more information on BICS results

In 2014, the quarterly Core revenue variance improved from -3.2% for the first quarter, to +3.5% for the fourth quarter of 2014. The trend improvement showed in both the Consumer and Enterprise segments and was the result of a significant recovery of the Mobile service revenue, strong sales of Mobile terminals and higher revenue from TV and ICT. These sound business trends largely offset the revenue pressure by regulatory⁷ measures, which reduced the 2014 revenue by an estimated amount of EUR 50 million, or -1.2% of Belgacom's underlying core revenue.

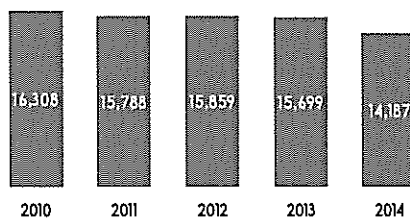
In particular, the Mobile service revenue showed a significant turnaround from the prior year, in spite of a continued competitive Mobile market. Whereas 2013 showed a -13% Mobile service revenue decline compared to 2012; the revenue erosion in 2014 was limited to -2.8%. The enhancement shown in the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

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

Operating expenses



Headcount evolution (in FTE)



The Belgacom Group's total operating expenses for 2014 amounted to EUR 4,358 million. Adjusted for incidentals⁸, the underlying operating expenses amounted to EUR 4,211 million, or 1.3% lower compared to the year before.

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

The 2014 underlying⁹ HR expenses of EUR 1,014 million were down by 3.3% versus 2013. An important driver of the lower HR cost was the lower headcount compared to the prior year, mainly resulting from natural attrition.

End-2014, the Belgacom Group employed 14,187 FTE's, i.e. 1,512 FTE's less than the previous year (of which 1,214 FTE's due to divestures). In 2014 the HR expenses were not impacted by an inflation-based salary indexation. Furthermore, the underlying HR expenses were positively impacted by the compensation by the Belgian State for statutory employees who retired in 2014.

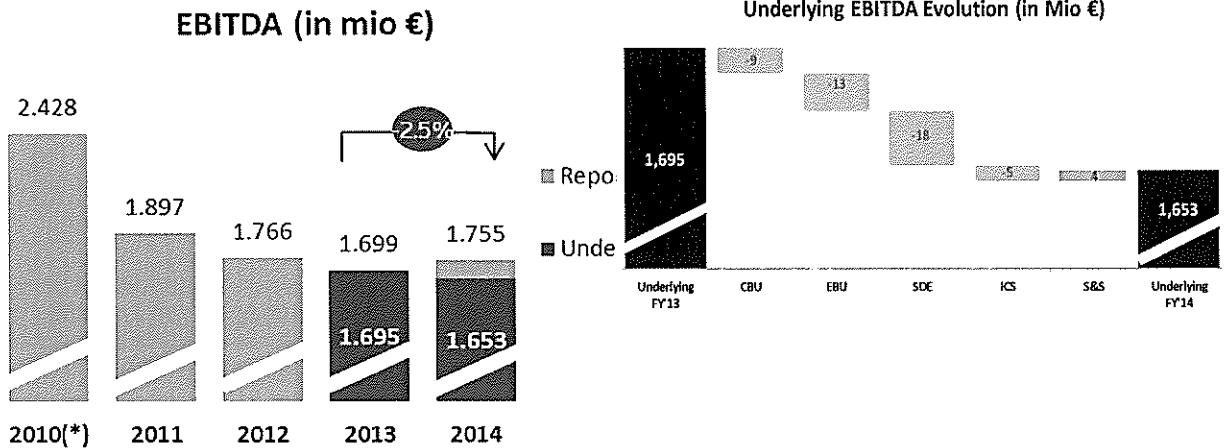
⁷ Regulatory price reductions on Roaming rates and reduced Mobile Termination Rates in Luxembourg

⁸ Mainly related to disposed companies and capitalization of customer installations as of 2014

⁹ Adjusted for the impact from divestures and HR items of transient nature

The 2014 underlying non-HR expenses for the Belgacom Group were up by 1.7% or EUR 14 million to a total of EUR 867 million, on an underlying basis. The non-HR expenses were down in the first three quarters of the year on the benefits achieved through the implementation of Belgacom’s Fit-for-Growth strategy. In the fourth quarter, however, these benefits were more than offset by a provision for a Walloon Region pylon tax, and some non-structural higher costs, mainly within the Staff & Support segment.

EBITDA



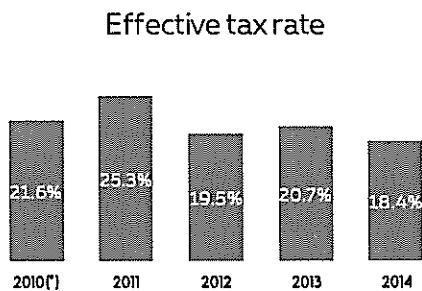
(*) The 2010 Group EBITDA includes a non-recurring income of EUR 436 million. This results from the acquisition of control of BICS on 1 January 2010, which led to the re-measurement of the Group’s previously held interest in BICS.

The Belgacom Group reported EUR 1,755 million EBITDA for 2014, or 3.3% more than what was reported for 2013. This year-on-year increase resulted from incidentals such as higher capital gains on building sales and gains on disposed subsidiaries¹⁰. These excluded, the Belgacom Group posted EUR 1,653 million underlying EBITDA for 2014, 2.5% less than the EUR 1,695 million underlying EBITDA for 2013. This compares to the 8.7%¹¹ EBITDA decline posted in 2013, which reflected the full impact of the Belgian Mobile price disruption and the new Belgian Telecom law.

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

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

Tax Expense



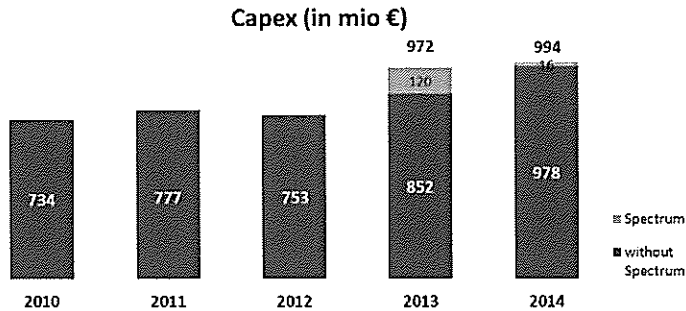
The effective tax rate was 18.4% for the year 2014. This was slightly lower than the effective tax rate of 20.7% for the year 2013, and is mainly due to incidentals recorded in 2014. Belgacom’s tax rate results from the application of general principles of Belgian tax law.

