2018 Q4

Quarterly Report

proximus

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Brussels, 1 March 2019
7.00 (CET)
Regulated Information

1 Highlights Q4 2018[1]

- **Solid growth of Domestic customer base in a highly competitive setting: +16,000 Fixed Internet, +16,000 TV, + 32,000 Postpaid cards.**
- **Strong performance of segmented offers for Proximus and Scarlet. All-in offers Tuttimus and Bizz All-In growing by +31,000 subscribers to total 508,000.**
- **Full-year 2018 ended within guidance: stable full-year Domestic revenue and +2.4% Group EBITDA**
- **FCF of EUR 501 million when excluding the 2018 cash-out related to the acquisition of subsidiaries in the ICT domain.**
- **Stable total gross dividend of EUR 1.50 per share over the 2018 result.**

- For the fourth quarter of 2018, Proximus posted **Domestic underlying revenue of EUR 1,128 million, 0.8% below that of the same period of 2017**, including lower Mobile terminal sales, with no effect on margin. The continued commercial traction for Proximus' Fixed Data and TV offers compensated for the ongoing Fixed Voice revenue erosion. Mobile Postpaid revenue remained nearly stable while Prepaid revenue continued to erode, in part due to the active push to higher-value Postpaid offers. Furthermore, Proximus benefitted from its expanded ICT portfolio, with ICT revenue growing.
Proximus' carrier services, **BICS, posted fourth-quarter revenue of EUR 341 million, 0.5% above that of the comparable period in 2017,** with the TeleSign acquisition annualizing 1 November. In aggregate, **the Proximus Group ended the last quarter of 2018 with nearly stable (-0.5%) underlying revenue of EUR 1,469 million**.

- The **underlying Direct margin of the Proximus Group progressed slightly to EUR 914 million**, i.e. 62.3% on revenue. For its **Domestic operations, Proximus posted stable fourth-quarter 2018 direct margin** of EUR 833 million, benefitting from the growing customer base, the focus on value management and the acquired ICT companies in the Enterprise segment. **BICS' direct margin progressed to EUR 81 million**, a year-on-year increase of 3.9%, driven by strong growth in SMS A2P volumes and the realization of direct cost synergies through BICS-TeleSign combination.

- Proximus' Group **underlying operating expenses** for the fourth quarter 2018 were **nearly stable (-0.3%)** in relation to the prior year, with both BICS and Proximus' Domestic operations posting flattish expenses. Within the mix, ongoing cost efficiencies reduced the Domestic non-workforce expenses by 6.7%, while Domestic workforce expenses were up by 3.4%, including the effect of acquisition-related headcount in the ICT domain.

- The **underlying EBITDA of the Proximus Group for the fourth quarter 2018 totaled EUR 449 million, a 0.9% increase** compared with the same period of 2017. This includes a 0.2% increase for Proximus' Domestic operations, totaling EUR 409 million, and a 8.4% increase for BICS including the successful integration of TeleSign.

- Proximus continued to invest extensively in enhancing its networks and improving the overall customer experience. With **investments of EUR 322 million in the last quarter, the full-year 2018 capex totaled EUR 1,019 million.** This includes an increasing share for the Fiber for Belgium project, with the roll-out ongoing in 9 cities. Moreover, extensive investments were done in IT systems and digital platforms, in the companies' high-quality mobile network, and in simplification and transformation.

- **Proximus' full-year 2018 FCF totaled EUR 451 million, or EUR 501 million when excluding the cash-out related to the acquisition of ICT subsidiaries**. On a like-for-like basis, the EUR 16 million decrease compared to 2017 was the net result of higher cash paid for Capex and higher payments for income tax, for a large part offset by a growth in underlying EBITDA and less cash needed for business working capital.

[1] All financials and like-for-like comparisons in this report related to the Group and Segments are provided under IAS 18, unless otherwise stated.

- Proximus continued to enlarge its customer base supported by a catching year-end campaign, driving further traction for its Tuttimus/Bizz All-In offers. Moreover, Proximus' no-frills brand Scarlet closed a solid last quarter. Proximus achieved good growth in its Mobile Postpaid base as well, supported by its revamped mobile offer since 1 November 2018 and year-end promotions. Notwithstanding the intense competitive environment, Proximus achieved further progress in its market shares for Digital TV (37.3% up 0.5pp) and Mobile (39.3% up 0.4pp) and maintained an almost stable market share for Internet (46.4% down 0.2pp).

+16,000[1] TV-customers, total of 1,611,000

+16,000 Fixed Internet lines, total of 2,026,000

-26,000 Fixed Voice lines, total of 2,516,000

+32,000[1] Mobile Postpaid cards, 4,016,000 in total

-36,000 Mobile Prepaid cards, 822,000 in total

- The Board of Directors approved to propose to the Annual General Shareholder meeting of 17 April 2019 to return over the result of 2018 a gross dividend of EUR 1.50 per share, of which EUR 0.50 per share was paid in December 2018.
  - ex-coupon date: 24 April 2019
  - record date: 25 April 2019
  - payment date: 26 April 2019

Dominique Leroy, CEO of Proximus Group

We maintained a solid position on the market and delivered on our 2018 outlook, with stable Domestic revenue and Group EBITDA growing by 2.4%.

Operating in a highly competitive environment, we achieved in the last quarter of 2018 further growth in our Consumer base for Internet, TV and Mobile postpaid, driven by our ongoing customer centricity efforts, dual-brand strategy and market segmentation approach. In the family segment, our successful year-end campaign attracted many more customers to our convergent all-in offers Tuttimus/Bizz All-in, with the base now reaching 508,000. The revamped mobile portfolio launched 1 November 2018, and the EPIC offer designed for millennials drove a sound Mobile customer growth. In the price-seekers segment, our no-frills brand Scarlet continued to grow its base, benefitting from a strong increase in brand awareness over the past year and occupying a competitive position on the low-end of the market.

Our Enterprise segment sustained its solid position in the fourth quarter, growing its mobile customer base and benefitting from the enlarged ICT portfolio. Over the past year we have grown our ecosystem of ICT experts, allowing us to offer new meaningful solutions for our Enterprise customers, while supporting the retention of Telecom services.

Our Fit for Growth strategy, launched in 2014, has proven to be successful, with our underlying EBITDA growing since 2015. We operate in a highly competitive environment within a fast-evolving landscape, and the industry we operate in is now reaching a tipping point when it comes to digital. That is why we have adopted a new strategy, "#ShifttoDigital", as we want to remain relevant to our customers and can support enterprises in their digital transformation, while becoming more efficient and agile.

We continue to invest extensively in our infrastructure by expanding our FTTH footprint, now initiated in 9 cities, upgrading our backbone network, ensuring a high-quality mobile network, improving the overall customer experience and becoming a personalized gateway for access to content.

When it comes to our announced transformation plan, we have started the information and consultation phase with our social partners, with the intention to review our HR rules and to negotiate the potential leave of 1,900 employees over the next 3 years.

In our continuous endeavor to bring new solutions to our customers, we are happy to announce the further enhancement of our millennials offer with EPIC Combo, available on April 2. This includes fixed and mobile internet access, music and social apps and free viewing of many video platforms, including the Proximus TV app and this on all screens.

Regarding the spectrum auction, we fear there may be a further delay, potentially putting Belgium at the tail end of European 5G deployment, whereas we would like to support enterprises testing 5G use cases in the context of their digital transformation.

With regards to our expectations for 2019, we anticipate our underlying Domestic revenue to remain nearly stable compared to the prior year in a competitive market. The 2019 underlying Group EBITDA is expected to remain stable too, with within the mix, a slight EBITDA growth for our Domestic operations to be offset by an unfavorable EBITDA effect on BICS following the renewal of the BICS MTN commercial agreement[2]. The Group Capex for 2019 is expected to be stable compared to the 2018 level.

As a last point, we reconfirm our intention to return to our shareholders a stable dividend of EUR 1.50 gross per share over the result of 2018 and 2019.

[2] Subject to MTN Board ratification

2 Proximus Group financial review

2.1 Group financials

Table 1: Underlying Group P&L

(EUR million)	4th Quarter 2017 IAS 18	4th Quarter 2018 IAS 18	4th Quarter Change %	4th Quarter 2018 IFRS 15	Year-to-date 2017 IAS 18	Year-to-date 2018 IAS 18	Year-to-date Change %	Year-to-date 2018 IFRS 15
TOTAL INCOME (*)	1,477	1,469	-0.5%	1,475	5,778	5,804	0.5%	5,807
Net Revenue	1,468	1,454	-0.9%	1,460	5,739	5,761	0.4%	5,764
Other Operating Income	9	15	60.4%	15	39	43	11.3%	43
Costs of materials and charges to revenues (**)	-565	-554	-1.9%	-554	-2,166	-2,122	-2.1%	-2,126
TOTAL DIRECT MARGIN	912	914	0.3%	921	3,612	3,683	2.0%	3,681
Direct margin %	*61.7%*	*62.3%*	*0.5 p.p.*	*62.4%*	*62.5%*	*63.5%*	*0.9 p.p.*	*63.4%*
TOTAL EXPENSES	-466	-465	-0.3%	-466	-1,789	-1,816	1.6%	-1,817
TOTAL EBITDA	445	449	0.9%	455	1,823	1,866	2.4%	1,865
Segment EBITDA margin %	*30.2%*	*30.6%*	*0.4 p.p.*	*30.8%*	*31.6%*	*32.2%*	*0.6 p.p.*	*32.1%*

(*) referred to as "Revenue" in the document
(**) referred to as "Cost of sales" in the document

2.1.1 Underlying Group revenue

For the fourth quarter of 2018, Proximus posted a Domestic underlying revenue of EUR 1,128 million. This is 0.8% or EUR 9 million below that of the same period of 2017, of which EUR 5 million due to lower Mobile terminal sales, with no effect on margin.

Revenue from **Fixed Services[3] remained fairly stable** in relation to the prior year, totaling EUR 490 million, with the increase for Fixed Data (+3.1%) and TV (+3.0%) compensating for the ongoing Fixed Voice revenue erosion, down in the last quarter 2018 by 6.3% (see table 3).

For Mobile Services, Proximus posted EUR 318 million of revenue, i.e. a 1.5% year-on-year decline. Within the mix, Proximus' **mobile Postpaid revenue was almost stable (+0.2%) in relation to the prior year**, with an ongoing growth in its mobile Postpaid customer base, up by 3.5% over the past year, compensating for a lower mobile Postpaid ARPU in both the Consumer and Enterprise segments.
The revenue from mobile Prepaid, however, was impacted by both a lower ARPU and a continued decline in the Prepaid base. This erosion was partly the result of the company's active efforts to migrate its Mobile customers to more valuable Postpaid subscriptions, with the Full Control subscription in particular proving a successful alternative.

Proximus benefitted from its expanded ICT portfolio[4], accelerating its strategy to bring full end-to-end solutions to its business customers. This led to a **3.9% ICT revenue growth for the Group, from a high comparable base, reaching EUR 154 million in the fourth quarter 2018.**

Proximus' Wholesale segment reported fairly stable revenue of EUR 51 million for the fourth quarter 2018. Within the mix, Roaming revenue was up on higher traffic, though was offset by lower revenue from traditional wholesale services.

Proximus' carrier services, **BICS, posted fourth-quarter revenue of EUR 341 million, 0.5% above** that of the comparable period in 2017, with the TeleSign acquisition annualizing 1 November. In aggregate, the **Proximus Group ended the last quarter of 2018 with stable (-0.5%) underlying revenue of EUR 1,469 million.**

Over the year 2018, Proximus' **underlying Group revenue totaled EUR 5,804 million, a 0.5% improvement on the prior year.** This includes a stable revenue from Proximus' Domestic operations, and a 2.0% increase for BICS.

