Financial report

2018

proximus | group

Consolidated management report

Management discussion and analysis of financial results

1. Introductory remarks

Underlying revenue and EBITDA

Since 2014, Proximus' management discussion has been focused on underlying figures, i.e. after deduction of the incidentals. The underlying company figures are reported to the chief operating decision makers in view of resources allocation and performance assessment.
In order to allow a like-for-like comparison, Proximus provides a clear view of the operational drivers of the business by isolating incidentals, i.e. revenues and costs that are unusual or not directly related to Proximus' business operations, and which had a significant impact on the year-on-year variance of the Proximus Group revenue or EBITDA. The adjusted revenue and EBITDA are referred to as "underlying".
Definitions can be found in section 6 of this document.

(EUR million)	Revenue (IAS 18) 2016	2017	2018	EBITDA (IAS 18) 2016	2017	2018
Reported	5,873	5,802	**5,826**	1,733	1,772	**1,796**
Underlying	5,871	5,778	**5,804**	1,796	1,823	**1,866**
Total incidentals	**3**	**24**	**21**	**-63**	**-51**	**-70**
Capital gains on building sales	3	23	21	3	23	21
Divesture Telindus France	-	1	-	-	1	-
Early Leave Plan and Collective Agreement *	-	-	-	-95	-70	-41
M&A-related transaction costs	-	-	-	-	-6	-8
Enterprise software impairment & settlement	-	-	-	-	-	-22
Reversal rent provision Telindus UK	-	-	-	-	1	-
Update provision Tax on Pylons (previous years)	-	-	-	29	-	-20

* 2016 includes EUR +8 million in EBITDA related to the removal of the early retirement clause

Reporting changes as from 2018

Split workforce and non-workforce expenses

The split in expenses between work force and non- workforce has been aligned with the group definitions for all subsidiaries, with the total unchanged on a Group level. The 2017 figures have been restated accordingly, with for full year 2017 EUR 30 million moving from non-workforce to workforce expenses

Tango revenue

The 2017 Tango revenue reallocation key was finetuned between the Consumer and Enterprise segments, with a very limited impact on the segment revenue (EUR 1 million), while neutral on a Group level.

GDPR impact

The application of GDPR has led to a limited impact on the reported household data for the Consumer segment with some information no longer being available to define the composition of households
To make comparison easier, the data of 2017 has been adjusted accordingly, assuming a stable impact of GDPR over this period in the total HH/SO[1] serviced by Proximus. The derived KPI's such as ARPH and RGU have been restated as well.

[1] Households/Small Offices

Other reporting remarks

Reporting standard

All financials and comments provided in this management discussion are under the IAS 18 standard, in order to enable a like-for-like comparison with 2016 and 2017.

Exception has been made for the household reporting (X-Play) within the Consumer segment. In section 3, for the X-play reporting, the financials, and derived ARPH, are provided under IFRS 15, with a 2017 pro-forma comparison.

Disaggregation of revenue

The revenue by segment is disclosed in the table below.

		31 December 2018 (IAS 18)					
(EUR million)	GROUP	BICS	Domestic (Group excl. BICS)	Consumer	Enterprise	Wholesale	Others
Net revenue (underlying)	5,761	1,346	4,415	2,875	1,410	201	-71
Net revenue (incidentals)	0	0	0	0	0	0	0
Net revenue (reported)	5,761	1,346	4,415	2,875	1,410	201	-71
Other operating income (underlying)	43	0	43	23	5	1	15
Other operating income (incidentals)	21	0	21	0	4	0	17
Other operating income (reported)	65	0	65	23	9	1	32
Revenue (underlying)	5,804	1,347	4,458	2,898	1,415	201	-57
Total income (incidentals)	21	0	21	0	4	0	17
Total income (reported)	5,826	1,347	4,479	2,898	1,420	201	-39

		31 December 2018 (IFRS 15)					
(EUR million)	GROUP	BICS	Domestic (Group excl. BICS)	Consumer	Enterprise	Wholesale	Others
Net revenue (underlying)	5,764	1,346	4,417	2,880	1,408	201	-71
Net revenue (incidentals)	0	0	0	0	0	0	0
Net revenue (reported)	5,764	1,346	4,417	2,880	1,408	201	-71
Other operating income (underlying)	43	0	43	23	5	1	15
Other operating income (incidentals)	21	0	21	0	4	0	17
Other operating income (reported)	65	0	65	23	9	1	32
Revenue (underlying)	5,807	1,347	4,460	2,903	1,413	201	-57
Total income (incidentals)	21	0	21	0	4	0	17
Total income (reported)	5,829	1,347	4,482	2,903	1,417	201	-39

Rounding

In general, all figures are rounded. Variances are calculated from the source data before rounding, implying that some variances may not add up.

Key Figures - 10-year overview

										IAS 18	IFRS 15
Income Statement (EUR million)	2009	2010	2011	2012	2013	2014	2015	2016	2017	**2018**	**2018**
Reported income	6,065	7,040	6,417	6,462	6,318	6,112	6,012	5,873	5,802	**5,826**	**5,829**
Revenue incidentals	N/A	N/A	N/A	N/A	N/A	248	17	3	24	**21**	**21**
Underlying revenue	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**5,864**	**5,994**	**5,871**	**5,778**	**5,804**	**5,807**
Reported EBITDA (1)	1,967	2,428	1,897	1,786	1,699	1,755	1,646	**1,733**	**1,772**	**1,796**	**1,794**
EBITDA incidentals	N/A	N/A	N/A	N/A	N/A	102	-88	**-63**	**-51**	**-70**	**-70**
Underlying EBITDA (1)	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**1,653**	**1,733**	**1,796**	**1,823**	**1,866**	**1,865**
Depreciation and amortization	-706	-809	-756	-748	-782	-821	-869	**-917**	**-963**	**-1,016**	**-1,016**
Operating income (EBIT)	**1,261**	**1,619**	**1,141**	**1,038**	**917**	**933**	**777**	**816**	**809**	**780**	**778**
Net finance income / (costs)	-117	-102	-106	-131	-96	-96	-120	**-101**	**-70**	**-56**	**-56**
Share of loss on associates	0	0	0	0	0	-2	-2	**-1**	**-2**	**-1**	**-1**
Income before taxes	**1,144**	**1,517**	**1,035**	**907**	**822**	**835**	**655**	**715**	**738**	**723**	**721**
Tax expense	-241	-233	-262	-177	-170	-154	-156	**-167**	**-185**	**-194**	**-191**
Non-controlling interests	-1	17	17	19	22	27	17	**25**	**30**	**23**	**22**
Net income (Group share)	**904**	**1,266**	**756**	**712**	**630**	**654**	**482**	**523**	**522**	**506**	**508**
Cash flows (EUR million)	2009	2010	2011	2012	2013	2014	2015	2016	2017	**2018**	**2018**
Cash flows from operating activities	1,406	1,666	1,551	1,480	1,319	1,447	1,386	1,521	1,470	**1,558**	**1,558**
Cash paid for Capex	-597	-734	-757	-773	-852	-916	-1,000	-962	-989	**-1,099**	**-1,099**
Cash flows from / (used in) other investing activities	-12	48	-7	-16	38	180	22	0	-189	**-8**	**-8**
Free cash flow (2)	**797**	**980**	**788**	**691**	**505**	**711**	**408**	**559**	**292**	**451**	**451**
Cash flows from / (used in) financing activities	-1,030	-728	-1,051	-809	-353	-364	-608	-764	-256	**-444**	**-444**
Net increase / (decrease) of cash and cash equivalents	-233	252	-264	-118	152	347	-200	-205	36	**7**	**7**
Balance sheet (EUR million)	2009	2010	2011	2012	2013	2014	2015	2016	2017	**2018**	**2018**
Balance sheet total	7,450	8,511	8,312	8,243	8,417	8,522	8,283	8,117	8,527	**8,490**	**8,671**
Non-current assets	5,505	6,185	6,217	6,192	6,254	6,339	6,386	6,372	6,735	**6,752**	**6,850**
Investments, cash and cash equivalents	408	627	356	285	415	710	510	302	338	**344**	**344**
Shareholders' equity	2,521	3,108	3,078	2,881	2,846	2,779	2,801	2,819	2,857	**2,862**	**3,005**
Non-controlling interests	7	235	225	211	196	189	164	162	156	**150**	**148**
Liabilities for pensions, other post-employment benefits and termination	677	565	479	570	473	504	464	544	568	**605**	**605**
Net financial position	-1,716	-1,451	-1,479	-1,601	-1,815	-1,800	-1,919	-1,861	-2,088	**-2,148**	**-2,148**
Proximus share	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2018
Weighted average number of ordinary shares (3)	320,475,553	321,138,048	319,963,423	318,011,049	318,759,360	320,119,106	321,767,821	322,317,201	322,777,440	**322,649,917**	**322,649,917**
Basic earnings per share - as reported (EUR) (4)	2.82	3.94	2.36	2.24	1.98	2.04	1.50	1.62	1.62	**1.57**	**1.58**
Total dividend per share (EUR)	2.08	2.18	2.18	2.49	2.18	1.50	1.50	1.50	1.50	**1.50**	**1.50**
Share buyback (EUR million)	0	0	100	0	0	0	0	0	0	**0**	**0**
Data on employees	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2018
Number of employees (full-time equivalents)	16,804	16,308	15,788	15,859	15,699	14,187	14,090	13,633	13,391	**13,385**	**13,385**
Average number of employees over the period	16,878	16,270	15,699	15,952	15,753	14,770	14,040	13,781	13,179	**13,161**	**13,161**
Underlying revenue per employee (EUR)	N/A	N/A	N/A	N/A	N/A	410,746	426,958	425,997	438,413	**440,995**	**441,238**
Total income per employee (EUR)	359,322	432,685	408,760	405,084	401,080	413,826	428,194	426,201	440,240	**442,667**	**442,870**
Underlying EBITDA per employee (EUR)	N/A	N/A	N/A	N/A	N/A	111,923	123,467	130,315	138,325	**141,802**	**141,681**
Total EBITDA per employee (EUR)	116,551	149,247	120,834	111,973	107,851	118,798	117,251	125,743	134,483	**136,483**	**136,342**
Ratios - on underlying basis	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2018
Return on Equity	N/A	N/A	N/A	N/A	N/A	21.8%	18.9%	19.4%	19.2%	**19.2%**	**18.4%**
Direct margin	N/A	N/A	N/A	N/A	N/A	57.8%	59.6%	61.8%	62.5%	**63.5%**	**63.4%**
Net debt / EBITDA	N/A	N/A	N/A	N/A	N/A	1.09	1.11	1.04	1.15	**1.15**	**1.15**

(1) Earnings Before Interests, Taxes, Depreciation and Amortization.

(2) Cash flow before financing activities.

(3) i.e. excluding Treasury shares

(4) No difference between basic and diluted earnings per share

- Stable Domestic revenue reflecting significant regulatory headwinds, and competitive market.
- Consumer segment posted solid customer growth for Internet, TV and Mobile Postpaid, supported by Tuttimus and Bizz All-in.
- Enterprise segment benefitted from its strengthened ICT portfolio through acquired companies, and its sustained strong position in the Belgian Telecom market.
- Domestic EBITDA grew by 1.9% on an improved Direct margin.
- BICS' 2018 EBITDA progressed by 7.7%, including TeleSign.
- The Proximus Group EBITDA was up by 2.4% on an underlying basis.
- Free Cash Flow of EUR 451 million, or EUR 501 million excluding acquisitions.

2. Proximus Group

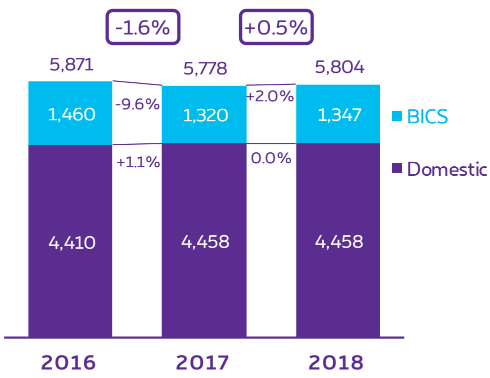
Revenue

The Proximus Group ended the year 2018 with total underlying revenue of EUR 5,804 million, 0.5% above that of the prior year. The Group underlying revenue is the aggregate of a stable Domestic revenue and a higher revenue for BICS, Proximus' International Carrier business unit, including the revenue from TeleSign.

For its Domestic operations, Proximus posted stable revenue of EUR 4,458 million revenue. The revenue was primarily supported by the ongoing expansion of the TV, Internet and Mobile Postpaid customer base, in spite of a competitive landscape. Moreover, the revenue from ICT showed good progress, benefitting from a strengthened ICT portfolio, including the acquisition of several small, specialized ICT companies. Furthermore, 2018 benefitted from a continued positive revenue evolution in Advanced Business Services and a revenue increase posted for Tango.

These favorable evolutions were able to offset the continued revenue erosion from Fixed Voice and Mobile prepaid; and from a lower Wholesale revenue.

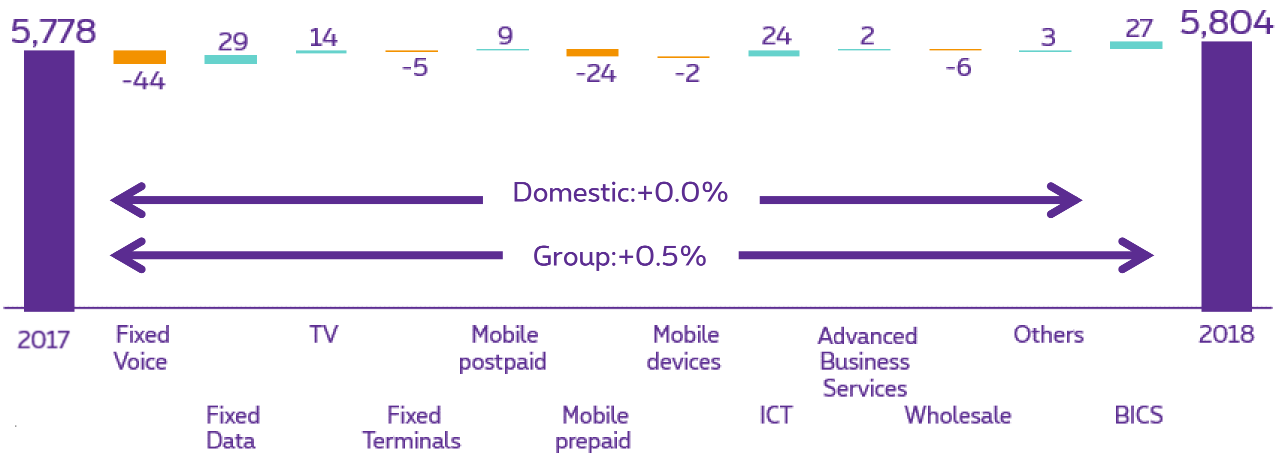
Group revenue
(underlying M€)



Group underlying revenue

+0.5%

Revenue evolution by product group (underlying, M€)



In 2018, BICS' revenue totaled EUR 1,347 million, 2.0% above that of 2017, including the revenue contribution from TeleSign. BICS faces the ongoing transition within the International Carrier market, with usage moving from Voice to Data. In 2018, BICS Voice volumes further declined, be it at a slower pace compared to the prior year. The volume losses in Voice traffic were however combined with a less favorable destination mix, and a negative USD currency effect in the first half-year. This was more than offset by a strong increase in messaging volumes, with TeleSign boosting the A2P volumes. This led to a solid 28.8% increase in non-Voice revenue.