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

¹⁰ See page 17 for more info on Incidentals impacting the year-over-year variance

¹¹ Communicated like-for-like variance 2013 vs 2012

CAPEX



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

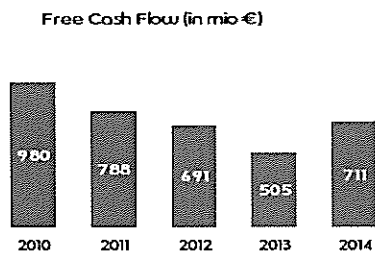
Spectrum excluded, Belgacom invested EUR 126 million more than in 2013. A part of it was due to the three-year broadcasting rights to Belgian Jupiler Pro league football acquired in June 2014, which was capitalized in the second quarter of 2014.

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

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

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

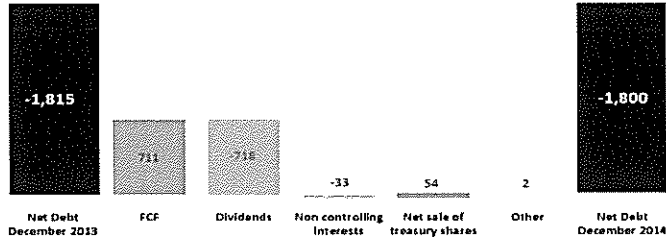
Free Cash Flow*



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

(*) Cash flow before financing activities

Net financial position



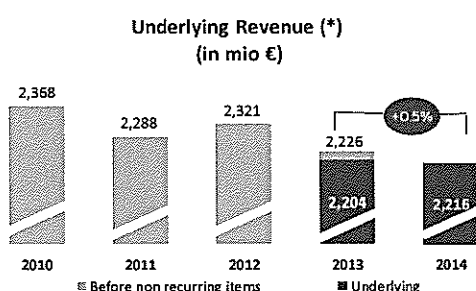
Compared to end-2013, the net financial debt decreased by EUR 15 million to EUR 1,800 million at the end of December 2014. The cash provided by the Free Cash Flow and the sale of Treasury shares slightly exceeded the dividend returned to shareholders and non-controlling interests.

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

Consumer Business Unit – CBU

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

CBU revenues

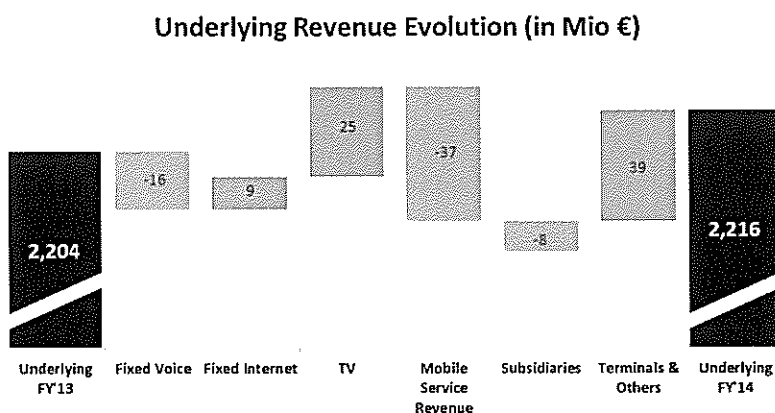


For the full-year 2014, CBU's underlying¹² revenue totaled EUR 2,216 million, +0.5% or EUR 11 million up from the prior year. After a tough 2013, during which CBU was fully hit by the disruptive change in the Belgian telecom law and a Mobile price war, 2014 returned to stabilisation. This showed in the improving Mobile services revenue trend: from a -7.0% year-on-year in the first-quarter 2014 to -1.9% for the last quarter of the year.

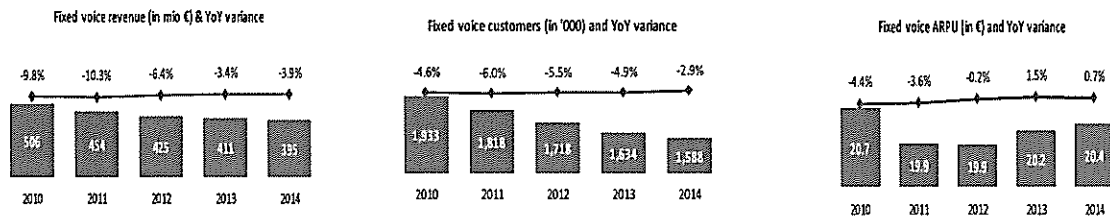
(*) historical numbers of 2010-2012 are based on revenue before non-recurring items. 2013 and 2014 shows underlying revenue, i.e. excluding non-recurring revenue and other incidentals such as impact from divested companies.

Full-year 2014 Mobile Service revenue decline was limited to -4.8%, improving from a -13.1% decline in 2013. This decline was offset by the good revenue growth for Fixed services, in particular for TV and Fixed internet, and by higher revenue from Mobile devices.

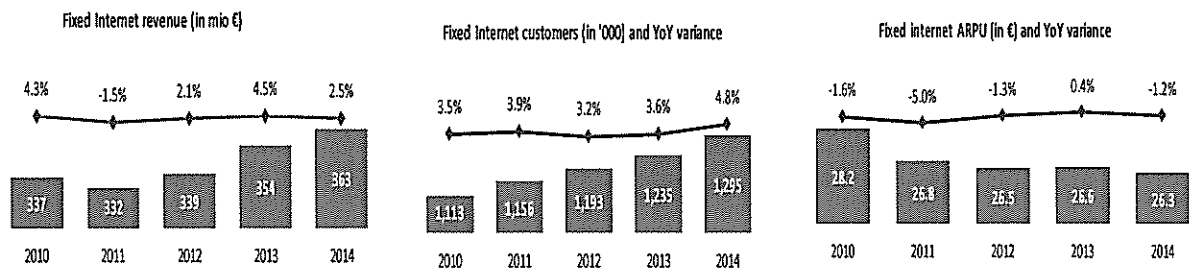
Regulatory measures reduced the 2014 revenue by an estimated amount of EUR 23 million (-1.0%). This entails the effect from a further decline of Roaming tariffs and lower Mobile Termination Rates for Tango in Luxembourg.