[3] Voice, Data and TV. See table 3

[4] See Section 4.1 on Enterprise Segment

Table 2: Group revenue by segment

(EUR million)	4th Quarter 2017 IAS 18	4th Quarter 2018 IAS 18	4th Quarter Change %	4th Quarter 2018 IFRS 15	Year-to-date 2017 IAS 18	Year-to-date 2018 IAS 18	Year-to-date Change %	Year-to-date 2018 IFRS 15
Group Reported	1,478	1,488	0.7%	1,494	5,802	5,826	0.4%	5,829
Incidentals	*-1*	*-19*		*-19*	*-24*	*-21*		*-21*
Group underlying by Segment	1,477	1,469	-0.5%	1,475	5,778	5,804	0.5%	5,807
Domestic	1,137	1,128	-0.8%	1,134	4,458	4,458	0.0%	4,460
Consumer	734	726	-1.0%	735	2,909	2,898	-0.4%	2,903
Enterprise	369	366	-0.8%	364	1,400	1,415	1.1%	1,413
Wholesale	51	51	-0.3%	51	207	201	-2.7%	201
Other (incl. eliminations)	-17	-15	7.3%	-15	-58	-57	2.3%	-57
International Carrier Services (BICS)	339	341	0.5%	341	1,320	1,347	2.0%	1,347

More precisely, the fourth-quarter 2018 Group underlying revenue variance was the result of the following segment changes:

- **Proximus' Consumer segment posted a revenue of EUR 726 million for the fourth quarter 2018,** 1.0% below that of the same period of 2017. This included a lower mobile prepaid revenue (EUR -5 million), lower mobile devices revenue (EUR -3 million) and less revenue from Inbound, with these two last items having only a marginal impact on direct margin. Revenue from Fixed services was up from the prior year by 0.7% driven by the expanding Internet and TV customer base for both the Proximus and Scarlet brands, more than offsetting the erosion in Fixed Voice. At the same time, revenue from mobile Postpaid remained stable in relation to the prior year, with the sound customer growth offsetting the APRU pressure. Proximus' customer base became more valuable and sticky by yet again attracting a solid 31,000 customers to its all-in offers Tuttimus/Bizz All-In, closing the fourth quarter 2018 with 508,000 subscribers.

- The **Enterprise segment closed the fourth quarter with EUR 366 million in revenue, 0.8% below** that of the comparable base in 2017. This was for a large part driven by the eroding trend for Fixed Voice revenue and lower Mobile device revenue, at low margins. In contrast, revenue from ICT showed a 3.9% year-on-year increase from a high comparable base for its organic business, and was driven by the contribution from small, specialized companies acquired over the past 12 months. Revenue from mobile services continued its slightly growing trend, up by 0.9% for the fourth quarter of 2018, fully driven by a 4.1% year-on-year increase of its mobile customer base.

- Proximus' **Wholesale segment reported fairly stable revenue of EUR 51 million** for the fourth quarter 2018. Within the mix, Roaming revenue was up on higher traffic volumes, offsetting the impact from lowered wholesale rates, negotiated in the Group's interest. The increase in roaming traffic revenue was however offset by lower revenue from traditional wholesale services.

- **BICS posted a 0.5% revenue growth to EUR 341 million**, including the additional business from TeleSign, consolidated since 1 November 2017. Messaging volumes carried by BICS continued their steep increase, driven by TeleSign's A2P volumes. This led to a continued solid revenue growth for non-Voice, which more than offset the lower Voice revenue.

Table 3: Underlying Group revenue by product group

(EUR million)	4th Quarter 2017 IAS 18	4th Quarter 2018 IAS 18	4th Quarter Change %	Year-to-date 2017 IAS 18	Year-to-date 2018 IAS 18	Year-to-date Change %
Revenues	1,477	1,469	-0.5%	5,778	5,804	0.5%
Domestic	1,137	1,128	-0.8%	4,458	4,458	0.0%
Fixed	500	497	-0.5%	2,007	2,001	-0.3%
Fixed Services	491	490	-0.3%	1,972	1,972	0.0%
Voice	175	164	-6.3%	721	677	-6.1%
Data (Internet & Data Connectivity)	219	225	3.1%	866	896	3.4%
TV	98	101	3.0%	385	399	3.5%
Fixed Terminals (excl. TV)	8	7	-13.7%	34	30	-13.2%
Mobile	381	371	-2.5%	1,493	1,476	-1.2%
Mobile Services	322	318	-1.5%	1,296	1,280	-1.2%
Postpaid	300	301	0.2%	1,195	1,203	0.7%
Prepaid	22	17	-24.1%	101	77	-24.0%
Mobile Terminals	58	54	-8.1%	198	196	-1.0%
ICT	149	154	3.9%	538	561	4.4%
Advanced Business Services	9	8	-18.9%	28	30	6.2%
Subsidiaries (Tango)	35	35	-1.5%	131	136	3.9%
Other Products	30	27	-7.4%	112	108	-3.4%
Wholesale	51	51	-0.3%	207	201	-2.7%
Other segment (incl. eliminations)	*-17*	*-15*	*7.3%*	*-58*	*-57*	*2.3%*
International Carrier Services (BICS)	*339*	*341*	*0.5%*	*1,320*	*1,347*	*2.0%*

2.1.2 Underlying Group direct margin

Table 4: Group direct margin by segment

(EUR million)	4th Quarter 2017 IAS 18	4th Quarter 2018 IAS 18	4th Quarter Change %	4th Quarter 2018 IFRS 15	Year-to-date 2017 IAS 18	Year-to-date 2018 IAS 18	Year-to-date Change %	Year-to-date 2018 IFRS 15
Group Reported	913	934	2.3%	940	3,636	3,704	1.9%	3,703
Incidentals	*-1*	*-19*		*-19*	*-24*	*-21*		*-21*
Group underlying by Segment	912	914	0.3%	921	3,612	3,683	2.0%	3,681
Domestic	834	833	0.0%	839	3,332	3,366	1.0%	3,364
Consumer	541	541	0.1%	550	2,189	2,218	1.3%	2,219
Enterprise	244	246	0.8%	244	955	962	0.8%	959
Wholesale	43	41	-4.8%	41	175	165	-5.8%	165
Other (incl. eliminations)	5	5	-11.7%	5	13	21	55.6%	21
International Carrier Services (BICS)	78	81	3.9%	81	279	317	13.5%	317

The underlying Direct margin of the **Proximus Group progressed slightly to EUR 914 million**, i.e. 62.3% on revenue.

For its **Domestic operations**, Proximus posted **stable fourth-quarter 2018 direct margin of EUR 833 million**. The Consumer segment direct margin remained nearly equal (+0.1%) to that of the prior year. The Enterprise segment posted a 0.8% increase in direct margin, including the contribution of acquired ICT companies and, further supported by Mobile services and Advanced Business Services. The growth in these areas more than offset the ongoing margin erosion for Fixed Voice. In contrast, the direct margin from Wholesale ended 4.8% below that of the prior year, reflecting the pressure on traditional wholesale services, and the effect from lowered Wholesale roaming rates, negotiated in the Group's interest.

For the fourth quarter of 2018, **BICS posted a direct margin of EUR 81 million, up 3.9%** compared to the prior year, driven by strong growth in SMS A2P volumes and the realization of direct cost synergies through the BICS-TeleSign combination.

2.1.3 Underlying Group expenses[5]

Table 5: Workforce versus non- workforce expenses / Domestic expenses by nature

(EUR million)	4th Quarter				Year-to-date			
	2017 IAS 18*	2018 IAS 18	Change %	2018 IFRS 15	2017 IAS 18*	2018 IAS 18	Change %	2018 IFRS 15
Group Reported	482	498	3.1%	498	1,863	1,908	2.4%	1,908
Incidentals	*-16*	*-32*		*-32*	*-75*	*-92*		*-92*
Group Underlying	466	465	-0.3%	466	1,789	1,816	1.6%	1,817
Workforce expenses	293	305	4.0%	305	1,176	1,199	1.9%	1,199
Non Workforce expenses	173	160	-7.5%	161	612	618	0.9%	618
Domestic Underlying	426	425	-0.3%	425	1,652	1,653	0.1%	1,653
Workforce expenses	272	281	3.4%	281	1,104	1,108	0.4%	1,108
Non Workforce expenses	153	143	-6.7%	144	548	545	-0.5%	545
BICS Underlying	41	41	-0.2%	41	137	164	19.5%	164
Workforce expenses	21	23	13.0%	23	72	91	25.4%	91
Non Workforce expenses	20	17	-13.9%	17	65	73	12.8%	73
Domestic Underlying by nature	426	425	-0.3%	425	1,652	1,653	0.1%	1,653
Marketing Sales & Servicing	238	235	-1.4%	235	897	904	0.8%	905
Network & IT	130	128	-1.6%	128	524	512	-2.4%	512
General and Administrative (G&A)	57	62	7.7%	62	230	236	2.6%	236

(*) Restated: split workforce - non- workforce has been aligned for all subsidiaries; no impact on total expenses.

Proximus' Group underlying operating expenses for the fourth quarter 2018 were EUR 465 million, -0.3% from the prior year. This included **stable operating expenses for BICS**, with the impact from the TeleSign consolidation lapsing since November 2018.

For its **Domestic operations, Proximus' expenses totaled EUR 425 million, 0.3% lower than the prior year.** Within the mix, the Domestic non-workforce expenses decreased by 6.7% as a result of ongoing company-wide efforts on achieving structural cost efficiencies.
The workforce expenses were up by 3.4%. This included the effect of the 1 October 2018 inflation-based salary indexation as well as business critical hiring, and acquisition-related headcount[8] in the ICT domain, adding 258 FTEs compared to 12 months ago. The ICT hiring concerns mainly revenue-generating employees, offering consultancy alike services to ICT customers. Moreover, the year-on-year variance was unfavorably impacted by the halt on the compensation mechanism[6] from the Belgian state for statutory retirees.
This was partly compensated for by 549 FTEs having left the company in 2018 either in the ongoing 'voluntary early leave before retirement'-program or on reaching the legal retirement age, and in addition by natural attrition.
By end-2018 the Domestic headcount totaled 12,658 FTEs, with BICS included, the Proximus Group headcount was 13,385 FTEs.

Over the **full year 2018, the Proximus Group operating expenses totaled EUR 1,816 million, a 1.6% increase compared to 2017**. 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.

2.1.4 Group EBITDA- reported and underlying

Table 6: Operating income before depreciation and amortization

(EUR million)	4th Quarter				Year-to-date			
	2017 IAS 18	2018 IAS 18	Change %	2018 IFRS 15	2017 IAS 18	2018 IAS 18	Change %	2018 IFRS 15
Group Reported	431	436	1.3%	442	1,772	1,796	1.3%	1,794
Incidentals	*15*	*13*		*13*	*51*	*70*		*70*
Group underlying	445	449	0.9%	455	1,823	1,866	2.4%	1,865
Domestic	408	409	0.2%	414	1,680	1,713	1.9%	1,711
International Carrier Services (BICS)	37	41	8.4%	41	143	154	7.7%	154

[5] Before D&A; excluding Cost of Sales; excluding incidentals.

[6] Following the transfer of the legal pension obligation for civil servants to the Belgian state on 31 December 2003 an annual compensation mechanism was set up. This covered increases or decreases in the Belgian state's obligation towards retirees. This compensation mechanism was ceased as from 2018 following a law change.

(1) Underlying Group EBITDA

As a result of the stable Domestic direct margin in the fourth quarter 2018, and flattish operating expenses, Proximus posted **a nearly stable (+0.2%) underlying Domestic EBITDA, totaling EUR 409 million.** **BICS posted a fourth-quarter 2018 EBITDA of EUR 41 million**, a **year-on-year increase of 8.4%**. Therefore, **in aggregate, the Proximus Group's fourth-quarter underlying EBITDA totaled EUR 449 million, a 0.9% increase** compared with the same period of 2017.

Over the **full-year 2018, the Proximus Group posted an underlying EBITDA of EUR 1,866 million, an increase of 2.4%** compared to 2017. 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.

(2) Total Reported Group EBITDA (incidentals included)

In the fourth quarter of 2018, the Proximus Group recorded EUR 13 million negative EBITDA incidentals, mainly related to the ongoing early leave plan prior to retirement, and a software impairment[7], partly offset by capital gains on building sales.
With incidentals included, the **Proximus Group's reported EBITDA totaled EUR 436 million for the fourth quarter 2018**. This compares to EUR 431 million for 2017, i.e. **an increase of 1.3%**. See section 8.2 for more information on the incidentals.

2.1.5 Net income

Depreciation and amortization

The fourth-quarter 2018 **depreciation and amortization equaled EUR 253 million, bringing the total for 2018 to EUR 1,016 million**. The 5.5% increase compared to 2017 results mainly from an increasing asset base following the higher investment level over the past years and from acquired companies.

Net finance cost

The **net finance cost totaled EUR 56 million for the year 2018**, 20.2% down from last year, mainly resulting from the refinancing at a lower interest rate.

Tax expenses

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 (Group share)

With EUR 117 million net income for the last quarter of 2018, the Group reported a **full-year net income (Group share) of EUR 506 million.** The 3.1% year-over-year decrease resulted from a higher reported Group EBITDA and lower finance costs, offset by increased depreciation and amortization and higher tax expenses.