Revenue evolution by segment (underlying, M€)

For its **Consumer segment** in 2018, Proximus posted nearly stable revenue of EUR 2,898 million. This was 0.4% below that of the prior year, including EUR 11 million lower mobile device revenue, with no effect on margin.

The Consumer segment achieved a continued growth in the customer base for its main products, supported by its Proximus-branded All-in offers, and by its low-cost brand Scarlet. The growing customer base increased Proximus' revenue for TV, Internet, and Mobile Postpaid – despite the annualizing carry-over effect from the roaming regulation.

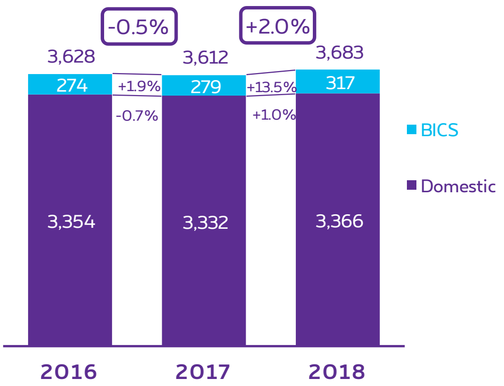
In contrast, legacy revenue from Fixed Voice further declined due to the combination of a smaller customer base and lower usage. Mobile Prepaid revenue continued to decline as well on a lower customer base, in part driven by the company's active efforts to migrate customers to higher-value Postpaid offers.

Proximus posted strong progress in its converged customer base, with 508,000 customers having subscribed to the All-in offers Tuttimus and Bizz-All-in end-2018. With an increasing number of customers on 4-Play offers at higher ARPU's and lower churn, the customer mix was enhanced in terms of loyalty and value.

Proximus' **Enterprise segment** posted a 1.1% underlying revenue growth for 2018 to reach EUR 1,415 million. The Proximus Enterprise segment benefited from its convergence strategy in ICT, differentiating on high service levels and expanding its portfolio beyond pure connectivity services. To this end, Proximus acquired some small but highly-specialized companies, providing expertise in offering meaningful solutions for the digital transformation of Enterprise customers. The focus directed on these growth areas allowed Proximus to more than offset the revenue loss in the eroding legacy Fixed Voice and Data services, and the regulatory and competitive pressure on Mobile ARPU.

Direct margin

(underlying M€)

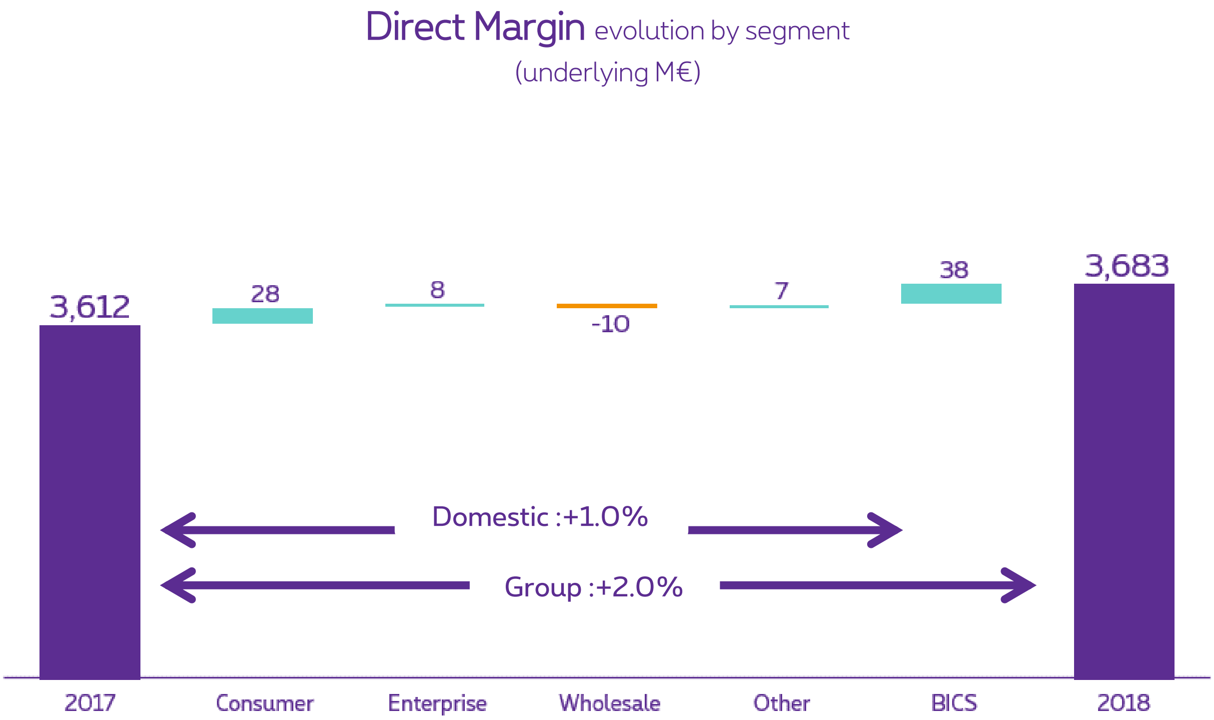


The 2018 underlying Direct Margin of the Proximus Group improved by 2.0% to total EUR 3,683 million for the year.

The Domestic direct margin was up by 1.0%, reaching EUR 3,366 million, including a net loss in roaming margin of EUR 30 million, with the roaming out price regulation especially impacting the first-half of the year.

The Domestic margin benefitted from the growing customer base, focus on value management, acquired ICT companies in the Enterprise segment and some one-offs in the Consumer segment partly offset by lower wholesale direct margin.

BICS' direct margin progressed to EUR 317 million, a year-on-year increase of 13.5%, especially driven by a continued growth in non-Voice services, with TeleSign largely contributing to this uplift.


Direct Margin evolution by segment
(underlying M€)
3,612
28
8
-10
7
38
3,683
Domestic :+1.0%
Group :+2.0%
2017
Consumer
Enterprise
Wholesale
Other
BICS
2018

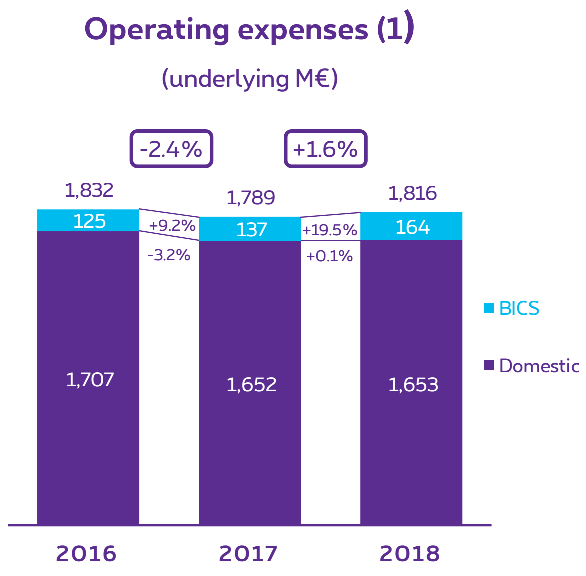

Group underlying
direct margin
+2.0 %

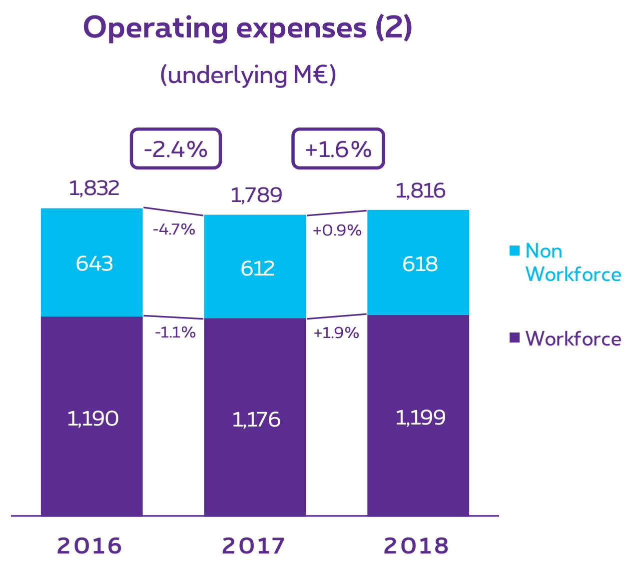
Operating expenses

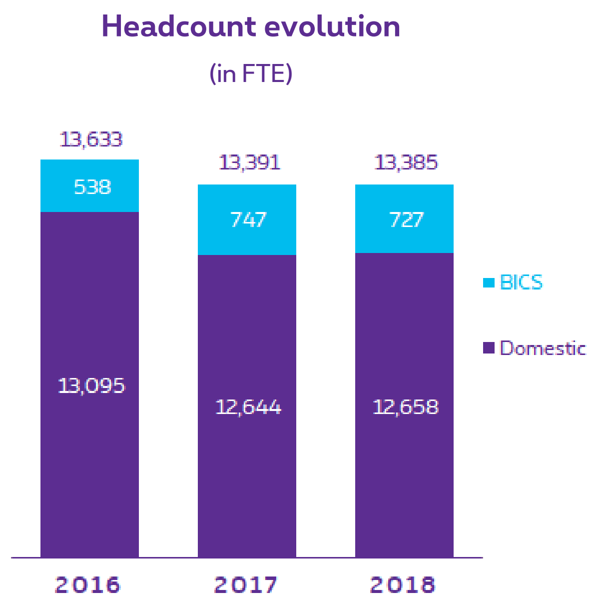
Over 2018, the Proximus Group operating expenses totaled EUR 1,816 million. Proximus continued to keep a strong focus on structurally improving its cost base. However, in 2018 these efforts were offset by the operational costs from acquired companies, with TeleSign elevating costs in BICS, and ICT companies in the Enterprise segment. The additional expenses from TeleSign and acquired ICT companies aside, Proximus posted a slightly declining cost base, keeping the company well on track to reach its ambition of EUR 150 million net cost savings in the four-year period 2016-2019.

Proximus' Domestic expenses totaled EUR 1,653 million for 2018, fairly stable in relation to the prior year (+0.1%). Within the mix, the Domestic workforce expenses were slightly up (+0.4%), including the effect from inflation-based wage increases. This on a flattish Domestic headcount of 12,658 FTEs. This includes an increase of 258 FTEs linked to acquisitions in the ICT domain over the past 12 months, mainly revenue-generating employees, offering consultancy-like services to ICT customers. On top of these acquisitions, 612 FTE's in business-critical domains were hired by the Proximus Domestic organization. In parallel, 549 FTEs left the company in 2018 either in the ongoing 'voluntary early leave before retirement'-program or when reaching the legal retirement age, with in addition a natural attrition of over 300 FTEs.

Domestic expenses affected by expanding ICT business





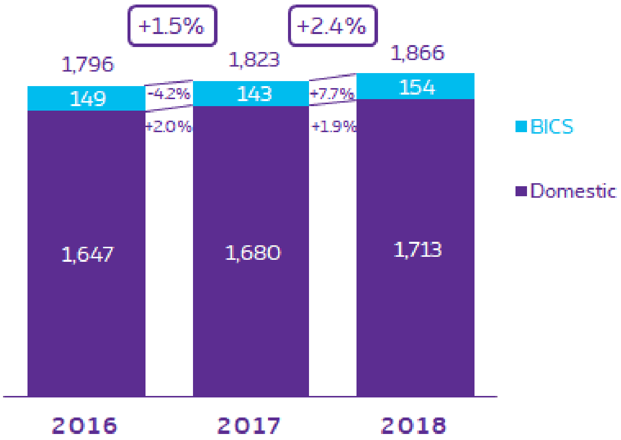


Underlying EBITDA

The Proximus Group posted an underlying EBITDA of EUR 1,866 million for 2018, an increase of 2.4% compared to 2017.

EBITDA

(underlying M€)



The Domestic operations of Proximus grew the EBITDA by 1.9% to a total of EUR 1,713 million. This was driven by Direct margin generated by Proximus' growing customer base, more than offsetting the EUR -30 million net decline in roaming margin, while at the same time keeping its Operational costs nearly stable in spite of its expanding ICT business.

BICS closed 2018 with its Segment Result totaling EUR 154 million, 7.7% above that of 2017, including TeleSign. BICS' segment margin as percent of revenue for 2018 was 11.4%, up 0.6pp from the previous year.