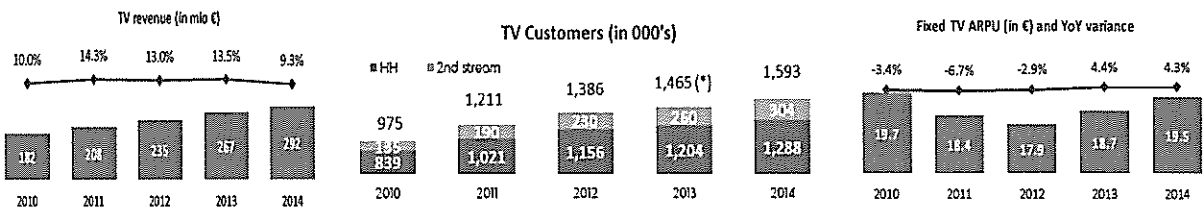
¹² Excluding M&A impacts



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



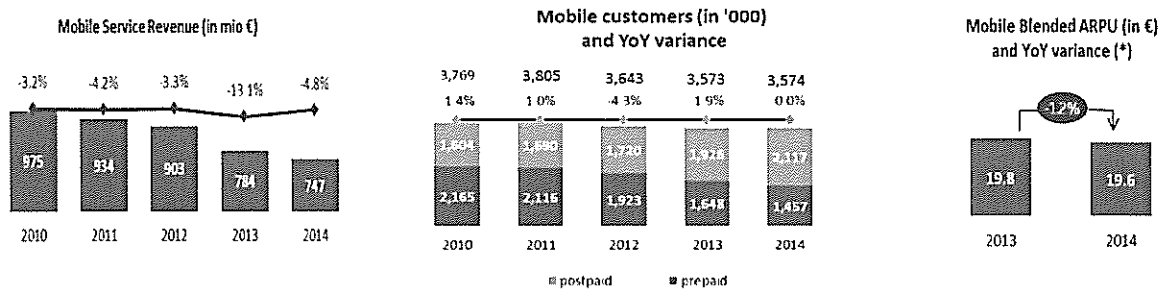
In 2014, CBU's revenue from Fixed Internet continued to show growth, up 2.5% to EUR 363 million, driven by a growing customer base for its main brand Proximus, supported by successful Pack offers, and by a growing customer base for Scarlet. In line with its 'Fit for Growth' strategy, Belgacom improved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



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

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

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



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

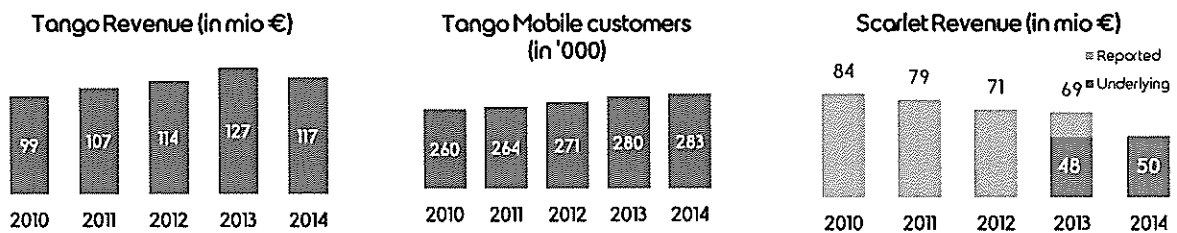
The revenue generated by Belgacom’s Consumer segment from Mobile services (i.e. combined revenue from Mobile Voice, Mobile Data and SMS) totaled EUR 747 million for 2014. The 4.8% decline was a significant improvement from the 13.1% decline reported for 2013, which showed full impact from the Mobile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

Even though the Belgian Mobile market remained very competitive in 2014, there were also signs of stabilization. Belgacom’s consumer segment solidly grew its Postpaid customer base by 191,000 to reach a total of 2,117,000 Postpaid subscriptions. This includes 380,000 Internet Everywhere cards. At the same time, the erosion of prepaid cards slowed down to a decline by 190,000 cards, from a 283,000 loss in 2013.

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

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

Subsidiaries: Tango & Scarlet

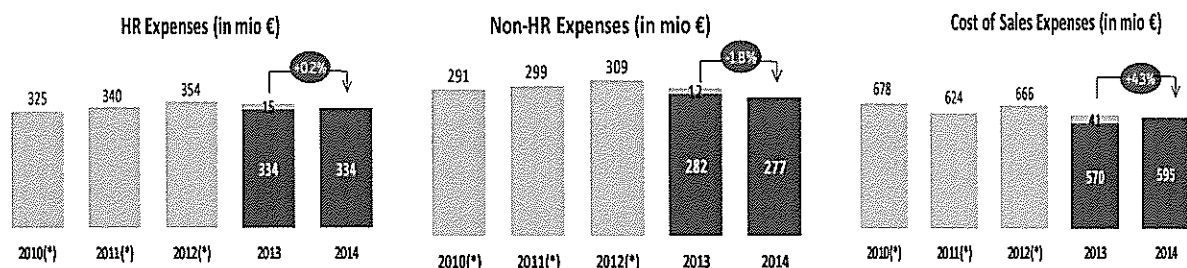


Tango, Belgacom’s Luxembourgish telecom operator, generated for the full-year 2014, revenue of EUR 117 million, a 7.5% decrease from the prior year caused by the regulated decrease of Mobile Termination Rates, as from 1 February 2014 set at 0.98€ct/min from 8.2 €ct/min before.

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

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

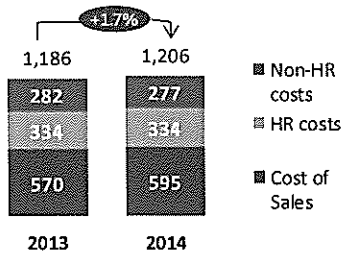
CBU operating expenses



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

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

**Total underlying expenses
(in mio €)**

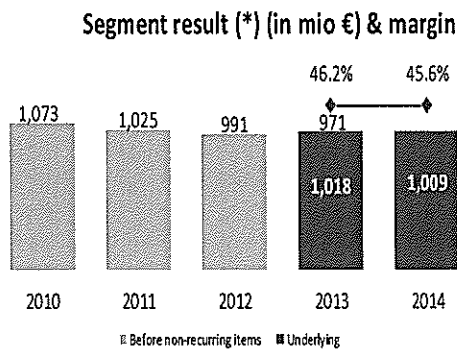


The total expenses from the Consumer segment were EUR 1,206 million or 1.7% higher than the previous year due to higher Cost of Sales.

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

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

CBU segment result and contribution margin



CBU's underlying segment result for 2014 amounted to EUR 1,009, limiting the year-on-year decline to EUR -9 million or -0.8% versus the comparable basis of 2013. This was a significant improvement from the prior year¹⁴ subsequent to the improved revenue trend in Mobile and from good cost containment.

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

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

The 2014 full-year contribution margin¹⁵ was 45.6%.

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

CBU X-play household reporting

The progress on Proximus' long-term convergence and value strategy is measured through a household-based reporting. In contrast to the traditional reporting per product group, the X-play¹⁶ Household reporting focuses on operational and financial metrics in terms of Households serviced by Proximus, and the number of Plays and RGUs offered per household.

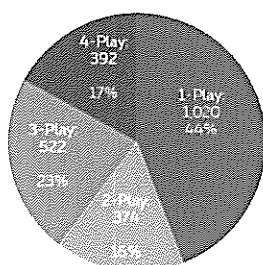
¹⁴ CBU's segment result was down by 5.4% versus to 2012, on comparable basis.

¹⁵ Belgacom does not apply a full cost allocation. Network and IT costs are therefore mainly centralized within SDE&W

¹⁶ A Play is defined as a subscription to either Fixed Voice, Fixed Internet, Fixed TV or Mobile postpaid (paying Mobile cards)

CBU Households per x-play end 2014

Total of 2,309,000 Households



Number of Households in '000

By end 2014, Proximus serviced 2,309,000 households, of which, 56% was a multi-play¹⁷ household, or +2.4pp more versus end 2013.