[7] See section 7.1

Table 7: From Group EBITDA to net income

(EUR million)	4th Quarter 2017 IAS 18	2018 IAS 18	Change %	2018 IFRS 15	Full Year 2017 IAS 18	2018 IAS 18	Change %	2018 IFRS 15
EBITDA (1)	431	436	1.3%	442	1,772	1,796	1.3%	1,794
Depreciation and amortization	-246	-253	3.0%	-253	-963	-1,016	5.5%	-1,016
Operating income (EBIT)	185	183	-0.9%	189	809	780	-3.6%	778
Net finance costs	-22	-11	-49.3%	-11	-70	-56	-20.2%	-56
Share of loss on associates	0	0	-44.1%	0	-2	-1	-6.8%	-1
Income before taxes	162	172	5.8%	177	738	723	-2.0%	721
Tax expense	-10	-47	>100%	-46	-185	-194	4.5%	-191
Non-controlling interests	16	7	-53.1%	6	30	23	-22.9%	22
Net income (Group share)	137	117	-14.3%	125	522	506	-3.1%	508

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

2.1.6 Investments

Proximus invests extensively in enhancing its networks and improving the overall customer experience. In the **fourth quarter the capex totaled EUR 322 million, bringing the capex for the year 2018 to 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 UEFA Champions League). This aside, the 2018 investments were somewhat up from 2017, including the anticipated growing level 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.

Mobile Data usage shows a continued strong uptake, for the fourth quarter the average monthly mobile data usage rose to 2.2 GB per user, and the annual total traffic increased by nearly 60%. Proximus therefore continues to invest in its mobile network to guarantee the best mobile experience for its customers. In 2018, Proximus focused on further improving the coverage experience of its customers, especially in indoor. In the fourth quarter 2018, Proximus covered 99.5% of the population (indoors)[8], and has been confirmed by IBPT as being the best Belgian operator for both indoor and outdoor coverage
The continuous network optimizations and the introduction of VoLTE (Voice over LTE/4G) in 2018 allow Proximus to be the best-in-class Belgium operator in terms of voice quality as well as for the fastest call set-up. With regard to mobile data, OpenSignal presented the Mobile Video Experience Award to Proximus in October 2018 for delivering the best Overall Video Experience in Belgium.

2.1.7 Cash flows

Table 8: Cash flows

(EUR million)	4th Quarter 2017 IAS 18	2018 IAS 18	Change %	2018 IFRS 15	Full Year 2017 IAS 18	2018 IAS 18	Change %	2018 IFRS 15
Cash flows from operating activities	296	359	21.3%	359	1,470	1,558	6.0%	1,558
Cash paid for Capex (*)	-271	-285	5.2%	-285	-989	-1,099	11.2%	-1,099
Cash flows used and provided in other investing activities	-212	28	NR	28	-189	-8	-96%	-8
Cash flow before financing activities (FCF)	**-187**	**102**	**NR**	**102**	**292**	**451**	**54.1%**	**451**
Cash flows used and provided in financing activities (**)	-1	6	NR	6	-256	-444	73.3%	-444
Net increase/(decrease) of cash and cash equivalents	**-188**	**107**	**NR**	**107**	**36**	**7**	**-80.5%**	**7**

(*) Cash paid for acquisitions of intangible assets and property, plant and equipment

(**) Cash used to repurchase bonds and related derivatives is included in the 'cash flow used for financing activities' in the cash flow statement.

[8] CommSquare, an independent company which compares the network performance of Proximus with other Belgian competitors.

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 in May, Unbrace in October and TeleSign in November 2017.

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

2.1.8 Balance sheet and shareholders' equity

Compared to year-end 2017 the goodwill increased with EUR 35 million (or EUR 39 million under IFRS 15) mainly as a consequence of the acquisition of Codit, a Belgium-headquartered IT services company, MediaMobile and two Dutch-based security companies (ION-IP and Umbrio) as well as the completion of the purchase price allocation, price adjustments and the conversion difference on the TeleSign goodwill. The purchase price allocation for the companies acquired in 2018 is still provisional and will be completed within 12 months after the respective acquisition dates.

Tangible and intangible fixed assets amount to EUR 4,208 million and remain in line with last year as the amount of investments and the impact of purchase price allocation on intangible assets more or less equals the depreciation and amortization charge of the year.

The shareholders' equity increased from EUR 2,857 million end-December 2017 to EUR 2,862 million end-December 2018, as net income (Group Share) of EUR 506 million is slightly higher than the transactions with shareholders (mainly including payment the of dividends of EUR 484 million).
The initial application of IFRS 15 and IFRS 9 resulted in a positive impact of EUR 140 million (after deferred tax) on the retained earnings per 1 January 2018 in the consolidated financial statements.
End-December 2018, Proximus' outstanding long-term debt amounted to EUR 2,263 million, maintaining a solid financial position with a net debt of EUR 2,148 million.

Table 9: Net financial position

(EUR million)	As of 31 December 2017	As of 31 December 2018
Investments, Cash and cash equivalents (*)	338	344
Derivatives	5	5
Assets	**342**	**348**
Non-current liabilities (**)	-1,860	-2,263
Current liabilities (**)	-570	-234
Liabilities	**-2,430**	**-2,497**
Net financial position	**-2,088**	**-2,148**

(*) investments included
(**) LT bonds related derivatives included
Current liabilities include the short term portion of non-current liabilities for an amount of EUR 4 million as of 31 December 2018.

2.2 Regulation

International Roaming

The lowered roaming prices following the EU roaming regulation impacted Proximus' Mobile services revenue and margin. In 2018, the net roaming margin decreased year-on-year by about EUR 30 million, of which the largest part is due to Roam like at Home pricing. The Roam like at Home pricing annualized 12 June 2018. The remaining impact is therefore limited to the ongoing reduction of roaming options in the Enterprise segment, and a volume impact from roaming-out. With wholesale roaming rates negotiated downwards in the interest of the Group, the net impact is limited. The Commission has been tasked with reviewing the wholesale rates every two years. Its first report, which, if necessary, will be accompanied by a legislative proposal to amend the maximum wholesale charges, is scheduled for 15 December 2019.

Fixed Termination Rates (FTR) – new FTR defined in November

On 23 November 2018, the BIPT defined new Fixed Termination Rates (FTR) at 0.116 eurocent/min (from 0.709 eurocent for regional and 0.909 eurocent for national previously) based on a pure LRIC "Long Run Incremental cost" model. The FTR have been applicable since 1 January 2019.

Proximus estimates the new FTR will reduce the revenue by about EUR 20 million and the margin by EUR 6 million.

Upcoming spectrum auction – timing and final conditions remain uncertain

In preparation of the upcoming multi-band spectrum auction, the Belgian Government proposed, in July 2018, a set of draft legislations defining the conditions for the renewal of the existing 2G/3G spectrum (900MHz, 1800MHz and 2100MHz licenses due to expire on 21 March 2021) as well as for the granting of new 5G spectrum (700MHz, 1400MHz and 3500MHz) and unsold spectrum in the 2100MHz and 2600MHz bands. Based on the July 2018 proposals, all licenses would be valid for 20 years with the possibility to extend by 5-year periods. The total reserve price (minimum price) would be around EUR 670 million for the whole market, with the final outcome fully depending on the result of the auctions. These proposed texts also include favorable conditions for new entrants (spectrum reservation in the 700MHz, 900MHz, 1800MHz and 2100MHz bands, national roaming obligation and less stringent coverage obligations).
Some spectrum would also be reserved for the existing operators in the 900MHz, 1800MHz and 2100MHz bands. The amount of spectrum reserved would depend on the presence or not of a new entrant. Specific obligations would also be imposed to 700MHz operators concerning the railway coverage and the provision of national roaming and specific services for Astrid (the operator in charge of the management of all emergency and security services in Belgium).

As the final texts have not been approved yet, the timing and the final conditions of the auctions remain uncertain. Depending the timing of the final approval of the texts (before or after the elections planned in May 2019), the spectrum auction could be organized either end of 2019 or could be further postponed.

Review of the EU Telecom framework – new caps on intra-EU calls and SMS as from May 2019

In the context of the EU Telecom review adopted end 2018 that entered into force on 20 December 2018, the European legislators adopted a Regulation inserting caps on intra-EU call and SMS prices (calls and SMS to another EU country). The new caps will take effect from 15 May 2019 for Consumers at 19 eurocents/minute for calls and 6 eurocents/SMS. Proximus estimates the 2019 impact of the new caps on intra EU calls and SMS to be about EUR 13 million on revenue and on margin.

Cable and broadband regulation – cost models

The decisions of the Belgian regulators of 29 June 2018 on the review of the broadband and TV market analysis have outlined the regulation of Proximus' fiber network and the cable networks.

In terms of pricing, the regulators have imposed a "fair pricing". In this context the BIPT launched on 13 December 2018 a consultation on cost models that will be used to evaluate the fair pricing. The regulators announced that they will take a decision on the wholesale prices in 2019. In the meantime, the intermediary tariffs set by the decisions of June 2018 remain applicable.

Consumer protection – reminder fees

A modification of the e-com law published on 12 September 2017 has introduced new obligations in case of non-payment of invoices. The new law foresees that the first reminder must be for free and a ceiling of EUR 10 is set for the subsequent reminders. The fee for the reactivation of the services after a full cut is capped at EUR 30 for all services. These new provisions entered into force on 1 July 2018.

2.3 Outlook and shareholder return

In a competitive market, Proximus anticipates its 2019 underlying Domestic revenue to remain nearly stable in relation to the prior year.
The 2019 underlying Group EBITDA is expected to remain stable relative to 2018. Within the mix, Proximus expects a slight EBITDA growth of its Domestic operations to be offset by an unfavorable EBITDA effect on BICS following a renewed agreement[9] with MTN. This includes a progressive insourcing by MTN of the transport and management of its traffic within the Middle East and African regions, while BICS will remain MTN's preferred provider for International Voice and Messaging services to and from the rest of the world.

For 2019, Proximus estimates regulatory[10] measures to reduce the Domestic margin by an estimated EUR 20 million.

The Group Capex for 2019 is expected to be stable compared to the level of 2018, including the continued investments in the Fiber for Belgium project, for which the roll out will start in 7 additional cities in the course of 2019.

Table 10: Outlook

2019 and comparable base of 2018 are both under IFRS15.

The underlying numbers exclude the incidental impacts and include lease depreciation and interest as from 2019, neutralizing the IFRS16 impact.

Acquisitions of Rights of Use in application of IFRS 16 will not be part of Capex.

Guidance metrics	FY2018 Actuals	FY2019 Outlook
Domestic underlying **revenue**	**€4,460m**	**Nearly stable**
Group underlying **EBITDA**	**€1,865m**	**Stable**
Capex	**€1,019m**	**Stable**

In line with the announced 3-year commitment on 16 December 2016, Proximus expects to return over the result of 2019 a stable gross dividend per share of €1.50.

[9] Subject to MTN Board ratification

[10] International calling for Consumers as of May 2019 and Fixed Termination Rates as of January 2019

3 Consumer

- Successful year-end campaign and dual brand strategy driving solid customer growth in competitive market: Internet +17,000, TV +16,000, mobile Postpaid +24,000.
- Further upselling to all-in offers: 508,000 Tuttimus and Bizz All-in customers, +31,000 in Q4'18.
- Value-accretive customer mix: growing 4-Play, RGU +2.5% and ARPH[11] +0.6% to EUR 65.8.
- Revenue growth in Fixed Services partly compensating for loss in Prepaid and for decreasing low margin revenue in mobile terminal sales and inbound.
- Direct margin at 74.5% of revenue, +0.8pp year-on-year.

Table 11: Consumer revenue and direct margin

(EUR million)	4th Quarter 2017 IAS 18	2018 IAS 18	Change %	2018 IFRS 15	Year-to-date 2017 IAS 18	2018 IAS 18	Change %	2018 IFRS 15
TOTAL SEGMENT INCOME	734	726	-1.0%	735	2,909	2,898	-0.4%	2,903
Net Revenue	729	719	-1.4%	727	2,889	2,875	-0.5%	2,880
Other Operating Income	5	7	49.4%	7	20	23	12.0%	23
Costs of materials and charges to revenues	-193	-185	-4.2%	-185	-720	-680	-5.6%	-684
TOTAL SEGMENT DIRECT MARGIN	541	541	0.1%	550	2,189	2,218	1.3%	2,219
Direct margin %	*73.7%*	*74.5%*	*0.8 p.p.*	*74.8%*	*75.3%*	*76.5%*	*1.3 p.p.*	*76.5%*

3.1 Consumer revenue

For the fourth quarter 2018 Proximus' Consumer segment posted a revenue of EUR 726 million. This is **1.0% or EUR 8 million below that of the same period of 2017**, including lower mobile prepaid revenue (EUR -5 million), lower mobile devices revenue (EUR -3 million) and lower inbound revenue, the last two items having limited impact on direct margin. This was partly compensated for by a continued increase in revenue from Fixed services, up by 0.7% to EUR 380 million, driven by the expanding Internet and TV customer, more than offsetting the erosion in Fixed Voice.
With its refreshing year-end campaign offering a wider choice to customers, the company achieved further customer growth on its premium brand. At the same time Scarlet closed a good last quarter of the year, addressing the low-price seekers in the market. In total, Proximus added 17,000 Internet and 16,000 TV customers in the fourth quarter.
Revenue from mobile services was down by 2.3% for the fourth quarter 2018, driven by lower Prepaid revenue while mobile Postpaid revenue remained stable in relation to the prior year. On 1 November 2018 Proximus launched its renewed mobile offer, providing 'peace of mind' to its customers with an unlimited Voice and unlimited[12] Data offer. Combined with attractive year-end Mobile promotions, Proximus appealed to a net number of 24,000 Postpaid customers in the last quarter of 2018, a step up from the +8,000 for the same period in 2017. Pressure on the ARPU, however, offset the benefit from the larger customer base.
Proximus attracted yet again a solid 31,000 customers to its all-in offers Tuttimus/Bizz All-In, closing the fourth quarter 2018 with 508,000 subscribers.