Group underlying EBITDA

+2.4%

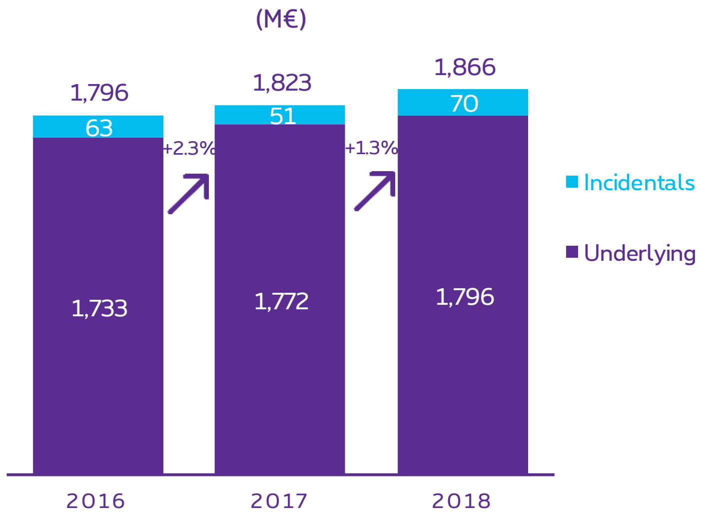
EBITDA evolution

(underlying, M€)

Reported EBITDA (incidentals included)

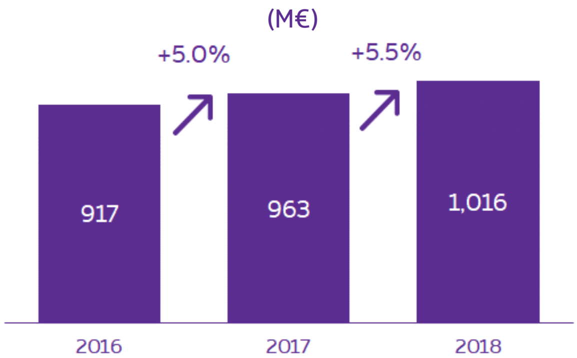
Incidentals included, the Proximus Group reported EBITDA of EUR 1,796 million, compared to EUR 1,772 million for the year before, i.e. +1.3%. See page 3 for more information on the incidentals.

In 2018, the Proximus Group recorded EUR -70 million net EBITDA incidentals, compared to EUR -51 million for 2017. The 2018 incidentals included mainly expenses recorded in the framework of the running headcount plan (early leave plan ahead of retirement), updated Pylon Tax provisions, and the impairment of Enterprise software, as well as capital gains on building sales.



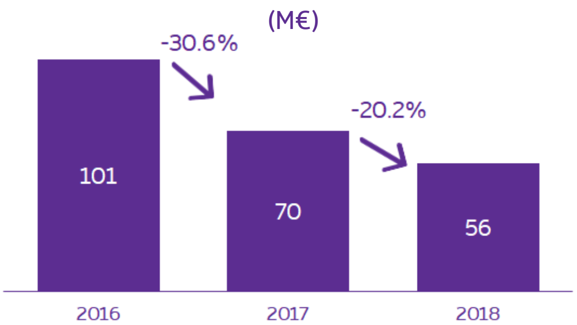
Depreciation & Amortization

In 2018, the depreciation and amortization totaled EUR 1,016 million. This compares to EUR 963 million for 2017, with the increase mainly due to a higher asset base to depreciate following the increased investment levels, including the ongoing Fiber roll-out, and the depreciation and amortization from acquired companies.



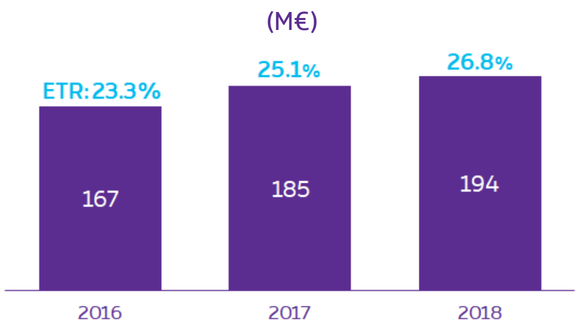
Net finance cost

The net finance cost for the year 2018 totaled EUR 56 million, EUR 14 million lower versus last year's level of EUR 70 million, mainly resulting from refinancing at a lower interest rate.



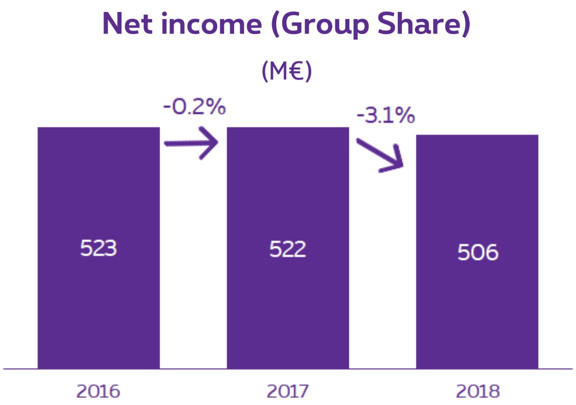
Tax Expense

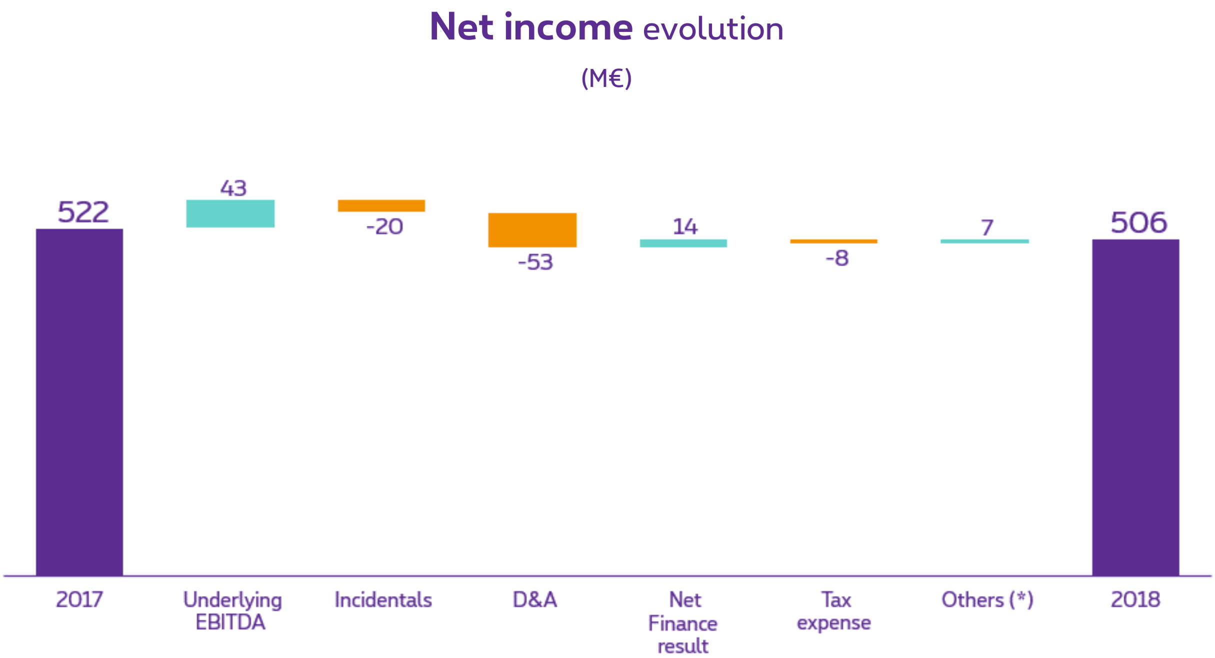
The 2018 tax expenses amount to EUR 194 million, representing an effective tax rate of 26.8 %. This is 2.8 pp below the Belgian statutory tax rate of 29.58%. The difference mainly relates to the application of general principles of tax law applicable in Belgium such as the patent income deduction and other R&D incentives offset by non-deductible expenses for income tax purposes.



Net income

Proximus reported a 2018 net income (Group share) of EUR 506 million. This is down from the prior year with higher underlying Group EBITDA and a lower finance cost more than offset by higher depreciation and amortization, incidentals and tax expenses.



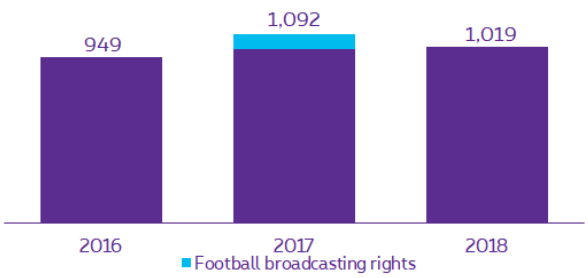


* includes Non-controlling interests and Share of loss from associates

Capex

The level of Capex reflects the Group strategy to invest extensively in enhancing its networks and improving the overall customer experience. In 2018 Proximus invested a total amount of EUR 1,019 million. This compares to EUR 1,092 million for 2017 which included the renewal of 3-year contracts for football broadcasting rights (Jupiler Pro League and the UEFA Champions League). This aside, the 2018 investments were somewhat up from 2017, including an increasing share of capex for Proximus' Fiber for Belgium project. The deployment of this future-proof network kicked off early 2017, with the roll-out ongoing in 9 cities in 2018. Proximus also invested extensively in its IT systems and digital platforms and in simplification and transformation. In addition, it ensured attractive content for its TV customers.

(M€)



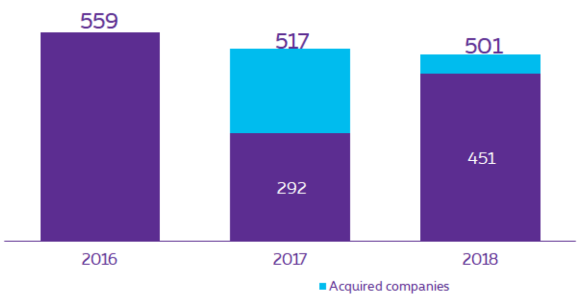
Free Cash Flow

Proximus' 2018 FCF totaled EUR 451 million, or EUR 501 million when excluding the 2018 cash-out related to the acquisition of subsidiaries in the ICT domain. This compares to a EUR 517 million FCF for 2017, excluding the cash-out related to the acquisition of Davinsi Labs (May), Unbrace (October) and TeleSign (November).

On a like-for-like basis, the EUR 16 million decrease compared to 2017 was the net result of higher cash paid for Capex, higher payments for income tax and the beneficiaries of the early leave plan ahead of retirement, for a large part offset by a growth in underlying EBITDA and less cash needed for business working capital.

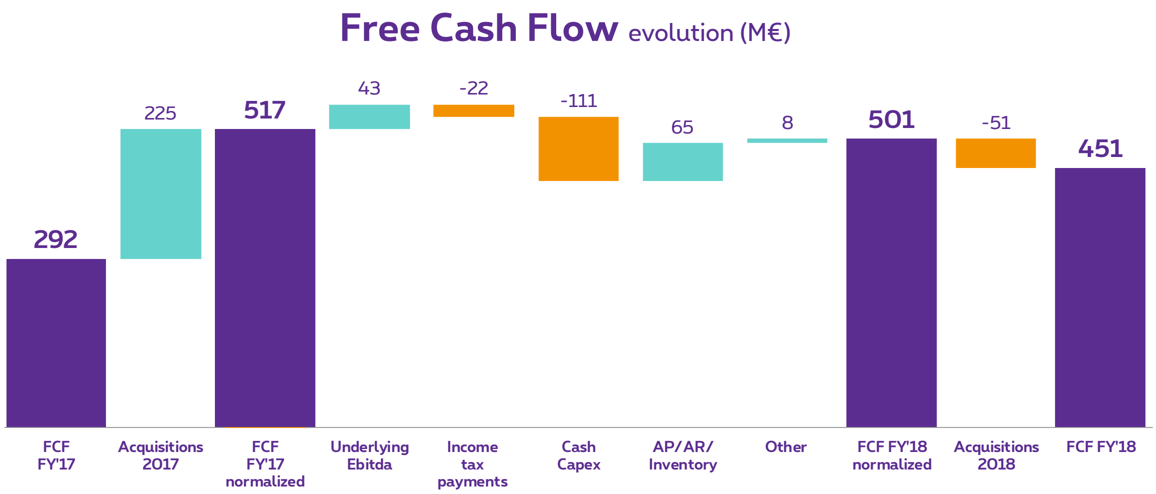
Free Cash Flow

(underlying, M€)



€501M

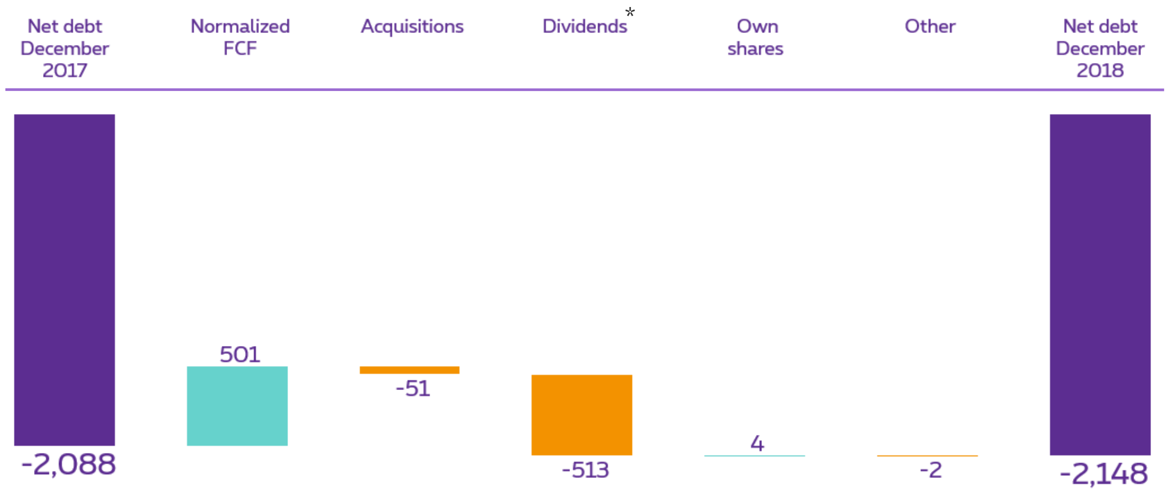
Normalized Free Cash Flow



Net financial position

Proximus maintained a solid financial position with a net debt of EUR 2,148 million end-2018.

The net debt increased from one year ago following the acquisitions in the ICT domain, whereas the normalized 2018 FCF level covered for the committed dividend pay-out.