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

The average RGU¹⁸ continued to show some progress throughout 2014, with the average over all X-play households going up to 2.35 in the fourth quarter 2014, up year-on-year by 4.8%, with the increase coming from 3-Play (to 3.17 RGUs) and 4-Play (to 4.64 RGUs), mainly driven by Mobile postpaid family offers.

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

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

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

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

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

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

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

Revenues (*) per x-play in EUR million

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

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

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

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

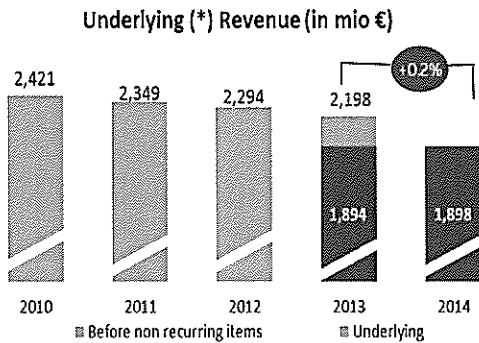
¹⁷ i.e. Households that subscribed for at least 2 Plays

¹⁸ Revenue Generating Units

Enterprise Business Unit – EBU

- Stable 2014 underlying¹⁹ revenue for the Enterprise segment
- Turnaround in Mobile service revenue and growing organic ICT revenue
- Solid growth in Mobile customer base: +183,000 in 2014
- Full-year underlying segment result slightly down, positive turn-around mid-2014

EBU revenues



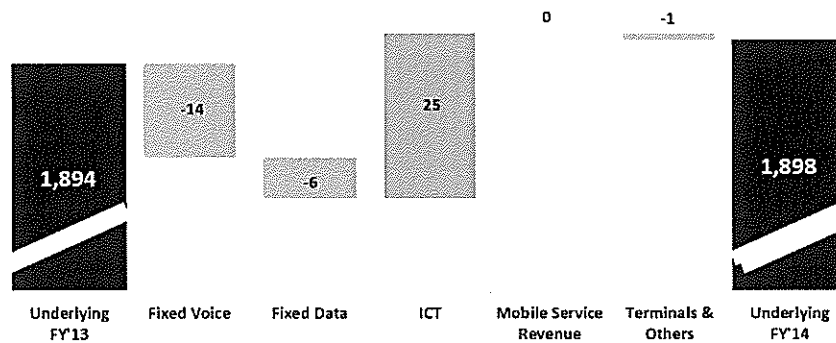
For the full-year 2014, EBU's underlying²⁰ revenue totaled EUR 1,898 million, remaining stable compared to the prior year. Over the year, the quarterly revenue trend strongly improved, starting the year with a -3.1% underlying decline for the first quarter, and ending the year with a +3.6% growth for the last quarter.

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

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

Regulatory²¹ measures lowered EBU's 2014 revenue by an estimated amount of EUR 26 million or -1.4% of EBU's underlying revenue.

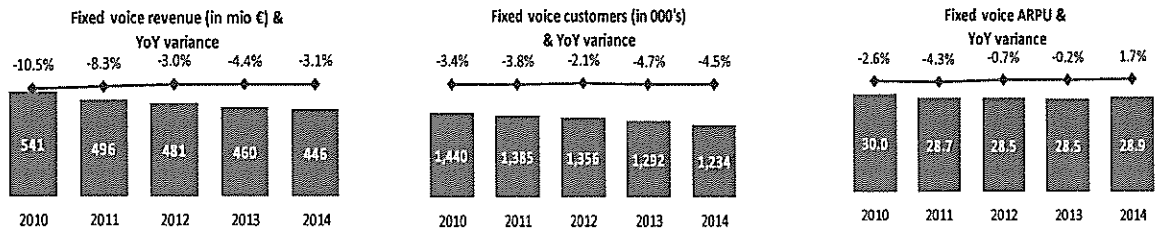
Underlying Revenue Evolution (in mio €)



¹⁹ Adjusted for M&A impacts

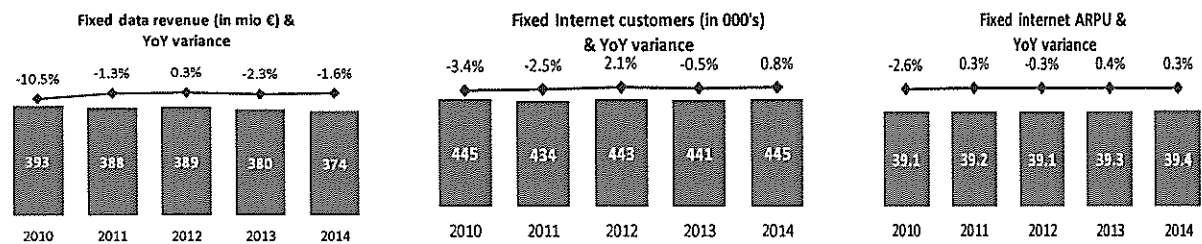
²⁰ Excluding M&A impacts

²¹ Regulated reduction of Roaming rates

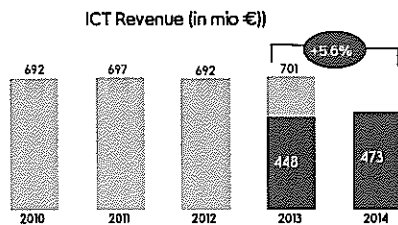


For 2014, EBU reported EUR 446 million revenue in Fixed Voice, showing an improving decline of -3.1% versus 2013. The key driver of the revenue decline was a continued Fixed Voice line erosion triggered by companies rationalizing on Fixed line connections. This effect was only partly compensated for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

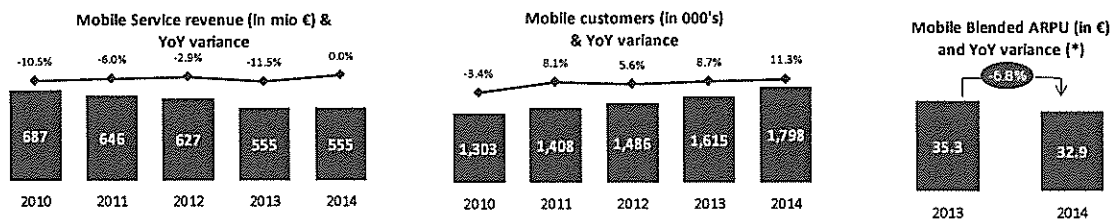
In 2014 the Fixed Line erosion totaled -58,000 lines, better than the -64,000 for 2013. This brought the 2014 EBU total Fixed Voice Line customer base to 1,234,000, or -4.5% on a yearly basis. This was partly compensated for by a higher Fixed Voice ARPU of EUR 28.9 up 1.7% year-over-year; as a result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



The 2014 revenue from Fixed Data, consisting of Fixed Internet and data connectivity revenue, was EUR 374 million, 1.6% below that of 2013. This was due to a continued migration from older technologies such as leased lines to the Belgacom Explore platform, for which pricing is more favorable for customers. Fixed Internet revenue remained fairly stable year-on-year, with ARPU staying stable at EUR 39.4 and the EBU Fixed Internet customer base showing slight growth. End-2014 EBU had 445,000 Fixed Internet customers, an increase of 4,000 lines or +0.8% year-on-year growth in a saturated and competitive market.