The **Consumer revenue over the full-year 2018 totaled EUR 2,898 million, slightly below (-0.4%) that of 2017.** Revenue from Fixed Services was up, as was the revenue from Mobile postpaid and Tango, in spite of RLAH regulation. This was however fully offset by lower revenue from Mobile prepaid services and reduced low-margin mobile device sales.

[11] Average Revenue Per Household. Under IFRS15. See Section 3.2.

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

Good Internet customer growth of +17,000 in Q4 2018, + 47,000 on full-year basis

The Proximus Consumer segment generated 4.6% more revenue from its Internet subscriptions compared to the prior year, totaling EUR 164 million for the fourth quarter 2018. This resulted from a solid customer growth of 47,000 over the past 12 months. The total Internet customer base rose to 1,894,000, an annual increase of 2.5%, supported by both the Proximus and Scarlet brands. Backed by an attractive year-end campaign for the Proximus brand, and the continued success of Scarlet in the no frills segment, the consumer segment grew its Internet base by 17,000 Internet lines in the fourth quarter. In a competitive market, the Proximus Internet churn was somewhat up from the prior year. The ARPU[13] ended 1.9% higher on an annual basis to reach EUR 28.9, reflecting price changes since the start of 2018.

TV customer base grew by 16,000 households in the fourth quarter, +50,000 YoY

In one year, the Proximus and Scarlet brands combined grew their TV customer base by 50,000, a steady 3.2% increase while operating in a more competitive setting. With the TV customer base growing by 16,000 customers in the fourth quarter, Proximus reached a total of 1,611,000 TV customers by end-2018. The customer growth was well supported by the year-end campaign of the Proximus brand, leading to a further uptake of Tuttimus and Familus offers, and by the continued success of Scarlet in the no-frills segment of the market.

The TV ARPU for the fourth quarter stood at EUR 20.9, a touch below that of the prior year (-0.4%). The growing TV subscriber base remains an important revenue driver for the Consumer segment, with TV revenues up by 2.9% year-on-year to total EUR 101 million for the fourth quarter of 2018.

Fixed Voice line erosion and lower traffic driving Fixed Voice revenue decline

By end-2018, the total Fixed Voice customer base totaled 1,969,000, down 3.3% from one year ago, including a steady quarterly net line loss of 17,000 in the fourth quarter of 2018.

The Fixed Voice ARPU for the last quarter of 2018 was EUR 19.3, 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 6.1% year-on-year revenue decline, reaching EUR 115 million in the fourth quarter of 2018.

Solid Mobile Postpaid customer growth: +24,000 in Q4 2018, +86,000 on a full-year basis

The Consumer revenue from mobile services totaled EUR 237 million for the fourth quarter 2018, down by 2.3%, driven by lower Prepaid revenue while mobile Postpaid revenue remained stable in relation to the prior year. The last quarter of 2018 was marked by a solid mobile postpaid customer growth. This included good traction for Proximus' EPIC offer, addressing the millennial segment, and the year-end promotion. Moreover, on 1 November 2018, the company revamped its Mobilus offer, answering changing customer needs and adapting to evolving market conditions. For instance, Mobilus M customers now enjoy unlimited Voice and Mobilus XL customers unlimited[14] Data in their mobile bundle, driving uptiering.

Churn levels were kept well under control, with Proximus' fourth-quarter Mobile postpaid churn at 15.9%, 1.2pp below that of the prior year, and fairly stable in relation to the prior quarter. This, combined with attractive year-end Mobile promotions, resulted in a net growth of 24,000 Postpaid cards in the last quarter of 2018, a step up from the +8,000 for the same period in 2017. End-2018 the Postpaid base totaled 2,737,000 cards, 86,000 or 3.3% more compared to one year ago.

However, the benefit from the growing Postpaid customer base was offset by a decrease in ARPU, down by 3.0% for the fourth quarter. This was mainly due to lower inbound traffic (with limited margin impact) and the continued erosion in out-of-bundle revenue.

In contrast, the loss of Prepaid cards remained elevated, with the Prepaid base reduced by 34,000, totaling 772,000 Prepaid cards end- 2018. The continued erosion was partly driven by the strategy to migrate customers to similar "Full Control" Postpaid pricing plans, at higher value.

As a consequence, the combined Prepaid-Postpaid Mobile customer base totaled 3,509,000 Mobile cards end-2018, with a blended mobile ARPU of EUR 22.6, -1.1%.

13 Average Revenue Per User

14 FUP

Tango

Tango posted EUR 31 million revenue for the fourth quarter 2018, fairly stable (-0.6%) in relation to the prior year, 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.

Table 12: Consumer revenue by product group

(EUR million)	4th Quarter 2017 IAS 18	4th Quarter 2018 IAS 18	4th Quarter Change %	Year-to-date 2017 IAS 18	Year-to-date 2018 IAS 18	Year-to-date Change %
Revenues	734	726	-1.0%	2,909	2,898	-0.4%
Fixed	381	383	0.5%	1,522	1,534	0.8%
Fixed Services	377	380	0.7%	1,507	1,523	1.0%
Voice	122	115	-6.1%	503	474	-5.7%
Data (Internet & Data Connectivity)	157	164	4.6%	619	649	4.9%
TV	98	101	2.9%	385	399	3.5%
Fixed Terminals (excl. TV)	4	3	-23.5%	15	12	-24.0%
Mobile	290	282	-2.9%	1,148	1,122	-2.3%
Mobile Services	243	237	-2.3%	979	963	-1.6%
Postpaid	221	220	-0.1%	878	887	1.0%
Prepaid	22	17	-24.1%	101	77	-24.0%
Mobile Terminals	47	44	-6.1%	170	159	-6.4%
ICT	7	7	4.2%	28	29	2.8%
Subsidiaries (Tango)	31	31	-0.6%	114	118	3.6%
Other Products	25	24	-4.9%	96	94	-1.9%

Table 13: Consumer operationals by product group

	Q417 IAS 18	Q418 IAS 18	Change (in abs. Amount)
From Fixed			
Number of access channels (thousands)	**3,883**	**3,862**	**-21**
Voice	2,036	1,969	-68
Broadband	1,847	1,894	47
TV unique customers (thousands)	**1,560**	**1,611**	**50**
ARPU (EUR)			
ARPU Voice	19.9	19.3	-0.6
ARPU broadband	28.4	28.9	0.5
ARPU TV	21.0	20.9	-0.1
From Mobile			
Number of active customers (thousands)	3,552	3,509	-43
Prepaid	901	772	-130
Postpaid	2,651	2,737	86
Annualized churn rate			
Prepaid	24.3%	33.7%	
Postpaid	17.1%	15.9%	-1.2 p.p.
Blended	19.1%	20.3%	1.2 p.p.
Net ARPU (EUR)			
Prepaid	8.2	7.2	-1.0
Postpaid	27.8	27.0	-0.8
Blended	22.8	22.6	-0.3
Average Mobile data usage user/month (Mb)			
4G	1,625	2,541	916
Blended	1,414	2,301	887

3.2 Consumer reporting by X-Play

The X-Play reporting provides a view on the progress of Proximus' convergence strategy by reporting on Consumer revenue and ARPU per Household/Small Office (ARPH HH/SO). The figures provided below are all under IFRS 15, with a 2017 pro-forma comparison. For the Consumer reporting the main implication of applying IFRS 15 is related to mobile joint-offers. Under IFRS 15, more revenue is allocated to "Terminals sales", and less to the "X-play" revenue, which represents the revenue retrieved from services. This is also reflected in the derived ARPH.

Note that the total of Households displayed in table 16 is the combined result of Proximus' commercial performance and natural changes in the composition of households.

Table 14: Consumer revenue by X-Play

(EUR million)	4th Quarter			Year-to-date		
	2017 IFRS15 (pro forma)	2018 IFRS15	Change %	2017 IFRS15 (pro forma)	2018 IFRS15	Change %
Revenues (underlying)	744	735	-1.3%	2,928	2,903	-0.9%
Net Revenue (underlying)	740	727	-1.7%	2,908	2,880	-1.0%
X-Play Revenues	585	585	0.0%	2,343	2,348	0.2%
4-Play	227	241	6.1%	882	948	7.5%
3-Play	168	162	-3.2%	682	659	-3.4%
Convergent	82	80	-2.3%	336	325	-3.4%
Fixed	86	82	-4.1%	346	334	-3.4%
2-Play	72	68	-4.8%	294	280	-4.9%
Convergent	20	19	-4.6%	84	79	-6.1%
Fixed	51	49	-4.9%	210	201	-4.5%
1-Play	118	113	-4.3%	485	460	-5.0%
1P Fixed Voice	25	22	-11.1%	105	94	-10.4%
1P internet	13	14	12.0%	48	54	11.7%
1P Mobile	81	77	-4.8%	331	312	-5.8%
Prepaid	22	17	-24.1%	101	77	-24.0%
Terminals sales	56	50	-9.8%	200	184	-8.0%
Tango	32	31	-3.1%	114	116	1.4%
Other net revenues	45	44	-1.1%	149	155	4.0%
Other operating Income (underlying)	5	7	49.4%	20	23	12.0%
Costs of materials & charges to revenues	-194	-185	-4.5%	-722	-684	-5.4%
Direct Margin	551	550	-0.2%	2,206	2,219	0.6%
Direct Margin %	*74.0%*	*74.8%*	*0.8pp*	*75.3%*	*76.5%*	*1.1pp*

Under IFRS15, the Consumer segment posted EUR 735 million in revenue for the fourth quarter of 2018, a 1.3% decline from the prior year. While the services revenue from households (X-Play) remained stable at EUR 585 million, revenue from Terminals decreased by 9.8%, with no effect on margin.

4-Play revenue +6.1% YoY. Growing base to 731,000 HH/SO. ARPH of EUR 110.7

Supported by its year-end campaign, Proximus further improved its customer mix, with an increasing number of its Households/Small Offices on 4-Play (see table 15). Over the past twelve months, 48,000 4-Play HH/SO were added, or +7.0%, including a net 4-Play HH/SO growth of + 10,000 in the fourth quarter 2018. 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 customer uptake of the Tuttimus and Bizz all-in offers, for which an additional 31,000 HH/SO signed up in the fourth quarter 2018 to reach 508,000 by end-2018. This further increased the penetration rate of all-in bundles in the total 4-Play base.

Upselling increases overall value per HH/SO. ARPH +0.6% YoY

The enlarging 4-Play base drove a steady year-on-year 4-Play revenue increase of 6.1% for the fourth quarter. The ARPH of a 4-Play HH/SO stood at EUR 110.7, down 1.2% from the prior year, reflecting lower inbound and out-of-bundle revenue, and the eroding Fixed voice traffic. The level of RGU's increased by 1.1% from the prior year, to 4.89 for a 4-Play HH/SO, with the number of mobile subscriptions per households moving up.

With more customers moving to 4-Play, and customers adding more mobile subscriptions to their package, the average RGUs of the total HH/SO base increased by 2.5% from the prior year, to reach 2.77 in the fourth quarter. This resulted in a 0.6% growth in ARPH to EUR 65.8 for the fourth quarter 2018. The overall annualized full churn rate of 14.3% for the fourth quarter was up 1.2pp from one year ago.

Upselling strategy leads to lower 2-Play and 3-Play.

With Proximus mainly upselling to 4-Play, the number of customers on a 2-Play of 3-Play decreases. The 3-Play ARPH showed a year-on-year decrease of 1.8% to EUR 73.3 for the fourth quarter, reflecting the ongoing erosion of Fixed voice traffic and the general move to Packs.