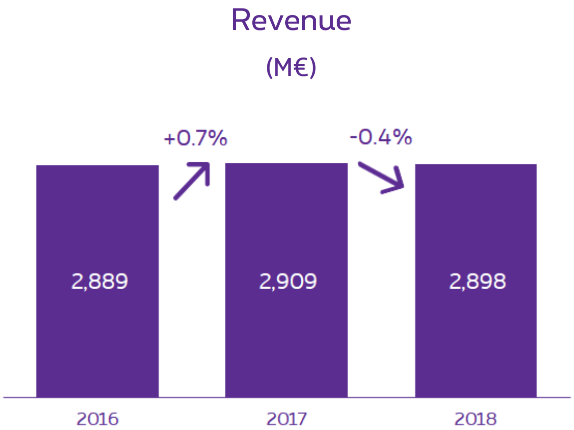
*Including dividends to non-controlling interest

- Growing TV, Internet and Mobile Postpaid customer base with dual brand strategy in competitive setting.
- Value-accretive customer mix: growing 4-Play with continued traction for Tuttimus and Bizz All-in.
- Consumer segment revenue -0.4%, including roaming regulation impact and reduction of low-margin mobile device sales.
- Direct Margin up year-on-year by 1.3%.

3. Consumer

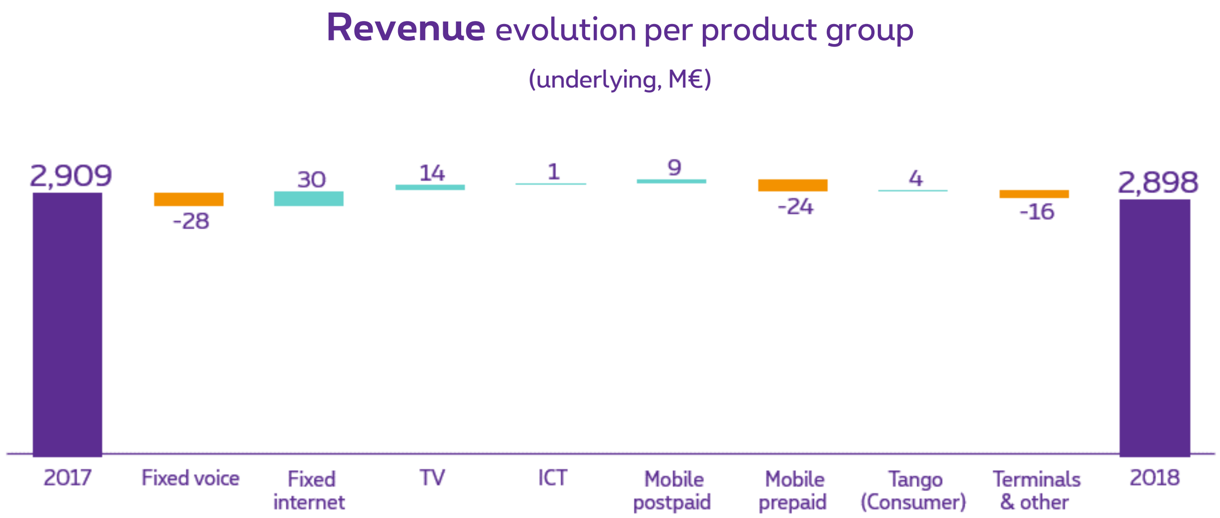
Revenue

The Consumer revenue over 2018 totaled EUR 2,898 million, -0.4% compared to 2017. This was mainly driven by higher revenue from Fixed Services and Tango, offset by lower revenue from Mobile services due to Roam like at Home regulation and the erosion in Prepaid, and by reduced low-margin mobile device sales.



Proximus' dual-brand strategy and its segmentation approach for the residential market delivered results, especially in a more competitive context. The Proximus brand grew a more valuable customer base with the ongoing traction of Tuttimus and Bizz All-In offers, for which a total of 508,000 subscribers was reached by end-2018. The EPIC mobile offers launched end-June were also proving successful, bringing a full digital experience to millennials. In the price seekers segment, the Scarlet brand continued to grow, benefitting from its no-frills offers.
The revenue increase resulting from the customer growth for TV and Internet more than compensated for the ongoing erosion in Fixed Voice revenue. A solidly growing Mobile postpaid customer base also resulted in higher revenue, in spite of substantial roaming regulation headwinds impacting the first half-year.

Mobile Prepaid continued to face a steep revenue loss. In a shrinking Prepaid market, Proximus' Prepaid base is becoming smaller, partly due to active migrations to more valuable postpaid subscriptions, with the Full Control offer in particular proving a successful alternative

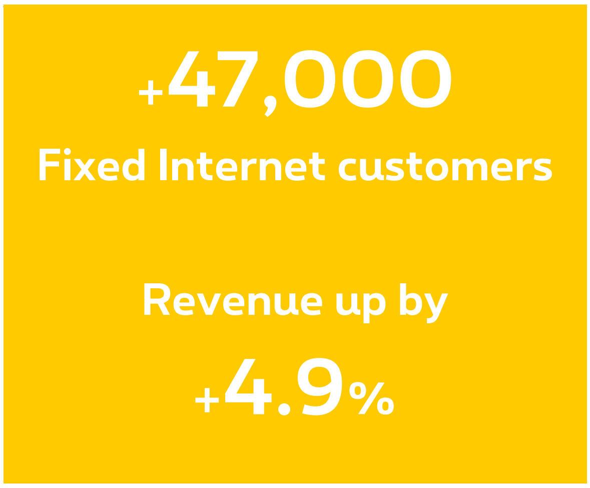


The revenue from the Consumer segment was strongly supported by upselling additional services to its customer base, strengthened by the appealing Tuttimus and Bizz-All-in offers. This translated into a growing 4-play customer base, with Proximus closing the year 2018 with 731,000 4-play households, an increase of 7.0% from the prior year.
With a 4-play ARPH of EUR 111.4, and low full-churn of 3.4%, the Consumer customer base became more valuable and loyal in 2018.

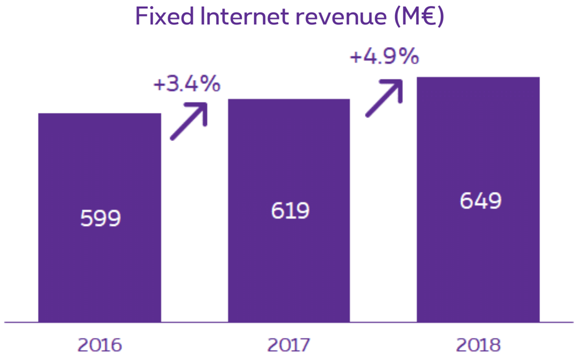
For the full-year 2018, the Consumer revenue of Tango, Proximus' Luxembourgish subsidiary, totaled EUR 118 million, 3.6% above that of the prior year. This was driven by a steady growth in mobile revenue and the successful execution of Tango's convergence strategy with FTTH driving an increase in broadband revenue.

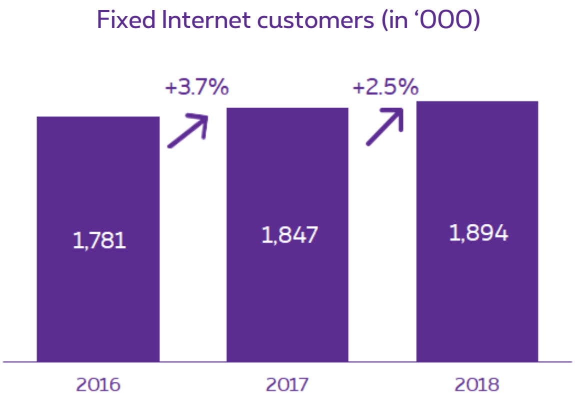
INTERNET

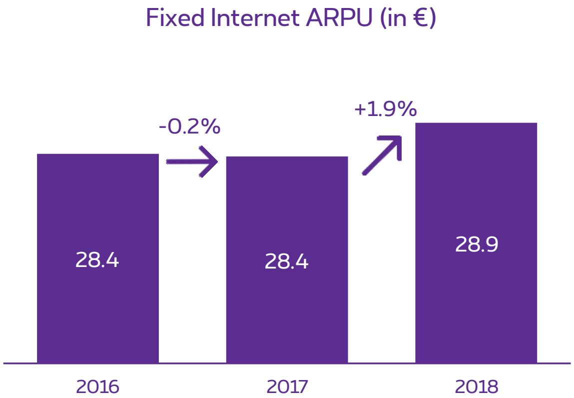
The Proximus Consumer segment generated 4.9% more revenue from its Internet subscriptions compared to the prior year, totaling EUR 649 million in revenue for 2018. This resulted from a solid 47,000 customer growth over the past 12 months. The total Internet customer base increased to 1,894,000, a steady annual growth of 2.5%, supported by both the Proximus and Scarlet brands. This was achieved through a sound level of gross customer gains and fairly stable Proximus Internet churn compared to the prior year, in a competitive market.
The average revenue per customer was up by 1.9%, with the 2018 ARPU at EUR 28.9. This reflected the price changes since the start of 2018, partly offset by an increased proportion of Scarlet customers, with Internet offers typically at lower pricing.



Furthermore, as Internet subscriptions are mostly sold as part of a larger bundle, the Fixed Internet ARPU was also affected by the accounting pack discounts allocation per product







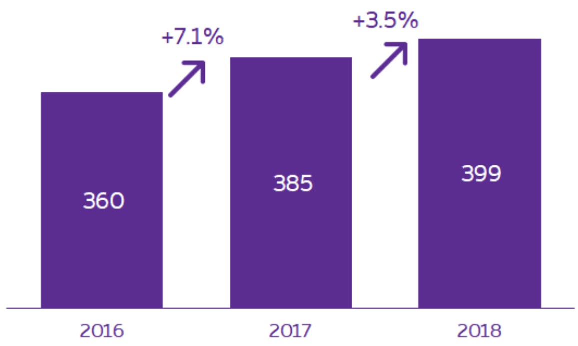
TV

In one year, the Proximus and Scarlet brands combined grew their TV customer base by 50,000 TV households, to a total of 1,611,000 Proximus TV customers, an annual growth of 3.2%.

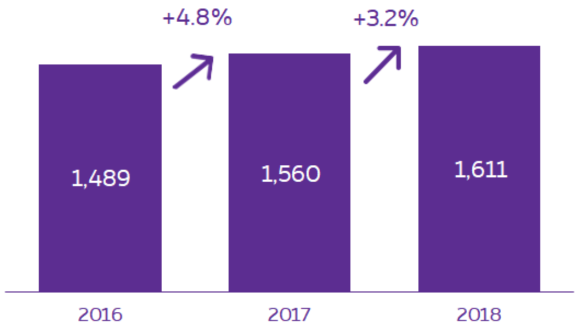
The TV ARPU for 2018 stood at EUR 20.9, stable compared to the prior year (-0.1%). The growing TV subscriber base remains an important revenue driver for the Consumer segment, with TV revenues up by 3.5% year-on-year to total EUR 399 million for 2018.

The customer growth was well supported by the Proximus branded Tuttimus and Familus offers, providing customers with more extensive TV content.

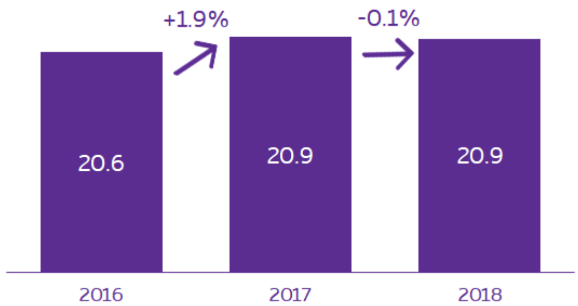
TV revenue (M€)



TV households (in '000)



TV ARPU (in €)



FIXED VOICE

By end-2018 Proximus' Fixed Voice customer base totaled 1,969,000 lines for both the Proximus and Scarlet brands. Supported by All-in offers including Fixed Voice, the year-on-year decrease was mitigated to 3.3%.

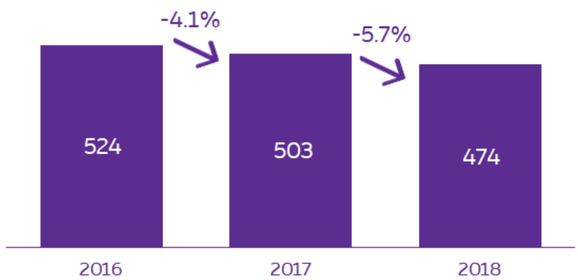
The Fixed Voice ARPU for 2018 was EUR 19.7, i.e. a decline of 3.1% compared to the previous year.

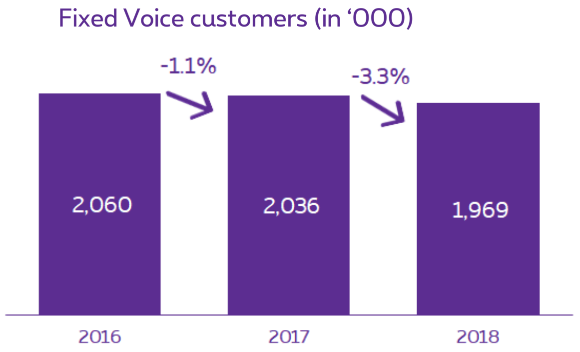
This was due to an ongoing decline in the use of Voice traffic, partly offset by the 1 January 2018 price changes for single-play Fixed Voice.