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



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

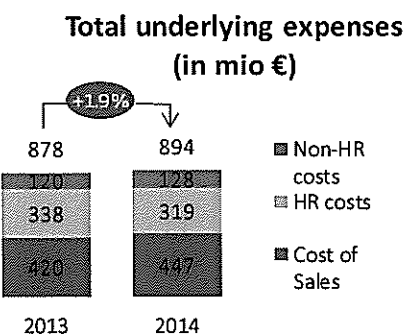
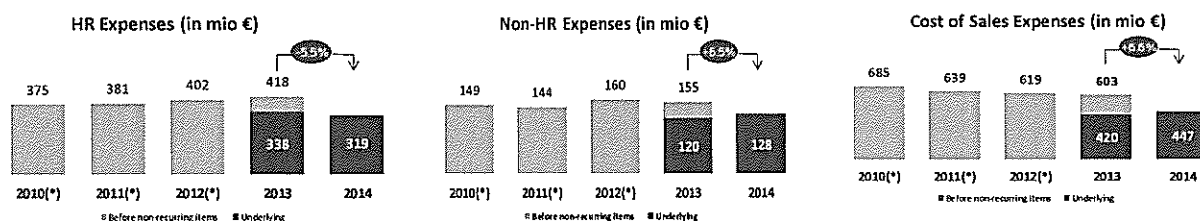
Mobile service revenue showed a significant improvement over the previous year, with EUR 555 million for 2014, i.e. stable compared to 2013. The revenue trend showed solid improvement throughout the year, a good recovery from the Belgian Mobile market disruption. The 2014 Mobile service revenue was still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

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

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

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

EBU operating expenses



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

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

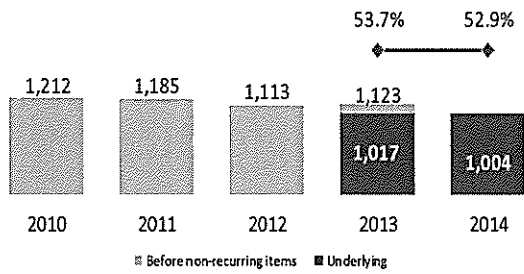
Year-over-year the underlying HR expenses decreased by 5.5% to EUR 319 million in 2014, mainly due to a lower personnel base.

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

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

EBU segment result and contribution margin

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

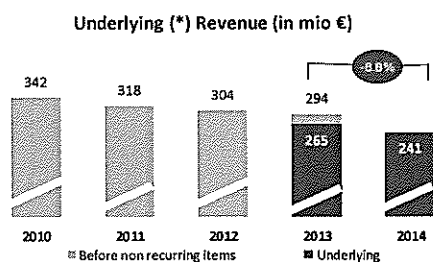


EBU's 2014 underlying segment result totaled EUR 1,004 million, limiting the underlying year-on-year decline by 1.3% versus 2013. The strong trend improvement from the previous year, with 2013 down 8.8% from 2012 on a comparable basis, was mainly driven by the strong recovery in Mobile services revenue, and by lower HR-expenses. The underlying contribution margin²³ for 2014 was 52.9%, 0.8pp lower versus the prior year.

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

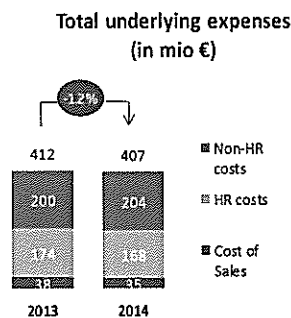
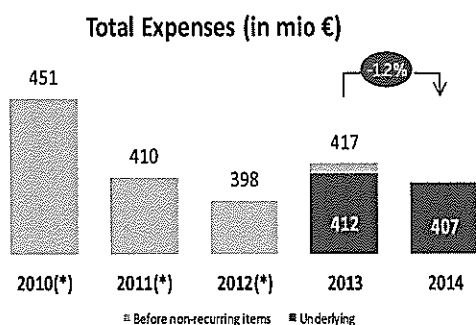
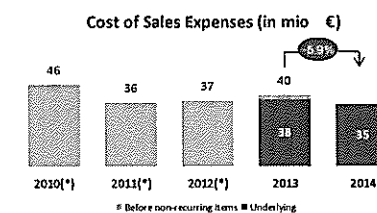
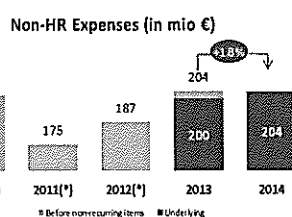
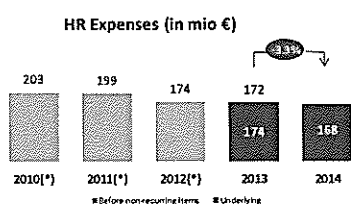
²³ Belgacom does not apply a full cost allocation. Network and IT costs are therefore mainly centralized within SDE&W

Service Delivery Engine & Wholesale – SDE&W



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

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

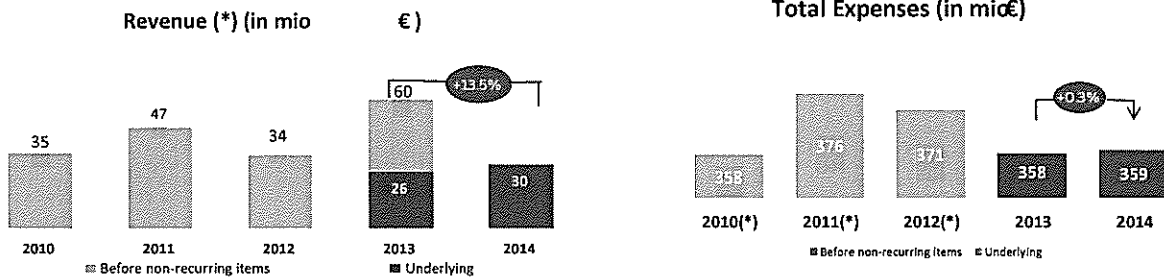


SDE&W, being the company-wide support for all IT and network-related matters, typically has a negative segment result. Whereas the revenue from SDE&W is mainly generated in the Wholesale department, the HR and non-HR expenses cover a much broader scope of the Belgacom Group

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

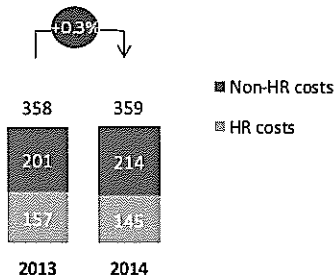
The erosion on the segment result was 12.5% versus the previous year, totaling EUR -166 million.