The erosion of Single Play Fixed Voice HH/SO continued its even trend with a decrease of 10,000 HH/SO for the fourth quarter 2018. As a consequence, revenue from standalone Fixed Voice was further reduced to a total of EUR 22 million for the fourth quarter, representing 3.0% of the total Consumer revenue.

Proximus' 1-Play mobile HH/SO base totaled 686,000 at end- 2018, slightly down from the prior year. With 1.34 RGU's the single-Play Mobile ARPH stood EUR 37.2 for the fourth quarter 2018, i.e. a year-on-year decrease of 4.4%. This was the result of decreasing inbound revenue, out of bundle revenue following the launch of unlimited price plans on 1 November 2018 and due the changing customer mix following the upselling to multi-play offers for higher-end mobile subscribers.

Proximus' single-Play Internet HH/SO base increased to 151,000, adding 5,000 over the fourth quarter 2018, including the effect of Scarlet's successful standalone broadband offers. The corresponding ARPH of EUR 31.3 was up 2.8% from the prior year, including the price increase of the Proximus standalone broadband offers.

3.3 Consumer direct margin

For the **fourth quarter 2018,** the Consumer segment posted **stable direct margin (+0.1%),** totaling EUR 541 million. This includes stable customer-driven margin, supported by margin growth from fixed services and mobile postpaid following a growing customer base, offset by investments in marketing means linked to the success of Proximus' end-of-year campaign, continued erosion of prepaid and the impact of the new legislation on collection fees.

Despite the RLAH impact, the **Consumer direct margin over the year 2018 grew by 1.3%** to EUR 2,218 million. This resulted from a growing customer base, with improved mix, and the benefit from price changes offset by Fixed Traffic erosion and lower out of bundle traffic further to a mobile portfolio providing customers more traffic within the bundle. Moreover, the first half of 2018 was supported by some substantial one-off tailwinds.

Table 15: Consumer operationals by X-Play

	Q417 IFRS15 (pro forma)	Q418 IFRS15	Val	%
HH/SO per Play - Total (000's)	**2,979**	**2,956**	**-23**	**-0.8%**
4-Play	683	731	48	7.0%
3-Play	746	733	-14	-1.8%
Convergent	258	256	-3	-1.1%
Fixed	488	477	-11	-2.2%
2-Play	411	387	-24	-5.9%
Convergent	94	91	-3	-3.1%
Fixed	317	295	-21	-6.7%
1-Play	1,139	1,105	-33	-2.9%
1P Fixed Voice	311	268	-43	-13.8%
1P internet	139	151	12	9.0%
1P Mobile	689	686	-3	-0.4%
ARPH x - play (in EUR)	**65.4**	**65.8**	**0.4**	**0.6%**
4-Play	112.1	110.7	-1.4	-1.2%
3-Play	74.7	73.3	-1.3	-1.8%
Convergent	105.8	104.6	-1.2	-1.1%
Fixed	58.3	56.8	-1.5	-2.5%
2-Play	57.9	58.5	0.6	1.0%
Convergent	71.9	71.4	-0.5	-0.7%
Fixed	53.7	54.5	0.8	1.5%
1-Play	34.4	33.9	-0.5	-1.4%
1P Fixed Voice	26.4	27.2	0.8	3.0%
1P internet	30.4	31.3	0.9	2.8%
1P Mobile	38.9	37.2	-1.7	-4.4%
Average #RGUs per HH/SO - Total	**2.71**	**2.77**	**0.07**	**2.5%**
4-Play	4.83	4.89	0.05	1.1%
3-Play	3.31	3.31	0.01	0.2%
Convergent	3.79	3.79	0.00	0.1%
Fixed	3.05	3.06	0.00	0.2%
2-Play	2.19	2.19	0.00	0.0%
Convergent	2.53	2.51	-0.02	-0.7%
Fixed	2.08	2.08	0.00	0.0%
1-Play	1.22	1.22	0.00	0.3%
1P Fixed Voice	1.06	1.06	0.00	0.0%
1P internet	1.00	1.00	0.00	0.3%
1P Mobile	1.34	1.34	0.00	0.1%
Annualized full churn rate (HH/SO) - Total	**13.1%**	**14.3%**	**1.2 p.p.**	
4-Play	3.0%	3.6%	**0.6 p.p.**	
3-Play	9.4%	10.9%	**1.5 p.p.**	
2-Play	10.7%	12.6%	**1.8 p.p.**	
1-Play	22.3%	24.0%	**1.7 p.p.**	
% Convergent HH/SO - Total *	**56.3%**	**58.3%**	**2 p.p.**	
4-Play	100.0%	100.0%	**0 p.p.**	
3-Play	34.6%	34.9%	**0.3 p.p.**	
2-Play	22.9%	23.6%	**0.7 p.p.**	

* (i.e. % of HH/SO having Mobile + Fixed component)

4 Enterprise

- Q4 2018 revenue down by 0.8% on a high comparable base, with higher ICT and Mobile services revenue not fully offsetting the erosion in legacy services.
- ICT revenue +3.9% on a record-high comparable base, benefitting from acquired companies strengthening the Proximus ICT portfolio.
- Sustained Mobile customer growth in competitive market: +7,000 Postpaid cards.
- Steady growth for Mobile Services revenue. Larger Mobile customer base still compensating for increased competitive price pressure.
- Direct margin up by 0.8%, with higher margin from ICT, Mobile services and Advanced Business Services more than offsetting the legacy margin erosion.

Table 16: Enterprise revenue and direct margin

(EUR million)	4th Quarter				Year-to-date			
	2017 IAS 18	2018 IAS 18	Change %	2018 IFRS 15	2017 IAS 18	2018 IAS 18	Change %	2018 IFRS 15
TOTAL SEGMENT INCOME	369	366	-0.8%	364	1,400	1,415	1.1%	1,413
Net Revenue	368	364	-1.0%	362	1,394	1,410	1.2%	1,408
Other Operating Income	1	2	74.6%	2	6	5	-10.4%	5
Costs of materials and charges to revenues	-125	-120	-3.9%	-120	-445	-453	1.7%	-454
TOTAL SEGMENT DIRECT MARGIN	244	246	0.8%	244	955	962	0.8%	959
Direct margin %	*66.1%*	*67.2%*	*1.1 p.p.*	*67.0%*	*68.2%*	*68.0%*	*-0.2 p.p.*	*67.9%*

4.1 Enterprise revenue

For the fourth quarter of 2018, Proximus' Enterprise segment posted EUR 366 million in revenue. This is 0.8% or EUR 3 million down from the prior year, including EUR 2 million related to lower Mobile device revenue, at low margins.
Within the mix, revenue from ICT showed a 3.9% year-on-year increase, from a high comparable base for its organic ICT business. The fourth-quarter growth was driven by the contribution from specialized companies acquired over the past 12 months. With Proximus' enlarged portfolio, moving away from pure connectivity towards digital transformation solutions for its professional customers, it accelerated the shift from product deals (at lower margins) to service revenue.
Revenue from mobile services continued its slightly growing trend, up by 0.9% for the fourth quarter of 2018, fully driven by a 4.1% year-on-year increase of its mobile customer base, which more than offset the competitive pressure on pricing.

In contrast to prior quarters, the Advanced Business Services[15] revenue was down from a high 2017 comparable base, totaling EUR 8 million for the last quarter of 2018.
Furthermore, the Fixed Voice revenue erosion trend continued, driven by a lower customer base and lower usage.

Over the full-year 2018, the Enterprise segment posted **EUR 1,415 million revenue, a 1.1% increase,** despite the competitive and regulatory headwinds. Higher revenue from ICT (including acquisitions), Advanced Business Services and terminals more than offset the erosion of Fixed Voice.

[15] For definition see Section 8.4

Lower Fixed Voice revenue on line erosion and lower usage

The Enterprise segment posted **EUR 49 million in Fixed Voice revenue for the fourth quarter of 2018**, **showing a steady year-on-year decline of 6.7%.** This resulted from the Enterprise segment facing an ongoing rationalization by customers on Fixed-line connections, lower usage, technology migrations to VoIP and competitive pressure. The line loss in the fourth quarter was -9,000, 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 29.9 was stable compared to the prior year (+0.2%), with the decrease in traffic per line and a higher penetration of unlimited call options compensated for by some price indexations on 1 January 2018.

Ongoing migration of legacy Data products to new solutions at more attractive pricing. Limited erosion of Internet customer base in a competitive environment.

The Enterprise revenue from Fixed Data totaled EUR 61 million for the fourth quarter 2018, i.e. 0.9% down from the prior year. This included flattish revenue 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 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 fourth-quarter net line loss to around 1,000 Internet lines, mainly low-end lines, bringing the total to 131,000 lines by end-2018. This is a steady decrease by 2.6% from one year ago. The lower Internet base was partly compensated for by a 1.5% increase in Broadband ARPU to EUR 44.0, supported by price indexation effects and a growing share of high-end Internet lines in the park.

Growing customer base drives 0.9% increase in Mobile Services revenue

For the fourth quarter of 2018, the Enterprise segment posted **Mobile Services revenue of EUR 80 million, up by 0.9% from the previous year**.

The good customer experience provided by Proximus' mobile network and high service levels led to a continued growth in the Enterprise customer base. In a competitive market the fourth quarter Mobile churn reached however 10.8%, 1.8pp higher than for the third quarter of 2018. With the Enterprise segment growing its Mobile Voice base by 7,000 cards in the last quarter of 2018, it closed the year with a Mobile base of 1,028,000, 4.1% higher than the prior year.

The benefit of continued customer growth was partly offset by a lower Postpaid ARPU of EUR 25.0. The year-on-year ARPU decrease remained fairly stable compared to the prior period, i.e. -4.2%, and was the consequence of an ongoing decrease in subscriptions for Roaming Options, customers moving to more advantageous price bundles, and competitive price pressure. Besides a growing mobile customer base, the mobile revenue also benefited from growing data usage per customer. For the fourth quarter 2018, the average national data usage was above 1.7 GB/user/month, up by 32% compared to a year ago.

The Enterprise segment posted a strong increase in M2M for the last quarter of 2018 with an additional 53,000 M2M cards activated, of which half was related to the activation of Road User Charging cards. This brought Proximus' total number of M2M cards to 1,327,000 at end-2018, or a 9.7% increase from the prior year. Proximus' Enterprise segment maintained its leadership position on the M2M market.

ICT revenue up by 3.9% from high comparable base, driven by strengthened ICT portfolio

Proximus' Enterprise segment continued to benefit from its expanded ICT portfolio. Over the past year, Proximus has acquired some small-sized but highly specialized companies[16]: ION-IP, Umbrio, and Codit. These companies support the cornerstone of Proximus' strategy to help its enterprise customers in their digital transformation journey. The acquired skills are highly complementary to Proximus' established leadership in network connectivity, IT and managed services. The acquired companies accelerated the shift towards more value-adding services. With the revenue from these companies included, Enterprise **ICT revenue totaled EUR 147 million, up by 3.9%**, from a high 2017 comparable base, which included one-off revenue.

[16] **Codit**, a Belgium-headquartered market leader in business application integration, API Management and Cloud services, was acquired 11 July 2018; **Umbrio,** a Dutch enterprise specialised in IT operations & Business Analytics systems, was acquired by Proximus on 31 May 2018; **ION-IP,** a Dutch company specialized in Managed Security services, was acquired on 27 March 2018; **Unbrace**, an application development company, was acquired on 1 October 2017; **Davinsi Labs**, a cybersecurity company, was acquired on 4 May 2017.

Table 17: Enterprise revenue by product group under IAS 18 (reference table for variances explanations)

(EUR million)	4th Quarter 2017 IAS 18	4th Quarter 2018 IAS 18	4th Quarter Change %	Year-to-date 2017 IAS 18	Year-to-date 2018 IAS 18	Year-to-date Change %
Revenues	369	366	-0.8%	1,400	1,415	1.1%
Fixed	119	115	-3.6%	484	467	-3.5%
Fixed Services	114	110	-3.5%	465	449	-3.5%
Voice	52	49	-6.7%	218	203	-7.1%
Data (Internet & Data Connectivity)	62	61	-0.9%	247	246	-0.3%
Fixed Terminals (excl. TV)	5	4	-6.2%	19	18	-4.6%
Mobile	90	89	-1.2%	345	354	2.6%
Mobile Services	79	80	0.9%	317	317	0.0%
Mobile Terminals	11	9	-16.4%	28	37	31.6%
ICT	141	147	3.9%	509	532	4.5%
Advanced Business Services	9	8	-18.9%	28	30	6.2%
Subsidiaries (Tango)	5	4	-7.2%	17	18	6.2%
Other Products	4	3	-22.1%	16	14	-12.1%

Table 18: Enterprise revenue by product group under IFRS 15

Unaudited company estimates of what 2017 would have been when applying IFRS 15, provided for information.