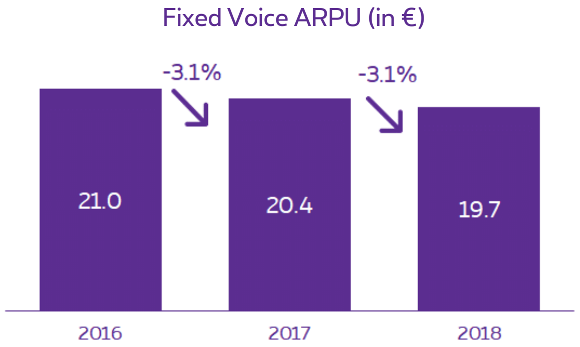
A lower Fixed Voice customer base compared to a year ago, combined with a lower ARPU, resulted in a -5.7% year-on-year revenue decline for Fixed Voice, reaching EUR 474 million in 2018

Erosion of Fixed Voice customer base contained by the success of multi-play offers

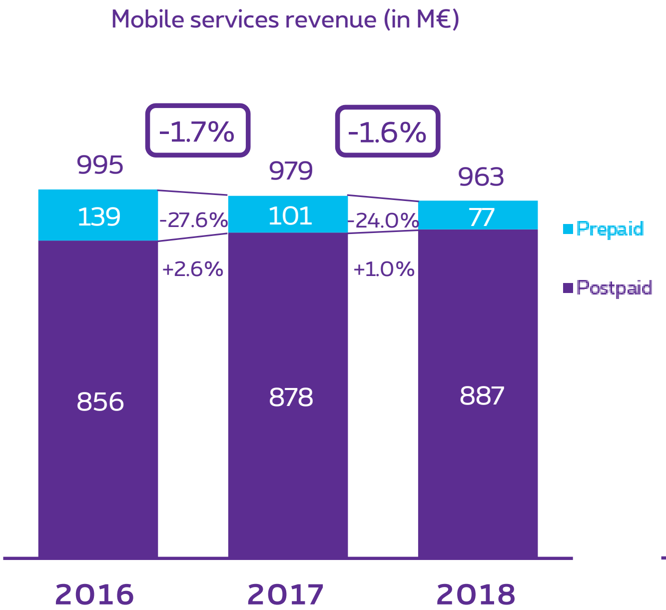
Fixed Voice revenue (M€)

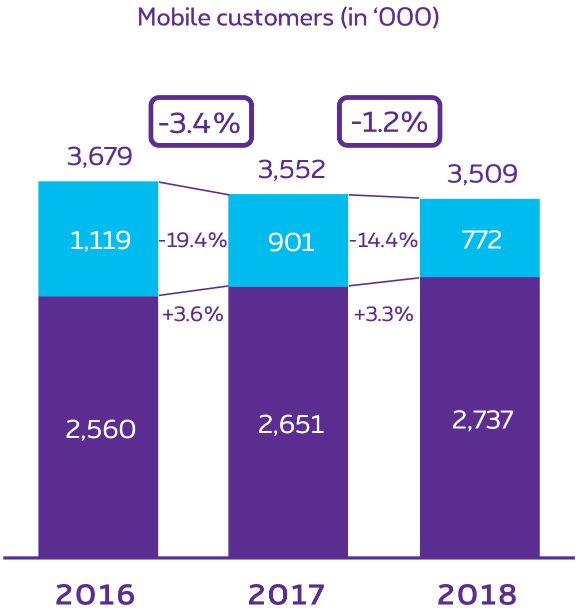






MOBILE





MOBILE POSTPAID

The Consumer segment closed the year 2018 with a further revenue growth for Postpaid services, up by 1.0%, benefitting from its growing customer base. End-2018 the Postpaid base totaled 2,737,000 cards, or 3.3% more compared to one year ago.

Despite bold competitive moves, the Mobile postpaid churn remained contained at 15.8%, +0.2pp from one year ago. With churn rates kept under control and successful changes to the Proximus mobile portfolio, adding unlimited[2] Voice and Data offers, and launching the millennial oriented EPIC offer, Proximus grew its Consumer Postpaid subscriptions by 86,000 in 2018.

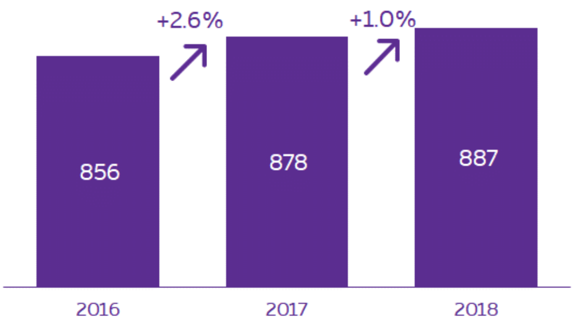
The Postpaid ARPU for 2018 was EUR 27.5, a year-on-year decrease of 1.7%. This reflects a mixed effect from the roaming price impact in the first-half of 2018 and the lapsing support of the more-for-more Mobile price adjustments of 1 August 2017.

[2] Fair Usage Policy : BE: 20 GB at full speed, then 512 Kbps - EU: 16 GB at full speed, then 0.0072€/MB

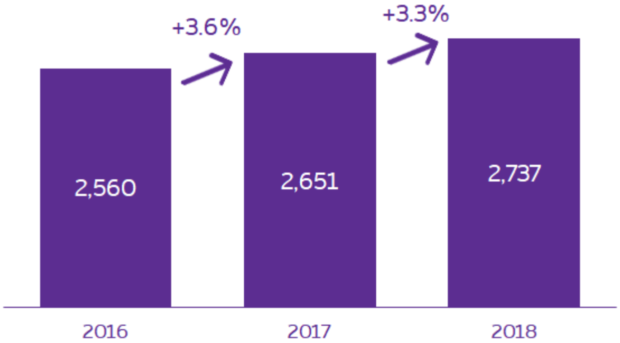
+86,000
Mobile postpaid cards

+3.3% YoY

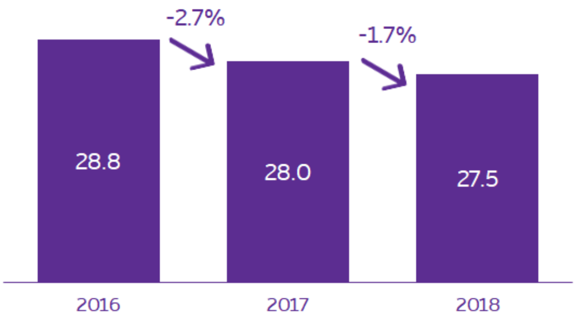
Postpaid revenue (M€)



Postpaid cards (in '000)



Postpaid ARPU (in '€)



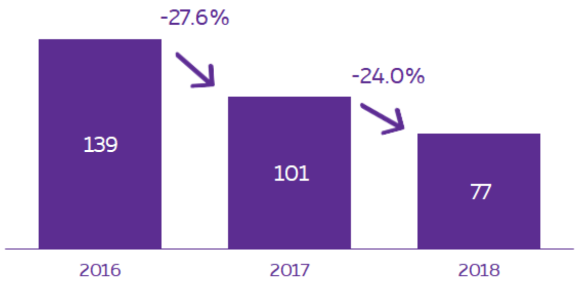
MOBILE PREPAID

In contrast to Mobile Postpaid, the revenue from mobile Prepaid showed a steep decline, down by 24% from the prior year.
The loss of Prepaid cards remained elevated, with the Prepaid base reduced by 130,000, totaling 772,000 Prepaid cards end-2018. The continued erosion in an already declining market, was partly driven by the strategy to migrate customers to similar Postpaid pricing plans, at higher value.
For 2018 the Prepaid ARPU was EUR 7.6, a 10.1% decline from 2017.

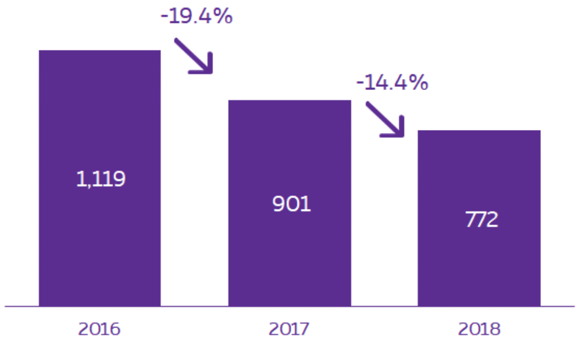
-130,000
Mobile prepaid cards

-14.4% YoY

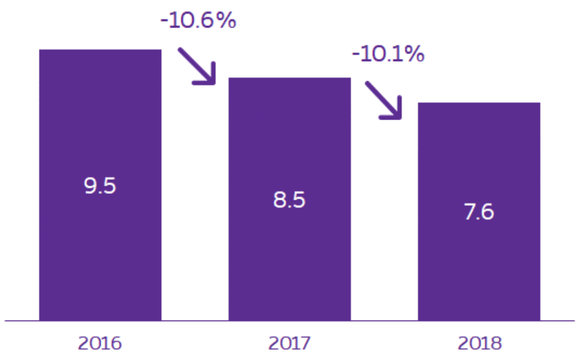
Prepaid revenue (M€)



Prepaid cards (in '000)



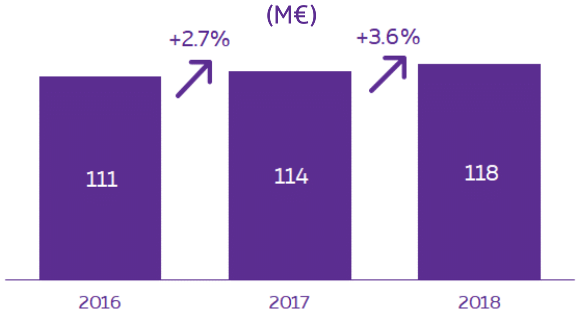
Prepaid ARPU (in €)



CONSUMER TANGO

Tango, Proximus' Luxembourgish telecom operator, posted a solid 3.6% revenue growth to EUR 118 million for 2018 for the Consumer segment, in an aggressive competitive market. This was driven by a steady growth in mobile revenue and the successful execution of its convergence strategy with FTTH driving an increase in broadband revenue.

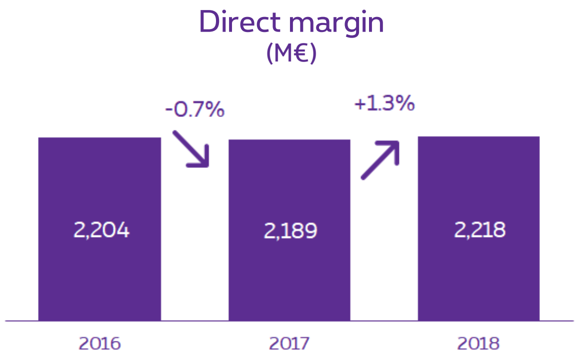
Consumer Tango revenue (M€)

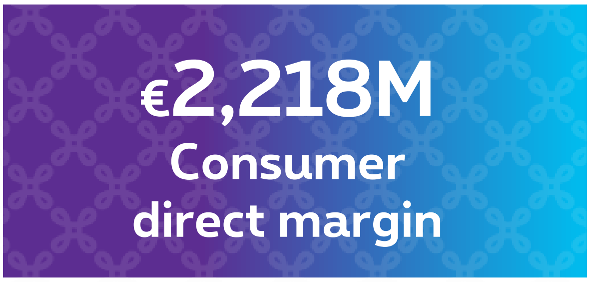


+3.6 %
Consumer Tango revenue

Consumer direct margin

The Consumer direct margin over 2018 grew by 1.3% to EUR 2,218 million, i.e. 28 million above that of 2017. In spite of the first half of 2018 being impacted by the Roam-like-at-Home regulation, this growth was achieved thanks to a solidly growing customer base, improved revenue mix, and the benefit from price changes. Moreover, the first half of 2018 was supported by some substantial one-off tailwinds, whereas the second half was negatively impacted by a loss in direct margin due to a renewed collection process[3].





Success of All-in offers leads to continued strong growth in 4-Play

The progress on Proximus' long-term convergence and value strategy is measured through 'multi-play' reporting. In contrast to the traditional reporting per product group, the X-play reporting focuses on operational and financial metrics in terms of Households and Small Offices (HH/SO) serviced by Proximus and the number of "Plays" (i.e. Mobile Postpaid -Fixed Voice - Fixed Internet -TV) and Revenue Generating Units (RGU) offered. The X-play reporting also includes HH/SO services from Scarlet.

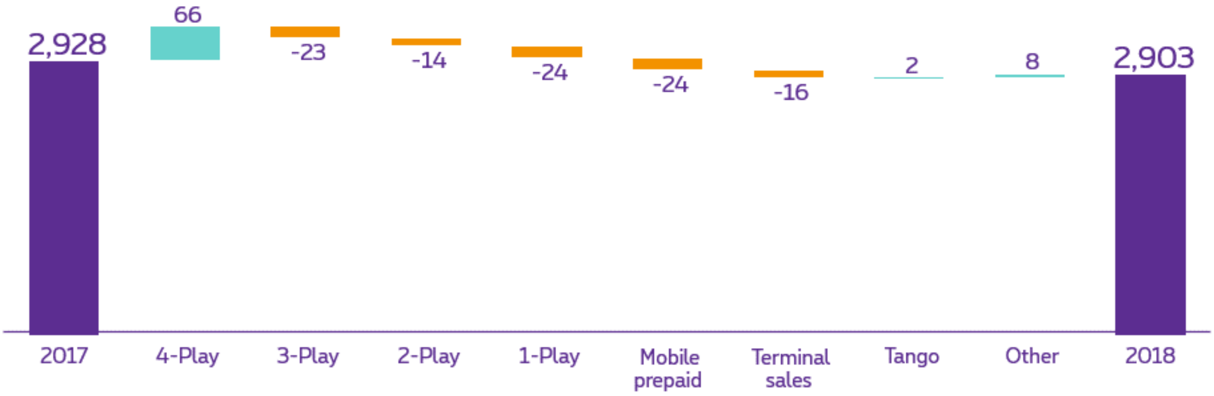
Under IFRS15[4], the Consumer segment posted EUR 2,903 million in revenue for 2018, a 0.9 % decline from the prior year. While the services revenue from households (X-Play) increased by 0.2% to EUR 2,348 million. Revenue from Prepaid and low-margin Terminals decreased.

[3] Reminder fees were lowered following a new legislation. Moreover, Proximus' collection process was adapted with a to improving the customer experience, reducing the number of reminders on open invoices.