Staff & Support – S&S



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

Total underlying expenses (in mio €)



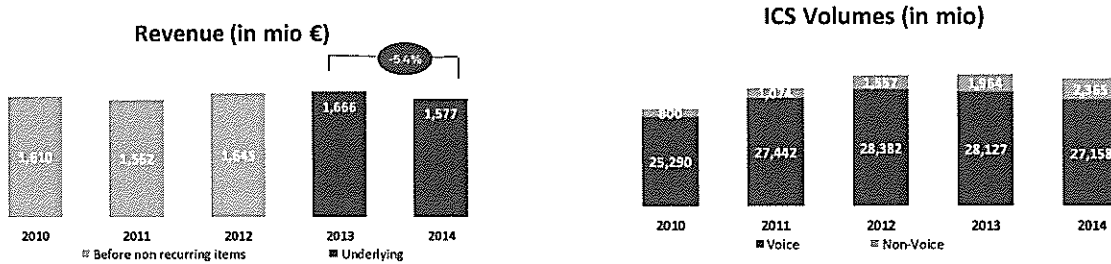
On an underlying basis, i.e. excluding capital gains from building sales, the 2014 revenue of S&S totaled EUR 30 million, EUR 4 million or 13.5% up compared to the prior year.

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

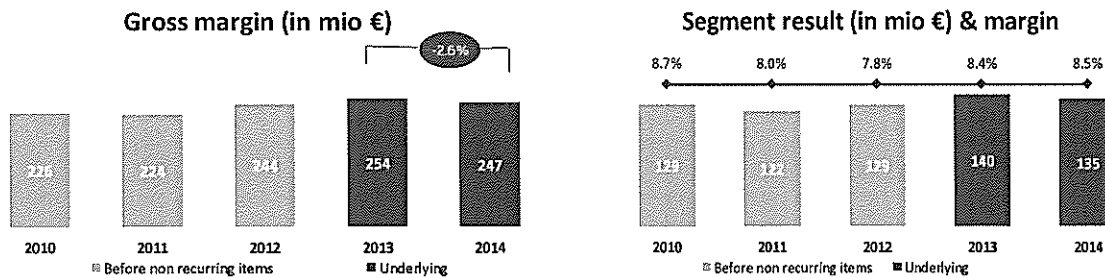
International Carrier Services – BICS

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

ICS revenues and volumes



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



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

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

From reported to underlying Revenue and EBITDA (rounded numbers)

GROUP - Revenue incidentals			GROUP - EBITDA incidentals		
(EUR million)	FY'13	FY'14	(EUR million)	FY'13	FY'14
Reported	6,318	6,112	Reported	1,699	1,755
Underlying	5,960	5,864	Underlying	1,695	1,653
Incidentals - Total	-359	-248	Incidentals - Total	-4	-102
<u>Non Recurring Items</u>	0	-62	<u>Non Recurring Items</u>	14	-34
<u>Other incidentals</u>	-359	-187	<u>Other incidentals</u>	-18	-67

Incidental Elements Split	Revenue		EBITDA	
	FY'13	FY'14	FY'13	FY'14
Total of Incidental Elements	-359	-248	-4	-102
<i>Non-recurring items:</i>	0	-62	14	-34
Gain/losses from disposals	0	-62	16	-25
<i>e.g. Telindus France (EUR 43m), BICS (EUR 20 million)</i>				
Other	0	0	-2	-10
<i>mainly resulting from a partial settlement of a post-employment benefit plan.</i>				
<i>Other incidentals:</i>	-359	-187	-18	-67
Impact from disposed companies	-325	-141	-2	-3
- CBU, Scarlet Netherlands (March 2014) and Sahara Net (May 2014)	-21	-7	5	0
- EBU Divesture of Telindus France in May 2014	-304	-134	-8	-3
Capitalization customer installations	0	0	23	0
<i>- Capitalization of network installation activities for customer connections as from of 1 January 2014.</i>				
Transformation & Rebranding	0	0	0	11
Capital gains on building sales	-31	-46	-31	-45
HR-items of transient nature	0	0	0	-8
Litigation provisions & reversals	-3	0	-8	-22

Quarterly results

Group - Financials

(EUR million)	Q113	Q213	Q313	Q413	2013	Q114	Q214	Q314	Q414	2014
REPORTED										
Revenues	1,586	1,583	1,568	1,582	6,318	1,480	1,631	1,486	1,515	6,112
EBITDA	441	430	430	398	1,699	411	556	433	354	1,755
UNDERLYING										
Revenues	1,497	1,499	1,490	1,474	5,960	1,403	1,483	1,472	1,506	5,864
Consumer Business Unit	548	562	544	550	2,204	532	551	557	577	2,216
Enterprise Business Unit	480	476	462	476	1,894	466	474	465	493	1,898
Service Delivery Engine & Wholesale	68	66	66	65	265	64	60	60	58	241
Staff & Support	7	7	7	5	26	7	8	7	8	30
International Carrier Services	417	413	437	401	1,656	357	415	410	395	1,577
Inter-segment eliminations	-23	-24	-27	-22	-96	-23	-25	-26	-25	-98
Costs of materials and charges to revenues (*)	-590	-594	-589	-591	-2,364	-529	-593	-581	-627	-2,330
Personnel expenses and pensions (**)	-266	-258	-265	-259	-1,048	-255	-258	-258	-243	-1,014
Other operating expenses (***)	-205	-213	-209	-226	-852	-205	-203	-202	-257	-867
EBITDA	435	434	427	398	1,695	414	429	431	380	1,653
Segment EBITDA margin	29.1%	29.0%	28.6%	27.0%	28.4%	29.5%	28.9%	29.2%	25.2%	28.2%

(*) Cost of materials and services related to revenue are referred to as "Cost of sales" in the document

(**) Personnel expenses and pensions are referred to as "HR costs" in the document

(***) Other operating expenses are referred to as "Non-HR costs" in the document

CBU – Financials

(EUR million)	Q113	Q213	Q313	Q413	2013	Q114	Q214	Q314	Q414	2014
REPORTED										
Revenues	553	567	549	556	2,226	536	553	557	577	2,223
Segment Result	254	248	263	210	975	251	257	261	242	1,011
UNDERLYING										
Revenues	548	562	544	550	2,204	532	551	557	577	2,216
From Fixed	262	264	265	265	1,055	263	264	269	274	1,070
Voice	104	103	102	101	411	99	98	99	99	395
Internet	87	89	90	89	354	89	91	91	93	363
TV	64	66	67	69	267	70	71	74	77	292
Terminals (excl TV)	7	6	6	5	23	5	5	5	5	20
From Mobile	226	230	218	219	893	209	227	225	235	896
Mobile Services	197	205	193	190	784	183	190	187	186	747
Terminals	29	25	25	29	109	26	36	38	49	149
Subsidiaries	41	44	44	45	175	41	40	42	43	167
Scarlet	12	12	12	12	48	13	12	13	12	50
Tango	29	32	32	33	127	28	28	30	31	117
Other	19	23	17	22	81	18	20	21	24	83
Costs of materials and charges to revenues	-139	-155	-128	-149	-570	-131	-145	-143	-175	-595
Personnel expenses and pensions	-84	-82	-84	-83	-334	-85	-85	-85	-80	-334
Other operating expenses	-65	-70	-67	-80	-282	-64	-67	-67	-79	-277
Segment result	260	255	265	238	1,018	251	254	262	243	1,009
Segment contribution margin	47.4%	45.5%	48.7%	43.2%	45.2%	47.3%	46.1%	47.1%	42.1%	45.6%