(EUR million)	4th Quarter 2017 IFRS 15 (pro forma)	4th Quarter 2018 IFRS 15	4th Quarter Change %	Year-to-date 2017 IFRS 15 (pro forma)	Year-to-date 2018 IFRS 15	Year-to-date Change %
Revenues (underlying)	369	364	-1.4%	1,400	1,413	0.9%
Net Revenue (underlying)	368	362	-1.7%	1,394	1,408	1.0%
Fixed	119	115	-3.6%	484	467	-3.5%
Fixed Services	114	110	-3.5%	465	449	-3.5%
Voice	52	49	-6.7%	218	203	-7.1%
Data (Internet & Data Connectivity)	62	61	-0.9%	247	246	-0.3%
Fixed Terminals (excl. TV)	5	4	-6.2%	19	18	-4.6%
Mobile	91	89	-1.3%	345	354	2.6%
Mobile Services	79	80	1.3%	316	316	0.1%
Mobile Terminals	12	9	-19.5%	29	38	29.3%
ICT	142	147	3.1%	510	532	4.4%
Advanced Business Services	9	5	-49.7%	28	27	-3.1%
Subsidiaries (Tango)	4	4	9.2%	16	17	8.8%
Other Products	3	3	-23.7%	12	11	-8.2%
Other Operating Income	1	2	74.6%	6	5	-10.4%

4.2 Enterprise direct margin

Enterprise posted a 0.8% increase in the direct margin for the fourth quarter.

The **direct margin of the fourth quarter grew** to EUR 246 million. The direct margin contribution of acquired ICT companies was further supported by a higher direct margin from Mobile services and Advanced Business Services. The growth in these areas more than offset the ongoing margin erosion for Fixed Voice.

The 2018 fourth-quarter direct margin as a percentage of revenue slightly increased year-on-year to 67.2%, compared to 66.1% a year ago. This reflects a changing revenue mix, with an increasing share coming from labor-intensive ICT services.

Over the **full year of 2018**, **the Enterprise direct margin grew by 0.8% to EUR 962 million**, resulting from the same drivers as stated above.

Table 19: Enterprise operationals

	Q417 IAS 18	Q418 IAS 18	Change (in abs. Amount)
From Fixed			
Number of access channels (thousands)	**715**	**672**	**-43**
Voice	580	541	-39
Broadband	135	131	-4
ARPU (EUR)			
ARPU Voice	29.8	29.9	0.1
ARPU Broadband	43.4	44.0	0.6
From Mobile			
Number of mobile cards (thousands)	2,197	2,355	158
Among which voice and data cards	988	1,028	40
Among which M2M	1,209	1,327	117
Annualized churn rate (blended)	10.4%	10.8%	0.4pp
Net ARPU (EUR)			
Postpaid	26.1	25.0	-1.1
Average Mobile data usage user/month (Mb)			
4G	1,480	1,880	400
Blended	1,328	1,749	421

5 Wholesale

Table 20: Wholesale revenue and direct margin

(EUR million)	4th Quarter			Year-to-date		
	2017 IAS 18	2018 IAS 18	Change %	2017 IAS 18	2018 IAS 18	Change %
TOTAL SEGMENT INCOME	51	51	-0.3%	207	201	-2.7%
Net Revenue	51	50	-0.3%	206	201	-2.7%
Other Operating Income	0	0	NR	0	1	NR
Costs of materials and charges to revenues	-7	-9	26.2%	-32	-36	14.5%
TOTAL SEGMENT DIRECT MARGIN	43	41	-4.8%	175	165	-5.8%
Direct margin %	*85.4%*	*81.5%*	*-3.9 p.p.*	*84.7%*	*82.0%*	*-2.7 p.p.*

Proximus' Wholesale segment reported **fairly stable revenue of EUR 51 million** for the fourth quarter 2018. Within the mix, Roaming revenue was up on higher traffic volumes, offsetting the impact from lowered wholesale rates, negotiated in the Group's interest. The increase in roaming traffic revenue was however offset by lower revenue from traditional wholesale services.

The **direct margin for the fourth quarter totaled EUR 41 million, a 4.8% decline compared with the prior year.** This reflects a lower direct margin from the traditional wholesale services, and the effect from lowered Wholesale roaming rates. While the downward renegotiation of Wholesale roaming rates affected the Wholesale segment direct margin unfavorably, it benefitted the direct margin of both the Consumer and Business segments

6 BICS (International Carrier Services)

- Sequential trend change reflects annualized TeleSign consolidation since 1 November 2017
- Continued solid growth in SMS A2P volumes, supported by TeleSign's expertise in this growing market.
- Q4'18 direct margin +3.9% YoY, driven by non-Voice Direct Margin.
- Q4'18 segment result up 8.4% YoY, segment margin of 11.9%; +0.9pp YoY.

Table 21: BICS P&L

(EUR million)	4th Quarter			Year-to-date		
	2017 IAS 18	2018 IAS 18	Change %	2017 IAS 18	2018 IAS 18	Change %
TOTAL SEGMENT INCOME	339	341	0.5%	1,320	1,347	2.0%
Net Revenue	339	341	0.6%	1,318	1,346	2.1%
Other Operating Income	0	0	NR	2	0	NR
Costs of materials and charges to revenues	-261	-260	-0.5%	-1,041	-1,030	-1.1%
TOTAL SEGMENT DIRECT MARGIN	78	81	3.9%	279	317	13.5%
Direct margin %	*23.0%*	*23.8%*	*0.8 p.p.*	*21.2%*	*23.6%*	*2.4 p.p.*
TOTAL EXPENSES	-41	-41	-0.2%	-137	-164	19.5%
Workforce expenses	-21	-23	13.0%	-72	-91	25.4%
Non Workforce expenses	-20	-17	-13.9%	-65	-73	12.8%
TOTAL SEGMENT RESULT	37	41	8.4%	143	154	7.7%
Segment contribution margin	*11.0%*	*11.9%*	*0.9 p.p.*	*10.8%*	*11.4%*	*0.6 p.p.*

6.1 BICS revenue

For the **fourth quarter of 2018, the total revenue of BICS grew to EUR 341 million, 0.5% up** from the comparable period of 2017, with the consolidation of TeleSign annualizing 1 November. In line with the ongoing market trend, BICS' revenue mix moved further from Voice to Data.
In the last three months of 2018, BICS carried 6.3 billion minutes, 3.5% more than in the comparable period of 2017. The higher Voice volumes was however offset by a less favorable revenue destination mix, though with limited unit margin erosion. This resulted in a 6.1% decline in Voice revenue in comparison to the prior year.
Messaging volumes carried by BICS continued to rise steeply, up by 40.7% from the last quarter of 2017. This was driven by rising A2P[17] volumes, supported by TeleSign in this growing market. This led to continued solid revenue growth of 18.6% for non-Voice, reaching EUR 107 million in the fourth quarter 2018.

Table 22
BICS revenue

	4th Quarter			Year-to-date		
(EUR million)	2017 IAS 18	2018 IAS 18	Change %	2017 IAS 18	2018 IAS 18	Change %
Voice	249	234	-6.1%	1,003	939	-6.4%
Non Voice	90	107	18.6%	317	408	28.8%
Total revenue	339	341	0.5%	1,320	1,347	2.0%

Table 23
BICS volumes

	4th Quarter			Year-to-date		
Volumes (in million)	2017	2018	Change %	2017	2018	Change %
Voice	6,118	6,330	3.5%	24,385	24,463	0.3%
Non Voice (Messaging)	1,909	2,687	40.7%	4,828	10,174	110.7%

6.2 BICS direct margin

For the fourth quarter of 2018, **BICS posted a direct margin of EUR 81 million, up 3.9%** compared to the prior year, with TeleSign's contribution annualized since 1 November.
Despite a 6.1% revenue decline for Voice, the Voice direct margin was only down by 1.7% for the fourth quarter, supported by the positive effect from settlement agreements.
BICS' non-Voice direct margin benefitted from the BICS-TeleSign combination, with strong growth in SMS A2P volumes and the realization of direct cost synergies, resulting in an overall non-Voice margin growth of 8.4% for the fourth quarter, totaling EUR 47 million.
The Direct margin as percent of revenue improved by 0.8pp from the prior year to reach 23.8% in the last quarter of 2018.

Table 24: BICS direct margin

	4th Quarter			Year-to-date		
(EUR million)	2017 IAS 18	2018 IAS 18	Change %	2017 IAS 18	2018 IAS 18	Change %
Voice	35	34	-1.7%	123	135	9.6%
Non Voice	43	47	8.4%	156	182	16.6%
Total direct margin	78	81	3.9%	279	317	13.5%

6.3 BICS segment result

BICS' segment result for the fourth quarter of 2018 totaled EUR 41 million, up 8.4% compared to the prior year, driven by the increase in Direct Margin.
In contrast to the prior quarters, BICS' operating expenses remained stable year-on-year for the fourth quarter, with TeleSign' expenses lapsing as of 1 November 2018.
The segment margin as percentage of revenue progressed to 11.9%.

[17] Application to Person

7 Condensed interim consolidated financial statements

The statutory auditor has issued an unqualified report dated 1 March 2019 on the company's consolidated financial statements as of and for the year ended 31 December 2018 and has confirmed that the accounting data reported in accompanying press release is consistent, in all material respects, with the accounts from which it has been derived.

The condensed consolidated financial statements are derived from the consolidated financial statements at 31 December 2018 that were authorized for issue by the Board of Directors on 28 February 2019
The condensed consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted for use in the European Union.

7.1 Accounting policies

The accounting policies and methods of the Group used as of 2018 are consistent with those applied in the 31 December 2017 consolidated financial statements, with the exception that the Group applied the new standards, interpretations and revisions that became mandatory for the Group on 1 January 2018.
As from 1 January 2018 the Group adopted IFRS 15 and 9 which resulted in the changes in accounting policies described below.

Changes following adoption of IFRS 15 – Revenue from contracts with customers

Before IFRS 15 (IAS 18)	IFRS 15
- Revenue is recognized to the extent that it is probable that the **economic benefits** will flow to the Group and the revenue can be reliably measured. - The revenue from sales arrangements with multiple deliverables are allocated to the different components of the arrangements based on their relative fair values. When an amount allocated to a delivered component is contingent upon delivery of additional components or meeting specified performance conditions, the amount allocated to that delivered component is limited to the non-contingent amount (cash cap).	**Revenue recognition** - Revenue is recognized when (or as) control of the asset (goods and services) is transferred to the customer. - The revenue from sales arrangements with multiple deliverables are allocated to the different components of the arrangements based on their relative stand-alone selling prices. When an amount allocated to a delivered component is contingent upon delivery of additional components or meeting specified performance conditions, the amount allocated to that delivered component is not limited to the non-contingent amount (no cash cap)
Not applicable Not applicable	**Contract asset** - Contract assets are Proximus' right to consideration in exchange for goods or services that it has already transferred to a customer and arise essentially in the context of a mobile or fix offer with a subsidised device. These assets are classified as current assets as they are expected to be realized as part of the Group normal operating cycle. - When a contract for which a contract asset was recognized is terminated anticipatively by the customer, the net amount resulting from the contract asset settlement is recognized as device revenue. The compensation for the device corresponds to the unamortized part of the device when the contract is terminated.
Commissions paid to acquire contracts are expensed as incurred. Not applicable	**Contract costs** - Commissions paid for the acquisition of postpaid contracts are considered by the Group as incremental costs to obtain a contract. These commissions are deferred as contract costs. Other commissions, including for prepaid mobile services are expensed when incurred. - The resulting contract asset is deferred over a period of 3 years when the contract acquired belongs to the CBU segment and 5 years when it belongs to the EBU segment. Because of this long term duration, the contract costs balances are disclosed as non-current asset. The amortization of the contract cost is recognized in 'cost of material and services related to revenue'
Items were recognized in deferred income	**Contract liabilities** IFRS 15 requires reclassification of some items previously recognized in deferred income as contract liability. Contract liabilities are netted of with contract assets on contract by contract basis.

The Group has decided to apply the cumulative catch-up method for transition with the application of practical expedient for commissions other than those for postpaid contracts as they are expensed when incurred.

The net revenue by segment is disclosed in the following table. The disaggregation of this net revenue in categories can be found for the Consumer segment in item 3.2, for the Enterprise segment in item 4, for Wholesale in item 5 and for BICS in item 6.