[4] See page 4

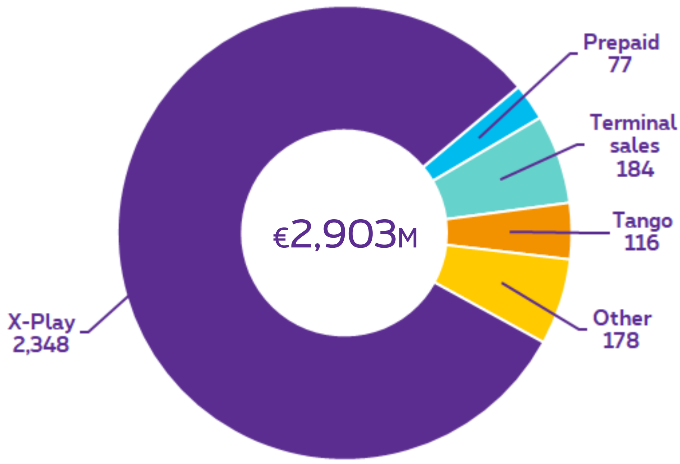
Revenue evolution per X-Play product group

(underlying, M€ under IFRS15)

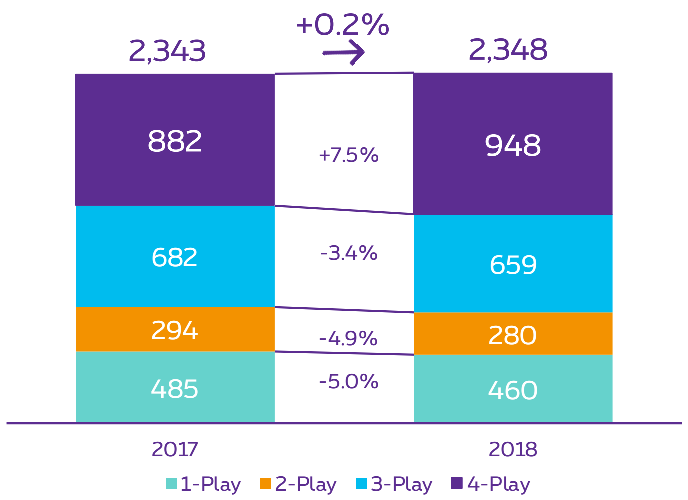


In 2018, Proximus continued to improve its customer mix, with an increasing number of its Households/Small Offices on 4-Play. Over the twelve months of 2018, 48,000 4-Play HH/SO were added, or +7.0%.
By end-2018, Proximus serviced 731,000 4-Play HH/SO, i.e. 24.7% of its total base.
This positive evolution was especially driven by the continued success of the Proximus offers Tuttimus and Bizz All-in for which an additional 149,000 HH/SO signed up in 2018 to reach 508,000 by end-2018. This further increased the penetration rate of All-in bundles in the total 4-Play base.
The enlarging 4-Play base drove a steady year-on-year 4-Play revenue increase of 7.5%. The ARPH of a 4-Play HH/SO stood at EUR 111.4 for 2018 -1.2% from the prior year. This is a mixed result from an enhanced level of RGU's to 4.89 (+1.1%), regulatory pressure on Mobile roaming and annualizing support from the more-for-more price increase. Moreover, the ARPH reflects a continued erosion in Voice traffic.

2018 Consumer revenue split
(M€, under IFRS15)



HH/SO revenue per X-Play (M€)



+7.5 %
4-Play revenue

With more customers moving to 4-Play, the average RGUs of the total HH/SO base increased by 2.5% from the prior year, to reach 2.77. This resulted in a 0.8% growth in ARPH to EUR 65.9 for 2018.

In a more competitive landscape, the overall 2018 annualized full churn rate was 13.6%, up 0.7pp from one year ago.

With Proximus mainly upselling to 4-Play, the number of customers on a 2-Play of 3-Play decreased over the year.

The erosion of Single-Play Fixed Voice HH/SO continued its even trend with a decrease of 43,000 HH/SO for 2018. As a consequence, revenue from standalone Fixed Voice was further reduced to a total of EUR 94 million, representing 3.2% of the total Consumer revenue.

Proximus' 1-Play mobile HH/SO base totaled 686,000 at end-2018, with an ARPH of EUR 37.8 (for 1.34 RGU), i.e. a year-on-year decrease of -4.7%. This was mainly driven by the impact from RLAH in the first-half of 2018, and the upselling effect to multi-play offers for higher-end mobile subscribers.

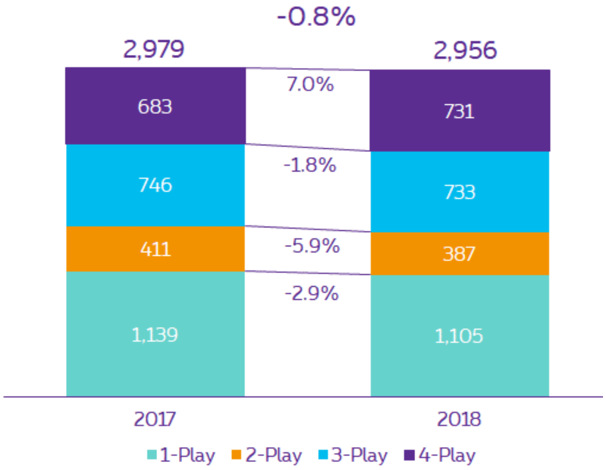
Proximus' Single-Play Internet HH/SO base increased to 151,000, with 12,000 added over 2018, including the effect of Scarlet's successful standalone broadband offers. The corresponding ARPH of EUR 31.1. was up 2.8% from the prior year, including the price increase of the Proximus standalone broadband offers.

Average RGU
2.77

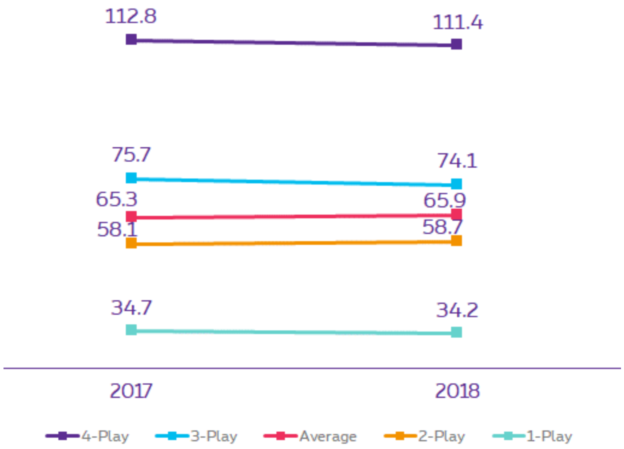
Average revenue per HH/SO
€65.9

HH/SO having Fixed & Mobile
58.3%

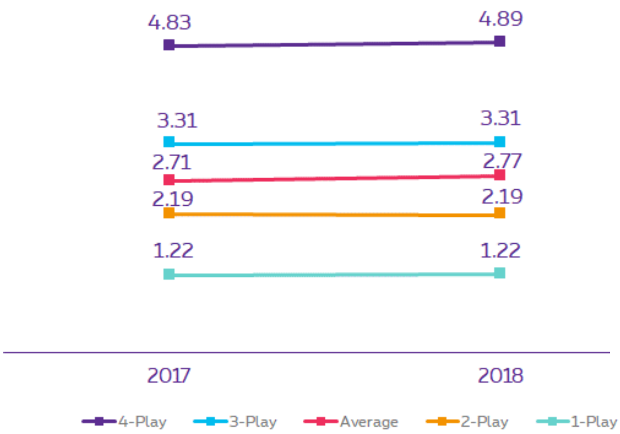
Consumer Households & Small Offices per X-Play (in '000)



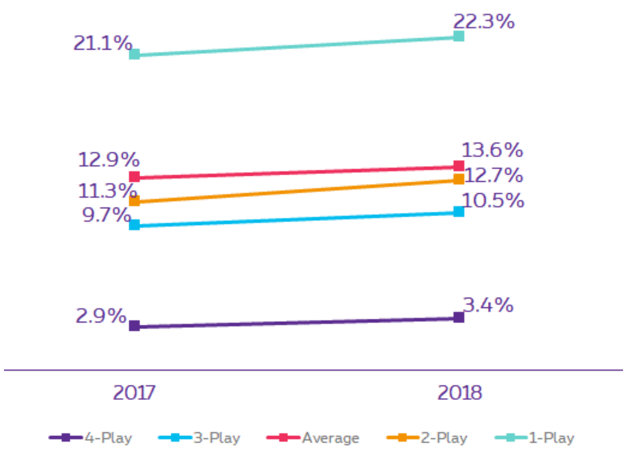
Average Revenue per HH/SO (ARPH in €))



Average Revenue Generating Units per HH/SO (RGU in units)



Annualized full churn rate



- Enterprise segment grew its 2018 revenue by 1.1% in an increasingly competitive setting.
- Revenue progression driven by ICT and Advanced Business Services, offsetting pressure on legacy services.
- Strong growth in Mobile customer base compensated for the mobile price pressure.
- Direct margin up 0.8% from 2017, a fairly stable 68% of revenue, with revenue mix changing from higher-direct margin Fixed telecom revenue to higher workforce-driven ICT revenue.

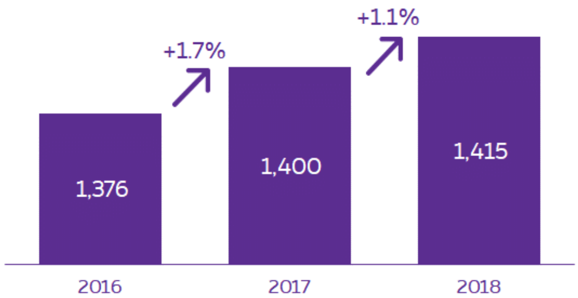
4. Enterprise

Revenue

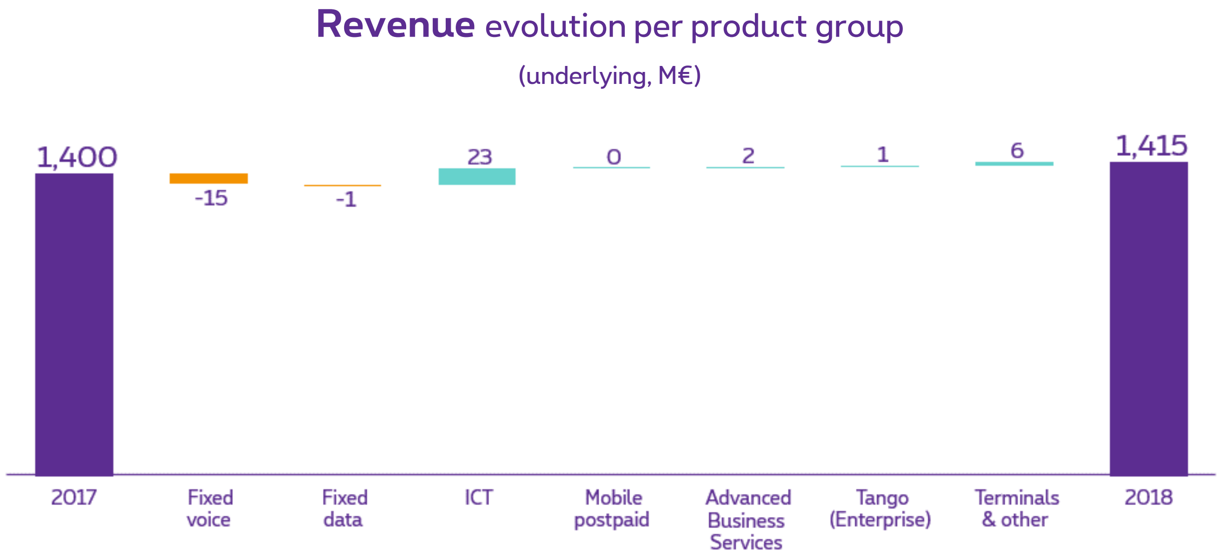
For 2018, Proximus' Enterprise segment posted EUR 1,415 million in revenue, up 1.1% from 2017, in spite of an more competitive business market, regulatory headwinds on Roaming in the first half of the year, and the continued revenue erosion in Fixed Voice.

The 2018 revenue progress for the Enterprise segment was driven by higher revenue from ICT, including the benefit from acquisitions. Moreover, Advanced Business Services and Tango delivered a positive revenue contribution, in addition to higher mobile devices revenue.

Revenue
(M€)



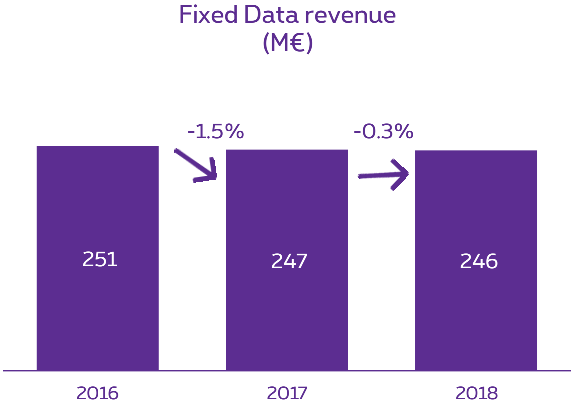
Revenue YoY
+1.1%

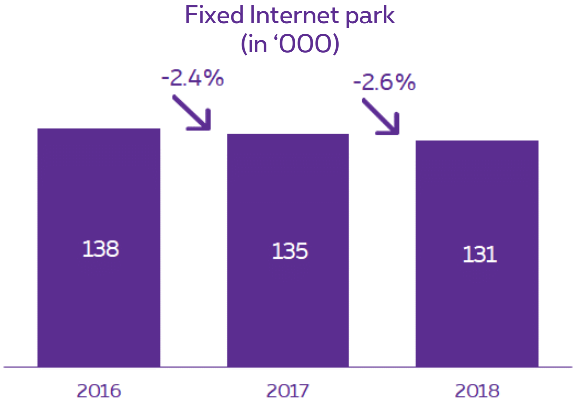


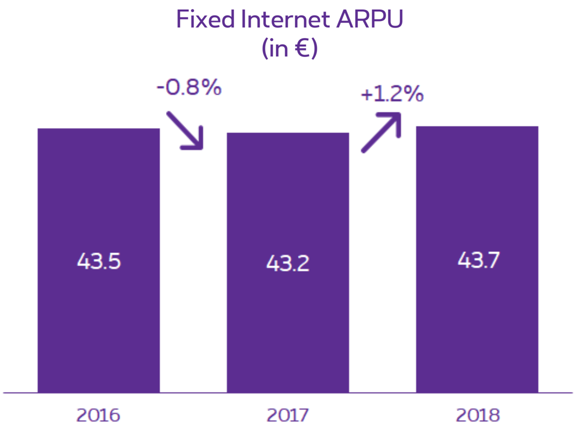
Fixed data

The 2018 revenue from Fixed Data totaled EUR 246 million, nearly stable in relation to the prior year (-0.3%). This includes a steady revenue generation from Data Connectivity, by far the largest part in this product category. The Enterprise segment continued to migrate customers to Proximus' VPN flagship "Explore", benefitting from the further roll-out of P2P fiber, while legacy products are being outphased and migrated in the context of simplification programs, offering customers new solutions at a more attractive pricing.

The Enterprise segment continued to face high competition on the low-end and medium-end Internet markets. Nonetheless, Proximus managed to mitigate its net line loss to 4,000 Internet lines, mainly low-end, bringing the total base to 131,000 by end-2018. This is a 2.6% decrease from one year ago. The lower Internet base was for a large part compensated for by a 1.2% increase in Broadband ARPU to EUR 43.7, supported by price indexation effects and a growing share of high-end Internet lines in the park.