CBU – Operationals

	Q113	Q213	Q313	Q413	2013	Q114	Q214	Q314	Q414	2014
EROM.FIXED										
Number of access channels (thousands)	2,895	2,883	2,872	2,870	2,870	2,866	2,863	2,866	2,882	2,882
Voice	1,693	1,673	1,653	1,634	1,634	1,615	1,602	1,592	1,588	1,588
Broadband	1,203	1,210	1,219	1,235	1,235	1,250	1,261	1,274	1,295	1,295
Traffic (millions of minutes)	1,086	988	901	971	3,945	940	875	827	882	3,525
National	787	696	639	689	2,810	666	611	585	623	2,486
Fixed to Mobile	190	184	164	174	712	166	162	149	157	633
International	110	108	98	108	423	107	102	93	103	406
TV (thousands)	1,412	1,428	1,447	1,465 **	1,465 **	1,495	1,525	1,558	1,593	1,593
Unique Customers	1,170	1,184	1,198	1,204	1,204	1,225	1,244	1,264	1,288	1,288
of which multiple settop boxes	242	245	249	260	260	269	281	294	304	304
ARPU (EUR)										
ARPU Voice	201	202	203	203	202	203	202	204	206	204
ARPU broadband	263	267	269	264	266	261	263	263	263	263
ARPU Belgacom TV	183	186	187	190	187	190	190	197	200	195
EROM.MOBILE										
Number of active customers (thousands)***	3,566	3,588	3,568	3,573	3,573	3,564	3,566	3,559	3,574	3,574
Prepaid	1,824	1,753	1,695	1,648	1,648	1,580	1,535	1,495	1,457	1,457
Postpaid	1,742	1,835	1,872	1,925	1,925	1,984	2,032	2,064	2,117	2,117
Among Which Paying cards	1,531	1,590	1,608	1,641	1,641	1,665	1,681	1,702	1,737	1,737
Among Which Internet Everywhere cards	211	245	264	285	285	318	341	362	380	380
Annualized churn rate (variance in p.p.)										
Prepaid	415%	346%	354%	354%	364%	334%	343%	359%	342%	343%
Postpaid	206%	148%	131%	141%	157%	142%	140%	157%	162%	149%
Blended	333%	265%	261%	265%	280%	253%	257%	274%	266%	261%
Net ARPU (EUR) *										
Prepaid	133	140	126	125	131	118	126	117	117	120
Postpaid	272	280	273	266	273	259	267	269	265	265
Blended	195	206	197	194	198	190	199	197	197	196
MoU (min)	102.2	109.4	108.1	110.4	107.6	112.5	121.3	121.5	123.9	119.9
SMS (units)	279.8	283.0	249.2	272.3	271.4	262.1	259.4	231.2	253.9	252.0

*As of 2014, Belgacom calculates the Mobile ARPU excluding Free Mobile data cards and excluding M2M. 2013 figures have been restated.

**As of 2014, pending orders are excluded from the total TV customer base. Q4 2013 TV customer figures have been restated accordingly. There is no impact on the 2013 quarterly net adds and the 2013 ARPU's.

***As of 2014, The calculation of active customers is based on the monthly activity rate instead of a rolling avg activity rate. The definition of an active customer remains unchanged.

CBU – X-Play reporting

	Q113	Q213	Q313	Q413	2013	Q114	Q214	Q314	Q414	2014
Households per Play - Total (thousands)	2,409	2,403	2,378	2,359	2,359	2,352	2,332	2,312	2,309	2,309
1 - Play	1,163	1,153	1,124	1,099	1,099	1,087	1,060	1,031	1,020	1,020
Fixed Voice	534	515	498	479	479	460	445	428	413	413
Fixed Internet	62	61	62	63	63	66	66	67	69	69
TV	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Mobile Postpaid	567	576	563	556	556	561	549	536	538	538
2 - Play	417	408	405	401	401	394	390	383	374	374
3 - Play	522	519	516	515	515	515	514	518	522	522
4 - Play	307	323	333	343	343	356	368	379	392	392
Revenue per X-Play (EUR/line)	366	374	375	369	1,484	366	374	381	386	1,507
1 - Play	108	108	105	100	421	96	96	97	97	385
2 - Play	60	59	59	57	235	56	56	56	55	223
3 - Play	108	109	110	108	434	108	109	111	113	441
4 - Play	91	98	102	104	394	106	113	117	122	458
Average revenue per X-play household (AREPH) (€ ELP)	502 €	519 €	523 €	518 €	516 €	518 €	533 €	547 €	557 €	538 €
1 - Play	304 €	312 €	308 €	298 €	306 €	292 €	299 €	308 €	313 €	303 €
2 - Play	473 €	478 €	481 €	472 €	476 €	468 €	474 €	481 €	485 €	477 €
3 - Play	688 €	699 €	706 €	699 €	698 €	696 €	709 €	718 €	721 €	711 €
4 - Play	996 €	1030 €	1034 €	1026 €	1022 €	1016 €	1039 €	1050 €	1053 €	1040 €
Average #PGU's per household - Total	215	218	221	224	224	226	229	232	235	235
1 - Play	114	115	115	116	116	115	116	116	116	116
2 - Play	204	204	204	204	204	204	204	204	204	204
3 - Play	312	313	314	315	315	315	316	316	317	317
4 - Play	452	455	457	460	460	461	463	463	464	464
Average total structure (household level) - Total	16.4%	17.5%	17.7%	17.7%	18.3%	12.9%	12.2%	14.1%	14.8%	13.6%
1 - Play	26.0%	19.9%	19.4%	20.3%	21.5%	20.4%	19.4%	21.7%	23.0%	21.2%
2 - Play	11.3%	11.0%	12.3%	11.8%	11.6%	9.4%	9.7%	13.0%	12.4%	11.1%
3 - Play	7.6%	8.3%	9.6%	8.7%	8.6%	6.9%	6.4%	8.1%	9.3%	7.7%
4 - Play	1.2%	1.4%	1.7%	1.7%	1.5%	2.1%	1.9%	2.5%	2.9%	2.4%
% of conversion to X-play - Total (ie % of HH having Mobile + Fixed component)	45.3%	46.7%	47.5%	48.4%	48.4%	49.2%	50.1%	51.0%	51.8%	51.8%
1 - Play										
2 - Play	23.9%	23.9%	23.6%	23.1%	23.1%	22.7%	22.4%	22.7%	22.9%	22.9%
3 - Play	30.3%	31.5%	32.5%	33.6%	33.6%	34.4%	35.5%	36.1%	36.2%	36.2%
4 - Play	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