(EUR million)	31 December 2018 (IFRS 15)						
	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

Changes following adoption of IFRS 9 – Financial instruments

In the context of the first application of IFRS 9, the Group identified the following changes:

- Participating interests in non-quoted companies, previously recognized at cost less impairment, are measured at fair value and classified on a case by case basis either as fair value through other comprehensive income (FVTOCI) or fair value through the income statement (FVTPL). No impact from this accounting policy change on these financial assets value is identified.
- The application of the IFRS 9 expected credit loss model on the contract asset recognized in application of IFRS 15, (although not financial instruments), resulted in a negative impact on retained earnings of EUR 3 million (after deferred tax) as per 1 January 2018.

The Group took advantage of the exemption allowing it not to restate comparative information for prior periods with respect to the classification and measurement changes.

The impacts of the changes to accounting policies are as follows:

(EUR million)	Adjustment from initial application on Opening Balance Sheet
IFRS 15	
Contract assets	83
Contract costs	120
Contract Liabilities	-2
Deferred tax on initial application	-59
IFRS 9	
Impairment on contract assets	-5
Deferred tax on initial application	1
Total	140

IFRS 16

IFRS 16 was issued in 2016 and replaces IAS17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27- Evaluating the Substance of Transactions Involving the Legal Form of a Lease. It became effective on 1 January 2019 with early application permitted. The Group applies apply the standard from 1 January 2019, the mandatory application date.

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. Under the current standard IAS 17, the Group is required to classify its leases as either finance or operating leases. Under this new standard, lessees are required to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. A right-of use- asset and a lease liability is to be recognized for all leases conveying the right to control the use of an identified asset for a period of time. Accordingly, the expenses relating to the use of the leased asset currently presented in operating expenses will be capitalized and depreciated. The discounting of the lease liability will be periodically unwound into finance costs.

The Group plans to adopt the simplified transition approach with the cumulative effect of initially applying IFRS 16 recognized in retained earnings at the date of initial application being 1 January 2019 without restatement of the year before adoption. The right-of-use assets will be measured at the amount of the lease liability at adoption.

The Group expects to recognize a right-of-use asset and lease liability of approximately EUR 290 million on 1 January 2019.

The Group's activities as a lessor are not significant and the Group does not expect any significant impact on the financial statements and considering that the classification into operating or finance lease remains applicable under IFRS 16.

Judgments and estimates

The Group does not make any significant judgments and estimates other than those mentioned under note 2 in the 31 December 2017 consolidated financial statements, and other than those mentioned below in this report.

The application of IFRS 15 judgment is required in determining the stand-alone price and the transaction price considering the contract duration.

Significant events or transactions in 2018

EUR 400 million loan from the European Investment Bank
In March 2018 the Group entered into a EUR 400 million loan from the European Investment Bank due 2028 at a very attractive fixed interest rate. Proximus pre-hedged the underlying rate at end 2017 and managed to further reduce the all-in interest cost of this transaction. The Group applied hedge accounting for this derivative.

Business combinations and sale of equity instruments
Per end of October 2017, Proximus' subsidiary BICS acquired 100% of TeleSign. The allocation of the purchase price has been finalized in October 2018. In this context, a deferred tax asset for losses carried forward have been recognized which leads to a decrease of goodwill compared to the provisional purchase price allocation.

In 2018 the Proximus Group acquired the following companies for a total amount of EUR 51 million, net of cash acquired:

- Two Dutch-based companies, ION –IP in March 2018 and Umbrio in May 2018, both specialized in IT & network operations, monitoring and analytics.
- On 12 July 2018, the Group acquired Codit, a Belgium-headquartered IT services company and a market leader in business application integration, API Management, Microsoft Azure and Internet of Things.
- On 15 November 2018, the Group acquired 100% of the shares of MediaMobile SA (French Société Anonyme). This French entity owns all shares of MediaMobile Nordic Oy (Finland). Main activity is to sell RTTI licenses to Automotive and PND Manufacturers.

The purchase price allocation for these acquisitions of 2018 is still provisional.

Tax on pylons
New evolutions in jurisprudence led the Group to reassess the liabilities related to Taxes on Pylons for past litigations in 2018. The related cost amounts to EUR 20 million in EBITDA incidental (and EUR 7 million in financial expenses).

Impairment of a fulfillment software for the Enterprise Business Unit
The professional market IT landscape within Proximus has been reassessed as part of the ongoing transformation program. The outcome envisions an approach that integrates more with the mass market IT stack to leverage recent investments and to ensure coherence between the mass market and professional market from a customer and operational point of view. This has resulted in a move towards aligning the ordering, provisioning and billing chain between the two IT chains. As a consequence, an impairment of EUR 22 million has been accordingly recorded in the fourth quarter of 2018 and the related assets have been derecognized.

7.2 Consolidated income statement

(EUR million)	4th Quarter 2017 IAS 18 restated (*)	2018 IAS 18	Change %	2018 IFRS 15	Change IAS 18 vs IFRS 15	Year-to-date 2017 IAS 18 restated (*)	2018 IAS 18	Change %	2018 IFRS 15	Change IAS 18 vs IFRS 15
Net revenue	1,468	1,454	-0.9%	1,460	0.4%	5,739	5,761	0.4%	5,764	0.0%
Other operating income	10	34	>100%	34	0.0%	63	65	2.9%	65	0.0%
TOTAL INCOME	**1,478**	**1,488**	**0.7%**	**1,494**	**0.4%**	**5,802**	**5,826**	**0.4%**	**5,829**	**0.0%**
Costs of materials and services related to revenue	-565	-554	-1.9%	-554	-0.1%	-2,166	-2,122	-2.1%	-2,126	0.2%
Workforce expenses	-308	-314	2.0%	-314	0.0%	-1,248	-1,245	-0.2%	-1,245	0.0%
Non workforce expenses	-174	-183	5.2%	-184	0.3%	-615	-663	7.7%	-663	0.0%
TOTAL OPERATING EXPENSES before depreciation & amortization	**-1,047**	**-1,052**	**0.4%**	**-1,052**	**0.0%**	**-4,030**	**-4,030**	**0.0%**	**-4,034**	**0.1%**
OPERATING INCOME before depreciation & amortization	**431**	**436**	**1.3%**	**442**	**1.3%**	**1,772**	**1,796**	**1.3%**	**1,794**	**-0.1%**
Depreciation and amortization	-246	-253	3.0%	-253	0.0%	-963	-1,016	5.5%	-1,016	0.0%
OPERATING INCOME	**185**	**183**	**-0.9%**	**189**	**3.1%**	**809**	**780**	**-3.6%**	**778**	**-0.2%**
Finance income	1	3	>100%	3	0.0%	6	9	50.0%	9	0.0%
Finance costs	-23	-14	<100%	-14	0.0%	-76	-64	<100%	-64	0.0%
Net finance costs	**-22**	**-11**	**-49.3%**	**-11**	**0.0%**	**-70**	**-56**	**-20.2%**	**-56**	**0.0%**
Share of loss on associates	0	0	-44.1%	0	0.0%	-2	-1	-6.8%	-1	0.0%
INCOME BEFORE TAXES	**162**	**172**	**5.8%**	**177**	**3.3%**	**738**	**723**	**-2.0%**	**721**	**-0.3%**
Tax expense	-10	-47	>100%	-46	-1.9%	-185	-194	4.5%	-191	-1.6%
NET INCOME	**152**	**125**	**-18.3%**	**131**	**5.2%**	**552**	**529**	**-4.2%**	**530**	**0.2%**
Attributable to:										
Equity holders of the parent (Group share)	137	117	-14.3%	125	6.5%	522	506	-3.1%	508	0.5%
Non-controlling interests	16	7	-53.1%	6	-15.7%	30	23	-22.9%	22	-4.9%
Basic earnings per share	0.42 EUR	0.36 EUR	-14.3%	0.39 EUR	6.5%	1.62 EUR	1.57 EUR	-3.1%	1.58 EUR	0.5%
Diluted earnings per share	0.42 EUR	0.36 EUR	-14.3%	0.39 EUR	6.5%	1.62 EUR	1.57 EUR	-3.1%	1.58 EUR	0.5%
Weighted average number of outstanding shares	322,761,669	322,736,191	0.0%	322,736,191	0.0%	322,777,440	322,649,917	0.0%	322,649,917	0.0%
Weighted average number of outstanding shares for diluted earnings per share	322,873,886	322,811,107	0.0%	322,811,107	0.0%	322,954,411	322,735,379	-0.1%	322,735,379	0.0%

(*)Restated: Split workforce - non workforce has been aligned at group's level

7.3 Consolidated statements of other comprehensive income

(EUR million)	Year-to-date 2017 IAS 18	2018 IAS 18	2018 IFRS 15
Net income	552	529	530
Other comprehensive income:			
Items that may be reclassified to profit and loss			
Exchange differences on translation of foreign operations	-6	11	11
Cash flow hedges:			
Gain/(Loss) taken to equity	-7	6	6
Transfer to profit or loss for the period	0	-1	-1
Transfer related to the TeleSign combination	12	0	0
Other	0	-1	-1
Total before related tax effects	-1	15	15
Related tax effects			
Cash flow hedges:			
Gain/(Loss) taken to equity	-2	-1	-1
Income tax relating to items that may be reclassified	-2	-1	-1
Total of items that may be reclassified to profit and loss, net of related tax effects	-3	14	14
Items that will not be reclassified to profit and loss			
Change in the fair value of equity instruments	0	-5	-5
Remeasurement of defined benefit obligations	13	-35	-35
Total of items that will not be reclassified to profit and loss	13	-40	-40
Total before related tax effects	13	-40	-40
Related tax effects			
Remeasurement of defined benefit obligations	-4	8	8
Adjustment resulting from change in Belgian tax rate	-10	0	0
Income tax relating to items that will not be reclassified	-14	8	8
Items that will not be reclassified to profit and loss, net of related tax effects	-1	-32	-32
Total comprehensive income	549	510	511
Attributable to:			
Equity holders of the parent	521	484	487
Non-controlling interests	28	25	24

7.4 Consolidated balance sheet

(EUR million)	As of 31 December 2017 IAS 18	As of 31 December 2018 IAS 18	As of 1 January 2018 IFRS 15	As of 31 December 2018 IFRS 15
ASSETS				
NON-CURRENT ASSETS	**6,735**	**6,752**	**6,842**	**6,850**
Goodwill	2,431	2,466	2,431	2,470
Intangible assets with finite useful life	1,233	1,154	1,233	1,154
Property, plant and equipment	2,976	3,054	2,976	3,054
Contract costs	0	0	120	116
Deferred income tax assets	27	35	15	12
Other non-current assets	66	43	66	43
CURRENT ASSETS	**1,793**	**1,739**	**1,871**	**1,822**
Inventories	123	129	123	129
Trade receivables	1,111	1,042	1,111	1,042
Contract assets	0	0	78	83
Current tax assets	83	68	83	68
Other current assets	137	155	137	155
Investments	5	4	5	4
Cash and cash equivalents	333	340	333	340
TOTAL ASSETS	**8,527**	**8,490**	**8,713**	**8,671**
LIABILITIES AND EQUITY				
EQUITY	**3,013**	**3,012**	**3,153**	**3,153**
Shareholders' equity	**2,857**	**2,862**	**2,997**	**3,005**
Issued capital	1,000	1,000	1,000	1,000
Reserves	-454	-469	-454	-469
Retained earnings	2,310	2,331	2,451	2,474
Non-controlling interests	**156**	**150**	**156**	**148**
NON-CURRENT LIABILITIES	**2,789**	**3,151**	**2,834**	**3,181**
Interest-bearing liabilities	1,860	2,263	1,860	2,263
Liability for pensions, other post-employment benefits and termination benefits	515	553	515	553
Provisions	140	142	140	142
Deferred income tax liabilities	72	61	117	91
Other non-current payables	202	132	202	132
CURRENT LIABILITIES	**2,725**	**2,328**	**2,726**	**2,338**
Interest-bearing liabilities	570	234	570	234
Trade payables	1,415	1,361	1,415	1,361
Contract liabilities	0	0	98	109
Current tax payables	112	56	112	56
Other current payables	628	677	532	578
TOTAL LIABILITIES AND EQUITY	**8,527**	**8,490**	**8,713**	**8,671**