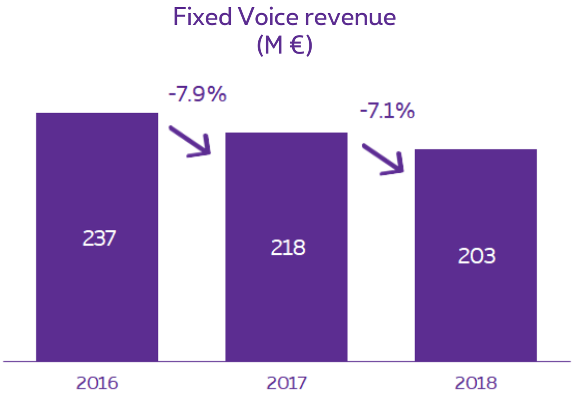


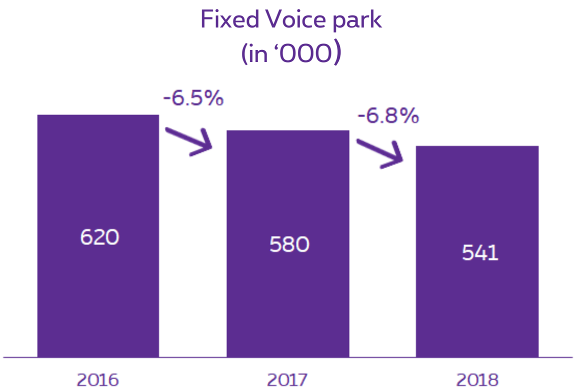


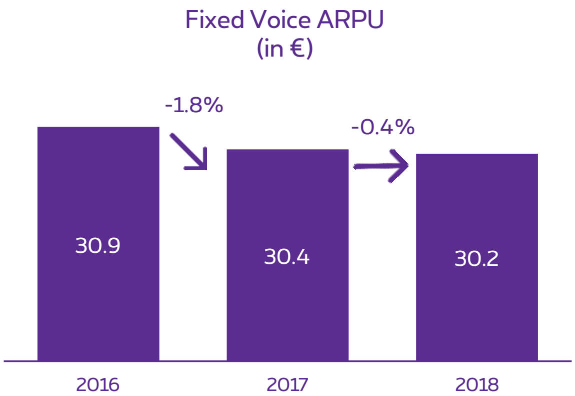


Fixed Voice

The Enterprise segment posted EUR 203 million in Fixed Voice revenue for 2018, showing a steady year-on-year decline of 7.1%. The Enterprise segment faces an ongoing rationalization by customers on Fixed-line connections, lower usage, technology migrations to VoIP and competitive pressure. The line loss in 2018 was -39,000, bringing the Enterprise total Fixed Voice Line base to 541,000 at end- 2018, i.e. a year-on-year line loss of 6.8%. The Fixed Voice ARPU of EUR 30.2 remained fairly stable compared to the prior year (-0.4%), with the decrease in traffic per line and a higher penetration of unlimited call options for a large part compensated for by some price indexations on 1 January 2018.

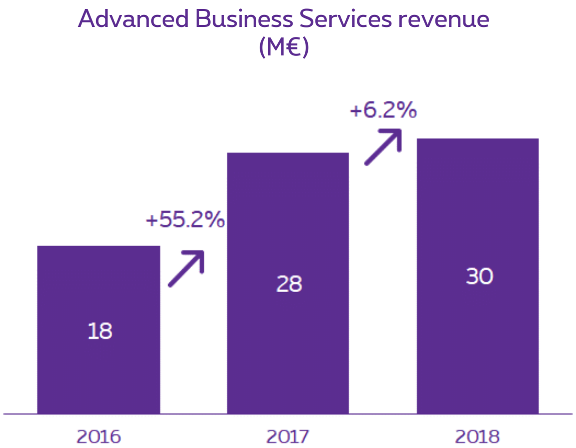






Advanced Business Services

The Enterprise segment made further progress in Advanced Business Services (+6.2%), driven by Smart Mobility, with Be-Mobile[5] occupying a unique position in the field. Furthermore, Proximus' convergent business solutions gained traction, growing the number of Call Connect customers (PABX in the cloud).

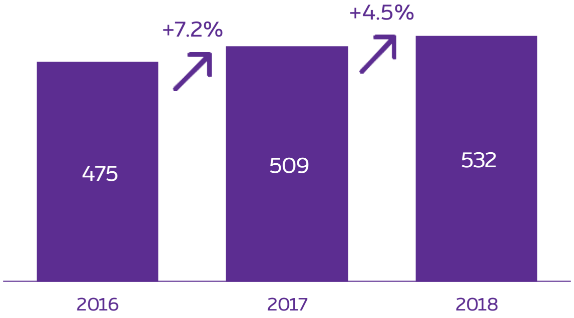


[5] Be-Mobile is a Proximus subsidiary specialized in smart mobility. In November 2018 it expanded its smart mobility services in Europe by acquiring the French company Mediamobile.

ICT

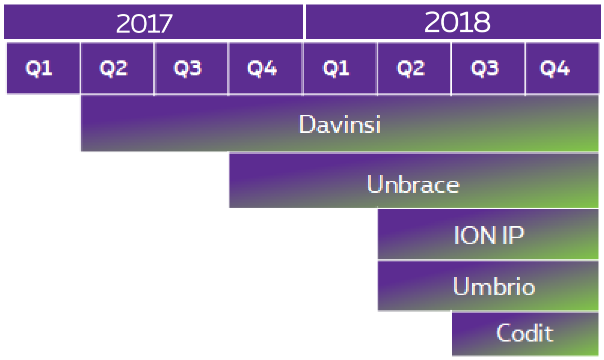
Operating in a competitive environment, the Enterprise segment has deployed a successful strategy, expanding its portfolio well beyond pure connectivity services, offering meaningful solutions for the digital transformation of its professional customers. This led to a solid 4.5% revenue increase for ICT in 2018, including the contribution from acquired specialized companies, accelerating the shift from product deals to service revenue.

ICT Revenue
(M€)



The most recently acquired company in 2018 was Codit, a Belgium-headquartered market leader in business application integration, API Management and Cloud services. This was preceded by the acquisition of Umbrio, a Dutch IT and Business analytics company and by ION-IP, a Dutch company specialized in Managed Security services. Furthermore, the year-on-year ICT performance also benefitted from Unbrace, an application development company and cybersecurity company Davinsi Labs.

Acquired ICT companies 2017 & 2018



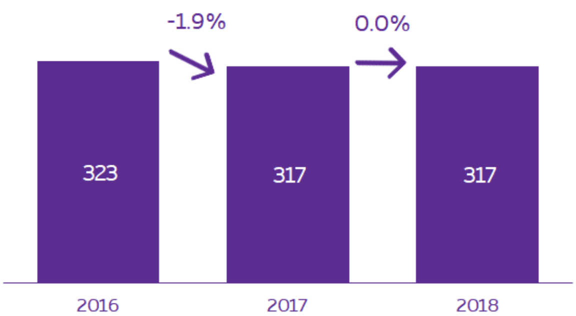
Mobile services

The Enterprise mobile service revenue for 2018 remained stable relative to the prior year, totaling EUR 317 million.

The good customer experience provided by Proximus' mobile network and high service levels led to a continued growth in the Enterprise customer base. The Mobile churn remained low in 2018 at 9.6%, compared to 10.2% for the prior year. This resulted in a strong net increase of 40,000 Mobile Voice cards in 2018, and a Mobile Voice base of 1,028,000, 4.1% higher than the prior year.

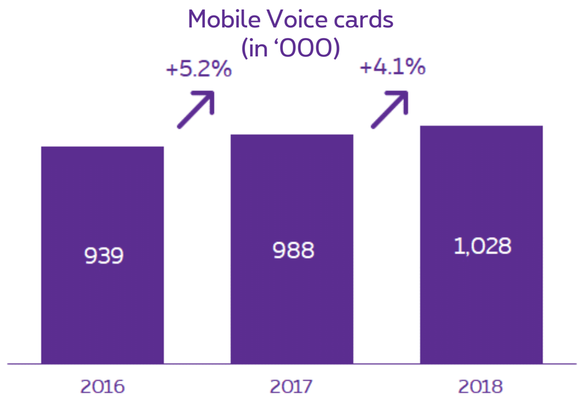
The benefit of continued customer growth was however offset by a lower Postpaid ARPU, down by 5.0% to EUR 25.1. This was the consequence of the annualizing carry-over effect from the regulated Roam-like-at-Home pricing since June 2017, an ongoing decrease in subscriptions for Roaming Options, customers moving to more advantageous price bundles, and competitive price pressure.

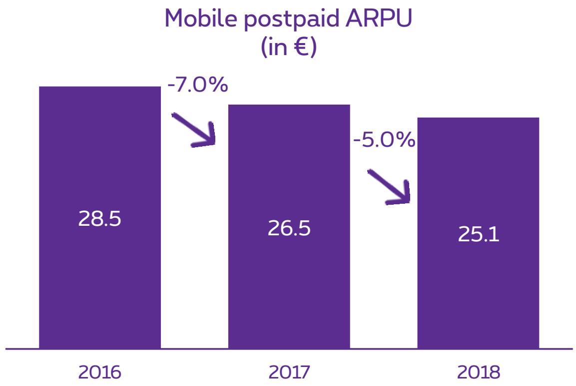
Mobile services revenue
(M€)



Mobile cards added excluding M2M

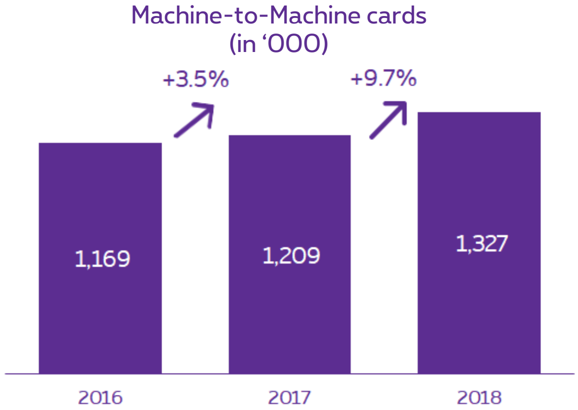
+40,000





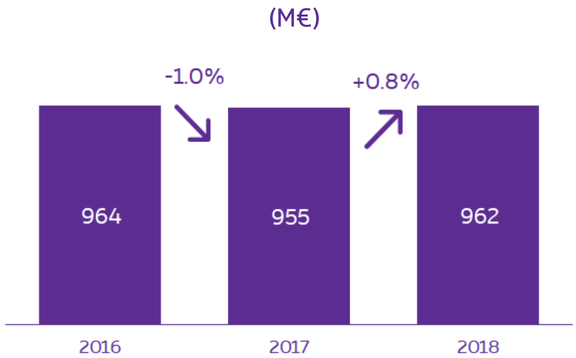
Proximus' Enterprise segment maintained its leadership position on the M2M market.

In 2018 its M2M base grew by 117,000 cards to reach 1,327,000 a 9.7% increase from one year ago. This was a.o. driven by activated cards for the Road User Charging product.



Enterprise direct margin

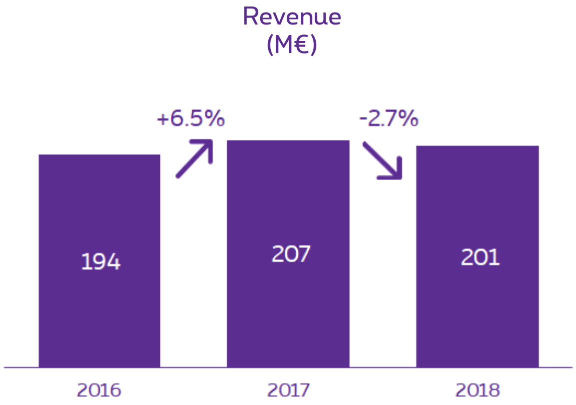
The 2018 direct margin grew by EUR 8 million or 0.8% to EUR 962 million. This resulted from the direct margin contribution from Mobile Services, Advanced Business Services and ICT, including the support from acquired ICT companies. The growth in these areas more than offset the ongoing margin erosion for Fixed Voice. The 2018 direct margin as a percentage of revenue was 68.0%, down 0.2ppt from a year ago, reflecting a changing revenue mix from higher direct margin legacy revenue to higher workforce-driven ICT revenue.

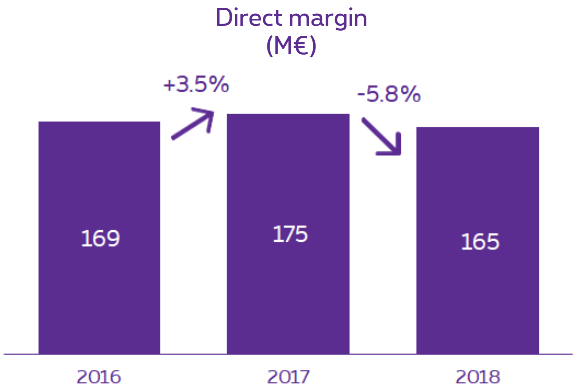


Wholesale

For its Wholesale operations, Proximus posted EUR 201 million revenue in 2018, a 2.7% decline compared to 2017 which benefitted from a corrective impact in the first quarter following the annulment by the Brussels Appeal Court of the new Fixed Termination Rates. Apart from this impact, the Wholesale revenues remained fairly stable. The revenue increase of higher roaming volumes in 2018 was offset by a decline in traditional wholesale activities.

In view of the steep increase in roaming-out traffic following the Roam-like-at-Home regulation, Proximus negotiated downwards its wholesale roaming rates in the Group's interest. While this benefitted the direct margin of the Consumer and Enterprise segments, it lowered the revenue and margin of Proximus' Wholesale business. For 2018, the Wholesale segment margin totaled EUR 165 million, a 5.8% decline from the high comparable base of 2017, impacted by the annulment of the Fixed Termination rates.