EBU – Financials

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

EBU – Operationals

	Q113	Q213	Q313	Q413	2013	Q114	Q214	Q314	Q414	2014
FROM FIXED										
Number of access channels (thousands)	1,781	1,760	1,746	1,732	1,732	1,719	1,707	1,692	1,678	1,678
Voice	1,338	1,318	1,305	1,292	1,292	1,277	1,264	1,249	1,234	1,234
Broadband	444	442	441	441	441	442	443	443	445	445
Traffic (millions of minutes)	695	654	592	630	2,571	641	602	564	595	2,402
National	457	422	382	410	1,672	416	386	363	385	1,549
Fixed to Mobile	161	156	140	151	607	153	149	138	147	587
International	77	76	69	70	292	72	67	63	64	266
ARPU (EUR)	285	286	282	285	285	291	291	286	290	289
ARPU Voice	390	393	395	392	393	393	397	394	391	394
ARPU Broadband										
FROM MOBILE										
Number of active customers (thousands)*	1,512	1,545	1,584	1,615	1,615	1,679	1,724	1,760	1,798	1,798
Among which other than M2M and Free data	1,272	1,292	1,318	1,328	1,328	1,359	1,391	1,407	1,430	1,430
Among which M2M	184	188	196	211	211	236	244	260	270	270
Among which Internet Everywhere Cards	56	64	70	76	76	83	89	93	98	98
Annualized churn rate (blended - variance in p.p.)	14.2%	13.6%	10.0%	10.4%	11.9%	11.4%	9.8%	8.8%	12.3%	10.7%
Net ARPU (EUR)**	368	363	341	342	353	330	336	331	321	329
Postpaid										
MoU (min)	310.2	315.8	290.9	311.1	306.8	313.0	316.0	296.5	315.4	310.2
SMS (units)	117.7	118.9	113.1	125.3	119.0	126.6	129.1	123.1	134.6	128.5

* As of 2014, the calculation of active customers is based on the monthly activity rate instead of a rolling avg activity rate. The definition of an active customer remains unchanged.

** As of 2014, Belgacom calculates the Mobile ARPU excluding Free Mobile data cards and excluding N2M. 2013 figures have been restated.

SDE&W – Financials

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

SDE&W – Retail Operationals and MVNO customers

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

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

S&S – Financials

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

ICS – Financials

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

ICS – Operationals

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

RISK MANAGEMENT

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

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

1. Enterprise risks

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

Principal risks	Description	Mitigation actions
Competitive market dynamics	Cable remains a serious competitor with a performant access technology to which Belgacom answers with significant investment in its network. A disruptive attitude at price level and/or alternative solutions from OTT could prevent Belgacom to monetize investments in new technologies.	Belgacom applies a disciplined pricing strategy, being careful not to trigger further market value destruction. Belgacom has other levers than price thanks to its convergence strategy and investments in a superior Mobile network, providing a competitive advantage.
Human resources (HR) cost flexibility	Taking into account the specific HR context, the strict HR rules and the mandatory negotiations with the Unions, Belgacom might miss the much needed flexibility to further reduce the workforce cost and thus not able to keep the EBITDA at an acceptable level.	Belgacom has recently adapted and simplified the organisation structures in order to evolve towards a high performance organisation. The "Good to Gold" program is strengthening the company culture that is supported by 3 new values "Collaboration, Agility and Accountability". Initiatives are ongoing to reinforce internal employability and to reduce workload by simplification of systems and processes.

Principal risks	Description	Mitigation actions
Long term ambitions Vs Short term returns	Risk of incompatibility between the necessity of heavy investments in infrastructure due to technology changes and short term return requirements	Belgacom is investing massively in its fixed & Mobile networks in order to provide superior quality to its customers. A significant decrease of the operating costs will assure Belgacom the compatibility between the short term EBITDA performance and its technology ambitions
Customer experience	The customer experience in its relationship with Belgacom products & services is a key success factor. Not succeeding is often meaning early churn and negative brand image	The customer satisfaction is and stays the top priority for Belgacom and its employees. Numerous actions have been taken to simplify the product & services offer and also to meet clients expectations in their end to end (from contact to billing) relation with Belgacom

1.1. Competitive market dynamics

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

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

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

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

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

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

In the international carrier services market, voice margins per minute have been under significant pressure over the past few years as a result of price competition, consolidation of competitors and the ease with which customers are able to change providers. If pressure on voice margins should continue and/or if the Group does not offset price decreases with increased

volume, Belgacom's ICS growth rate, operating revenue and net profit could come under pressure. In addition, the pressure on the Mobile data market might increase and therefore affect the growth profile of the International Carrier Services.

1.2. Human resources flexibility

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

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

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

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

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

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

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

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

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

1.3. Long term ambitions Vs short term returns

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

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

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

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

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

1.4. Customer experience

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

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

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

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

The following main achievements have been realised in 2014:

- *Improved accessibility and staff friendliness leading to a better customer satisfaction*

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

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

- *Getting it right first time*

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

- *Improved communication*

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

- *'Convergence' transformation program*

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

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

- Satisfaction of our Medium Business and Corporate customers through the different stages of the customer lifecycle/journey
- Level & quality of service

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

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

2. Financial reporting risks

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

2.1. New transactions and evolving accounting standards

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

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

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

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

2.2. Changes in tax law and regulations

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

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

2.3. Financial statement closing process

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

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

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

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

INTERNAL CONTROL SYSTEM

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

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

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

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

1. Control environment

1.1. Organization of internal control

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

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

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

The A&CC meets at least once every quarter.

1.2. Ethics

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

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

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

1.3. Policies and procedures

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

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

1.4. Roles & responsibilities

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

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

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

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

1.5. Skills & expertise

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

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

2. Risk analysis

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

3. Risk mitigating factors and control measures

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

4. Information and communication

4.1. Financial reporting IT systems

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

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

4.2. Effective Internal communication

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

4.3. Reporting and validation of the financial results

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

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

5. Supervision and assessment of internal control

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

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

OTHER INFORMATION

Rights, commitments and contingencies as of 31 December 2014

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

Use of financial instruments

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

Circumstances which may considerably impact the development of the Group

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

Research and development activities

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

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

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

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

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

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

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

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

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

Treasury shares

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

Capital management

The purpose of the Group's capital management is to maintain net financial debt and equity ratios that allow for security of liquidity at all times via flexible access to capital markets, in order to be able to finance strategic projects and to offer an attractive remuneration to shareholders. The latter was updated by the Belgacom Board of Directors of 25 February 2010 and Belgacom now commits to return, in principle, most of its annual cash flow before financing activities (or "Free Cash Flow"), to its shareholders. The return of free cash flow either through dividends or share buybacks will be reviewed on an annual basis, in order to keep strategic financial flexibility for future growth, organically or via selective merger and acquisition projects, with a clear focus on value creation. This also includes confirming appropriate levels of distributable reserves.

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

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

Post-balance sheet events

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

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

Leroy Dominique
Chief Executive Officer



De Clerck Stefaan
Chairman of the Board of Directors