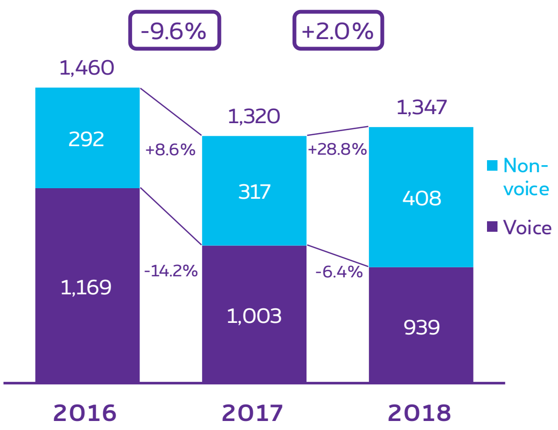
- BICS operates in the highly competitive international communications market, facing the ongoing transition from Voice to Data usage.
- BICS-TeleSign consolidation and synergies driving positive 2018 results.
- TeleSign accelerated BICS' strategic ambitions in growing A2P market.
- Direct margin grew 13.5% to EUR 317 million for 2018, i.e. 23.6% of revenue.
- BICS' segment result up 7.7% YoY to EUR 154 million, 11.4%of revenue.

5. BICS

Revenue

BICS operates in the international communications market, which is highly competitive and faces the transition from Voice to Data usage. In a volatile Voice market, BICS carried a fairly stable 24.5 billion Voice minutes in 2018, 0.3% more than in 2017. This was however on a less favorable revenue destination mix, leading to a 6.4% decline in BICS' Voice revenue. In contrast, messaging volumes carried by BICS rose steeply, more than doubling compared to the prior year (+110.7%). This was driven by boosting A2P volumes, including the solid contribution of TeleSign, accelerating BICS' strategic ambitions in this growing market. This led to a solid revenue growth for non-Voice by 28.8%, reaching EUR 408 million in 2018.
In aggregate, BICS closed the year 2018 with revenue of EUR 1,347 million, 2.0% up from the prior year.

BICS revenue (M€)



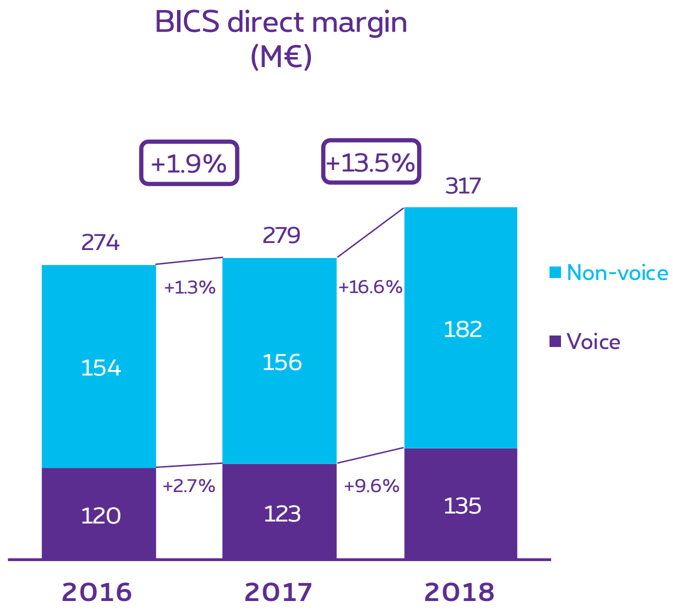
BICS revenue facing ongoing transition from Voice to Data usage

Direct margin

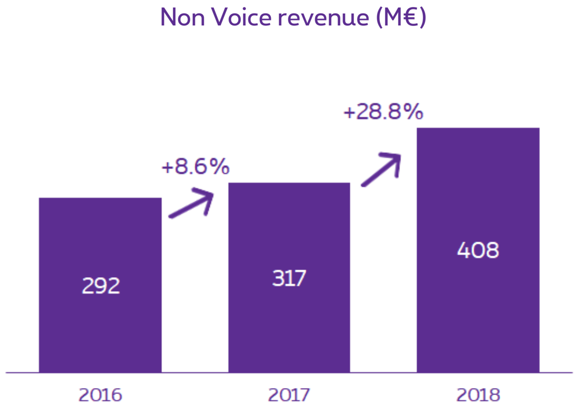
For 2018, BICS achieved a direct margin growth of 13.5%, reaching EUR 317 million. This represents 23.6% of revenue, a 2.4pp improvement from one year ago.

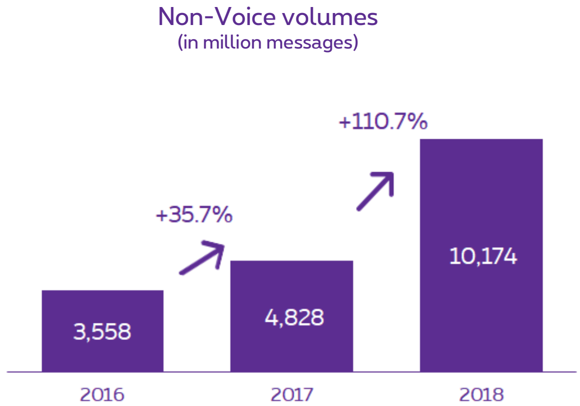
Despite the pressure on Voice revenue, BICS managed to grow its Voice direct margin by 9.6%, benefitting from TeleSign's authentication services.

BICS' non-Voice direct margin was up by 16.6% benefitting from the BICS-TeleSign combination, with strong growth in SMS A2P volumes and the realization of direct cost synergies.



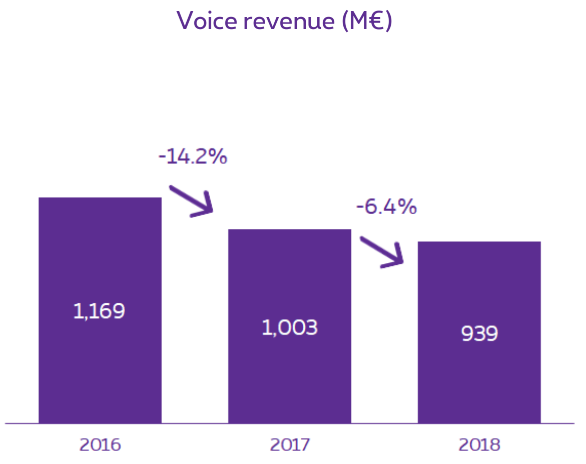
Non Voice

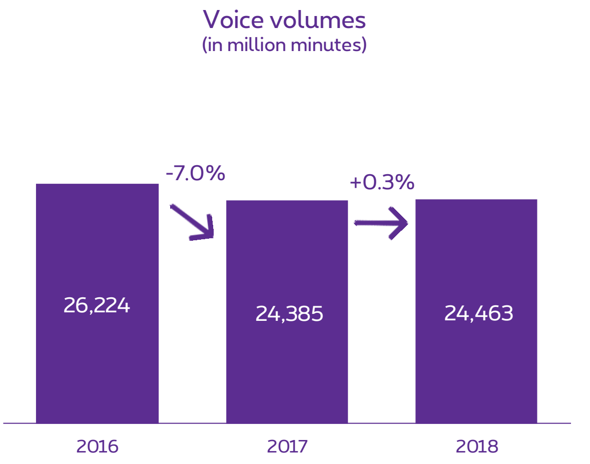




TeleSign accelerating BICS'ambitions in the A2P market

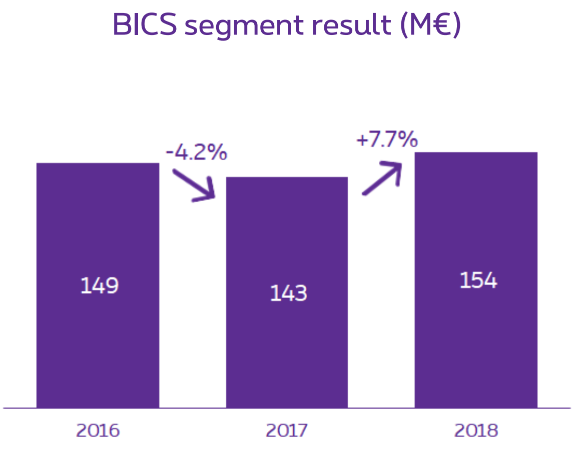
Voice





Segment result

The segment result of BICS amounted to EUR 154 million, a 7.7% increase compared to the previous year, driven by the consolidation of TeleSign. The direct margin increase was partly offset by higher expenses, up by EUR 27 million, with TeleSign expenses driving this increase.
In 2018, the segment margin as percentage of revenue progressed to 11.4%.



6. Definitions

A2P: Applications-to -person

Advanced Business Services: new solutions offered aside from traditional Telecom and ICT, such as Road User Charging, converging solutions, Big Data and smart mobility solutions.

Annualized full churn rate of X-play: a cancellation of a household is only taken into account when the household cancels all its plays.

Annualized Mobile churn rate: the total annualized number of SIM cards disconnected from the Proximus Mobile network (including the total number of port-outs due to Mobile number portability) during the given period, divided by the average number of customers for that same period.

ARPH: Average underlying revenue per household (including Small Offices).

Average Mobile data usage: we provide a split of 4G and blended (implying all networks – 2G, 3G and 4G). The average usage in our report is calculated by dividing the total data usage of the last month of the quarter by the number of data users in the last month of the quarter.

ARPU: Average Revenue per Unit (i.e. per voice line, per broadband line, per mobile card…)

Blended Mobile ARPU: total Mobile Voice and Mobile data revenues (inbound and outbound), of both Prepaid and Postpaid customers, divided by the average number of active Prepaid and Postpaid customers for that period, divided by the number of months of that same period. This also includes MVNOs but excludes M2M.

Broadband access channels: ADSL, VDSL and Fiber lines. For Consumer this also contains the Belgian residential lines of Scarlet.

Broadband ARPU: total Internet underlying revenue, excluding activation and installation fees, divided by the average number of Internet lines for the period considered, divided by the number of months in that same period.

BICS: international carrier activities, a joint venture of Proximus, Swisscom and MTN in which Proximus owns 57.6%.

Capex: this corresponds to the acquisitions of intangible assets and property, plant and equipment

Consumer: addressing the residential and small businesses (less than 10 employees) market, including Customer Operations Unit.

Cost of Sales: the costs of materials and charges related to revenues.

Direct margin: the result of cost of sales subtracted from the revenues, expressed in absolute value or in % of revenues.

Domestic: defined as the Proximus Group excluding BICS.

EBITDA: Earnings Before Interest, Taxes, Depreciations and Amortization; corresponds to Revenue minus Cost of sales, workforce and non-workforce expenses.

EBIT: Earnings Before Interest & Taxes; corresponds to EBITDA minus depreciations and amortizations

Enterprise: segment addressing the professional market including small businesses with more than 10 employees.

Fixed Voice access channels: PSTN, ISDN and IP lines. For Enterprise specifically, this also contains the number of Business Trunking lines (solution for the integration of Voice and Data traffic on one single Data network).

Fixed Voice ARPU: total Voice underlying revenue, excluding activation-related revenue, divided by the average number of Voice access channels for the period considered, divided by the number of months in that same period.

FCF: Free Cash Flow. This is cash flow before financing activities.

ICT: Information and Communications Technology (ICT) is an extended term for information technology (IT) which stresses the role of unified communications and the integration of telecommunications (telephone lines and wireless signals), computers as well as necessary enterprise software, middleware, storage, and audio-visual systems, which enable users to access, store, transmit, and manipulate information. Proximus' ICT solutions include, but are not limited to, Security, Cloud, "Network & Unified Communication", "Enterprise Mobility Management" and "Servicing and Sourcing".

Incidental: adjustments for material(**) items including gains or losses on the disposal of consolidated companies, fines and penalties imposed by competition authorities or by the regulator, costs of employee restructuring programs, the effect of settlements of post-employment benefit plans with impacts for the beneficiaries and other items that are outside the scope of usual business operations. These other items include divestments of consolidated activities, gains and losses on disposal of buildings, transaction costs related to M&A (acquisitions, mergers, divestments etc.), deferred M&A purchase price, pre-identified one-shot projects (such as rebranding costs), changes of accounting treatments (such as the application of IFRIC 21), financial impacts of litigation files, fines and penalties, financial impact of law changes (one-off impact relative to previous years), recognition of previously unrecognized assets and impairment losses.

(**) The materiality threshold is met when exceeding individually EUR 5 million. No materiality threshold is defined for costs of employee restructuring programs, the effect of settlements of post-employment benefit plans with impacts for the beneficiaries, divestments of consolidated companies, gains and losses on disposal of buildings and M&A-related transaction costs. No threshold is used for adjustments in a subsequent quarter of the same year if the threshold was met in a previous quarter.

Mobile customers: Voice and Data cards as well as Machine-to-Machine, but excluding all free Data cards. Active Prepaid customers are customers who have made or received at least one call and/or sent or received at least one SMS message in the last three months. A M2M card is considered active if at least one Data connection has been made in the last month. Postpaid customers paying a monthly subscription are per default active.

Mobile ARPU: Monthly ARPU is equal to total Mobile Voice and Mobile Data revenues (inbound and outbound, visitor roaming excluded), divided by the average number of active Mobile Voice and Data customers for that period, divided by the number of months of that same period. This also includes MVNO's but excludes M2M.

Multi-play household (including Small Offices): two or more Plays, not necessarily in a Pack.

Net debt: refers to the total interest-bearing debt (short term + long term) minus cash and cash equivalents.

Non- Workforce expenses: all operating expenses excluding workforce expenses, and excluding depreciation and amortization.

Play: a subscription to either Fixed Voice, Fixed Internet, dTV or Mobile Postpaid (paying Mobile cards). A 4-Play customer subscribes to all four services.

Revenue-Generating Unit (RGU): for example, a household with Fixed Internet and 2 Mobile Postpaid cards is considered as a 2-Play household with 3 RGUs.

Reported Revenues: this corresponds to the Total Income.

TV ARPU: includes only customer-related underlying revenue and takes into account promotional offers, excluding activation and installation fees, divided by the number of households with Proximus or Scarlet TV.

Underlying: refers to adjusted Revenue and EBITDA (Total Income and Operating Income before Depreciation and Amortization) for incidentals in order to properly assess the ongoing business performance.

Wholesale: Proximus' unit addressing the telecom wholesale market including other telecom operators (incl. MVNO) and ISP's.

Workforce expenses: Expenses related to own employees (personnel expenses and pensions) as well as to external employees.

X-Play: the sum of single play (1-play) and multi-play (2-play + 3-play + 4-play).