7.5 Consolidated cash flow statement

(EUR million)	4th Quarter 2017 IAS 18	4th Quarter 2018 IAS 18	4th Quarter 2018 IFRS 15	Full Year 2017 IAS 18	Full Year 2018 IAS 18	Full Year 2018 IFRS 15
Cash flow from operating activities						
Net income	152	125	131	552	529	530
Adjustments for:						
Depreciation and amortization on intangible assets and property, plant and equipment	246	253	253	963	1,016	1,016
Increase of impairment on intangible assets and property, plant and equipment	1	23	23	2	23	23
Decrease in provisions	-2	-2	-2	-4	-4	-4
Deferred tax expense/(income)	-34	6	5	-47	-13	-16
Impairment on participating interests	2	0	0	2	0	0
Loss from investments accounted for using the equity method	0	0	0	2	1	1
Fair value adjustments on financial instruments	1	0	0	3	0	0
Loans amortization	1	0	0	2	2	2
Gain on disposal of consolidated companies and remeasurement of previously held interest	-1	0	0	-1	0	0
Gain on disposal of property, plant and equipment	0	-20	-20	-22	-22	-22
Other non-cash movements	0	-1	-1	0	-1	-1
Operating cash flow before working capital changes	**365**	**384**	**390**	**1,452**	**1,532**	**1,530**
Decrease/ (Increase) in inventories	11	0	0	2	-5	-5
Decrease in trade receivables	36	46	46	52	95	95
Decrease in contract costs	0	0	0	0	0	4
Increase in contract asset	0	0	-8	0	0	-5
Decrease/ (Increase) in current income tax assets	-70	18	18	-41	15	15
Decrease/ (Increase) in other current assets	-1	9	9	-7	3	3
(Decrease)/Increase in trade payables	-11	28	28	-58	-29	-29
Increase in contract liability	0	0	9	0	0	5
(Decrease)/Increase in income tax payables	15	-85	-85	47	-58	-58
(Decrease)/Increase in other current payables	-45	-35	-41	-3	6	3
(Decrease)/Increase in net liability for pensions, other post-employment benefits and termination benefits	7	-4	-4	37	0	0
(Decrease) in other non-current payables and provisions	-10	-2	-2	-10	0	0
(Increase)/Decrease in working capital, net of acquisitions and disposals of subsidiaries	**-69**	**-25**	**-31**	**18**	**26**	**28**
Net cash flow provided by operating activities (1)	**296**	**359**	**359**	**1,470**	**1,558**	**1,558**
Cash flow from investing activities						
Cash paid for acquisitions of intangible assets and property, plant and equipment	-271	-285	-285	-989	-1,099	-1,099
Cash paid for acquisitions of other participating interests	0	0	0	-2	-3	-3
Cash paid for acquisition of consolidated companies, net of cash acquired	-215	-5	-5	-221	-51	-51
Dividends received from non-consolidated companies	0	1	1	0	1	1
Cash received from sales of intangible assets and property, plant and equipment	2	29	29	36	37	37
Net cash received from other non-current assets	1	3	3	-1	8	8
Net cash used in investing activities	**-483**	**-257**	**-257**	**-1,177**	**-1,107**	**-1,107**
Cash flow before financing activities (FCF)	**-187**	**102**	**102**	**292**	**451**	**451**
Cash flow from financing activities						
Dividends paid to shareholders	-162	-161	-161	-488	-485	-485
Dividends paid to non-controlling interests	0	0	0	-32	-28	-28
Net sale of treasury shares	-5	1	1	0	4	4
Net sale of investments	0	1	1	1	1	1
Decrease of shareholders' equity	0	0	0	-1	-3	-3
Cash received from cash flow hedge instrument related to long term debt	0	0	0	4	8	8
Issuance of long term debt	1	0	0	502	399	399
Repayment of long term debt (2)	0	-1	-1	-1	-408	-408
Issuance / (repayment) of short term debt	163	166	166	-242	68	68
Cash flows from financing activities	**-1**	**6**	**6**	**-256**	**-444**	**-444**
Net increase of cash and cash equivalents	**-188**	**107**	**107**	**36**	**7**	**7**
Cash and cash equivalents at 1 January				297	333	333
Cash and cash equivalents at 31 December				333	340	340
(1) Net cash flow from operating activities includes the following cash movements :						
Interest paid				-49	-55	-55
Interest received				1	2	2
Income taxes paid				-227	-249	-249
(2) The repayment of long term debt is the net of cash received and paid for the debt and related derivatives						
(3) Gains and losses from debt restructuring are part of the Cash used in financing activities.						

7.6 Consolidated statements of changes in equity

(EUR million)	Issued capital	Treasury shares	Restricted reserve	Available for sale and hedge reserve	Remeasurement reserve	Foreign currency translation	Stock Compensation	Retained Earnings	Shareholders' Equity	Non-controlling interests	Total Equity
Balance at 31 December 2016	**1,000**	**-430**	**100**	**2**	**-127**	**0**	**5**	**2,270**	**2,819**	**162**	**2,981**
Total comprehensive income	**0**	**0**	**0**	**4**	**-1**	**-4**	**0**	**522**	**521**	**28**	**549**
Dividends to shareholders (relating to 2016)	0	0	0	0	0	0	0	-323	-323	0	-323
Interim dividends to shareholders (relating to 2017)	0	0	0	0	0	0	0	-161	-161	0	-161
Dividends of subsidiaries to non-controlling interests	0	0	0	0	0	0	0	0	0	-32	-32
Business combination	0	0	0	0	0	0	0	2	2	-2	0
Treasury shares											
Exercise of stock options	0	0	0	0	0	0	0	-1	-1	0	-1
Sale of treasury shares	0	-9	0	0	0	0	0	0	-9	0	-9
Stock options											
Exercise of stock options	0	9	0	0	0	0	-1	1	9	0	9
Total transactions with equity holders	**0**	**0**	**0**	**0**	**0**	**0**	**-1**	**-482**	**-483**	**-34**	**-517**
Balance at 31 December 2017 (IAS 18)	**1,000**	**-431**	**100**	**5**	**-128**	**-4**	**4**	**2,310**	**2,857**	**156**	**3,013**
Balance at 31 December 2017 (IAS 18)	**1,000**	**-431**	**100**	**5**	**-128**	**-4**	**4**	**2,310**	**2,857**	**156**	**3,013**
Total comprehensive income	**0**	**0**	**0**	**1**	**-27**	**6**	**0**	**504**	**484**	**25**	**510**
Dividends to shareholders (relating to 2017)	0	0	0	0	0	0	0	-323	-323	0	-323
Interim dividends to shareholders (relating to 2018)	0	0	0	0	0	0	0	-161	-161	0	-161
Dividends of subsidiaries to non-controlling interests	0	0	0	0	0	0	0	0	0	-28	-28
Business combination	0	0	0	0	0	0	0	3	3	-3	0
Treasury shares											
Sale of treasury shares	0	3	0	0	0	0	0	-3	0	0	0
Stock options											
Exercise of stock options	0	1	0	0	0	0	0	0	1	0	1
Total transactions with equity holders	**0**	**4**	**0**	**0**	**0**	**0**	**0**	**-483**	**-479**	**-32**	**-511**
Balance at 31 December 2018 (IAS 18)	**1,000**	**-427**	**100**	**6**	**-155**	**3**	**4**	**2,331**	**2,862**	**150**	**3,012**
Balance at 31 December 2017 (IAS 18)	**1,000**	**-431**	**100**	**5**	**-128**	**-4**	**4**	**2,310**	**2,857**	**156**	**3,013**
Transition to IFRS 15	0	0	0	0	0	0	0	144	144	0	144
Transition to IFRS 9	0	0	0	0	0	0	0	-3	-3	0	-3
Balance per 1 January 2018 (IFRS 15)	**1,000**	**-431**	**100**	**5**	**-128**	**-4**	**4**	**2,451**	**2,997**	**156**	**3,153**
Total comprehensive income	**0**	**0**	**0**	**1**	**-27**	**6**	**0**	**506**	**487**	**24**	**511**
Dividends to shareholders (relating to 2017)	0	0	0	0	0	0	0	-323	-323	0	-323
Interim dividends to shareholders (relating to 2018)	0	0	0	0	0	0	0	-161	-161	0	-161
Dividends of subsidiaries to non-controlling interests	0	0	0	0	0	0	0	0	0	-28	-28
Business combination	0	0	0	0	0	0	0	3	3	-3	0
Treasury shares											
Sale of treasury shares	0	3	0	0	0	0	0	-3	0	0	0
Stock options											
Exercise of stock options	0	1	0	0	0	0	0	0	1	0	1
Total transactions with equity holders	**0**	**4**	**0**	**0**	**0**	**0**	**0**	**-483**	**-479**	**-32**	**-511**
Balance at 31 December 2018 (IFRS 15)	**1,000**	**-427**	**100**	**6**	**-155**	**3**	**4**	**2,474**	**3,005**	**148**	**3,153**

7.7 Segment reporting

See reconciliation of reported and underlying figures in section 8.2

	31 December 2018										
	Group Proximus					underlying by segment					
(EUR million)	Reported under IFRS 15	IFRS 15 Adjustment	Reported under IAS 18	Incidental	Underlying	BICS	Domestic (Group excl. BICS)	Consumer	Enterprise	Wholesale	Others
Net revenue	5,764	-3	5,761	0	5,761	1,346	4,415	2,875	1,410	201	-71
Other revenues	65	0	65	-21	43	0	43	23	5	1	15
TOTAL INCOME	5,829	-3	5,826	-21	5,804	1,347	4,458	2,898	1,415	201	-57
COSTS OF MATERIALS AND SERVICES RELATED TO REVENUE	-2,126	4	-2,122	0	-2,122	-1,030	-1,092	-680	-453	-36	77
Direct margin	3,703	2	3,704	-21	3,683	317	3,366	2,218	962	165	21
Workforce expenses	-1,245	0	-1,245	46	-1,199	-91	-1,108				
Non workforce expenses	-663	0	-663	45	-618	-73	-545				
TOTAL OTHER OPERATING EXPENSES	-1,908	0	-1,908	92	-1,816	-164	-1,653				
OPERATING INCOME before depreciation & amortization	1,794	2	1,796	70	1,866	154	1,713				
Depreciation and amortization	-1,016	0	-1,016	0	-1,016	-91	-925				
OPERATING INCOME	778	3	780	70	850	63	788				
Net finance costs	-56	0	-56								
Share of loss on associates	-1	0	-1								
INCOME BEFORE TAXES	721	2	723								
Tax expense	-191	-3	-194								
NET INCOME	530	-1	529								
Attributable to :											
Equity holders of the parent (Group share)	508	-1	506								
Non-controlling interests	22	0	23								

	31 December 2017								
	Group Proximus			underlying by segment					
(EUR million)	Reported under IAS 18	Incidental	Underlying	BICS	Domestic (Group excl. BICS)	Consumer	Enterprise	Wholesale	Others
Net revenue	5,739	0	5,739	1,318	4,420	2,889	1,394	206	-69
Other revenues	63	-24	39	2	37	20	6	0	11
TOTAL INCOME	5,802	-24	5,778	1,320	4,458	2,909	1,400	207	-58
COSTS OF MATERIALS AND SERVICES RELATED TO REVENUE	-2,166	0	-2,166	-1,041	-1,126	-720	-445	-32	71
Direct margin	3,636	-24	3,612	279	3,332	2,189	955	175	13
Workforce expenses (*)	-1,248	72	-1,176	-72	-1,104				
Non workforce expenses (*)	-615	3	-612	-65	-548				
TOTAL OTHER OPERATING EXPENSES	-1,863	75	-1,789	-137	-1,652				
OPERATING INCOME before depreciation & amortization	1,772	51	1,823	143	1,680				
Depreciation and amortization	-963	0	-963	-80	-883				
OPERATING INCOME	809	51	860	63	797				
Net finance costs	-70								
Share of loss on associates	-2								
INCOME BEFORE TAXES	738								
Tax expense	-185								
NET INCOME	552								
Attributable to :									
Equity holders of the parent (Group share)	522								
Non-controlling interests	30								

(*) Restated: split workforce - non workforce has been aligned at group's level

7.8 Group financing activities related to interest bearing liabilities

(EUR million)	As of 31 December 2017	Cash flows	Non-cash changes			As of 31 December 2018
			Business combination	Fair value changes	Amortiz-ation	
Long-term						
Unsubordinated debentures	1,850	0	0	0	2	1,852
Leasing and similar obligations	6	-2	0	0	0	4
Credit institutions	0	399	4	0	0	403
Derivatives held for trading	4	0	0	1	0	4
Current portion of amounts payable > one year						
Unsubordinated debentures	405	-405	0	0	0	0
Leasing and similar obligations	2	0	0	0	0	2
Credit institutions held to maturity	0	0	0	0	0	1
Other financial debts						
Credit institutions	0	-1	1	0	0	0
Other loans	164	68	0	0	0	232
Total liabilities from financing activities	2,430	59	5	1	2	2,497

7.9 Financial instruments

IAS 34 16 A (j) requires the interim reporting to provide specific fair value disclosures and in particular the following information:

- The carrying amounts and fair values of the financial instruments;
- The categorization of the fair valued financial instruments within the fair value hierarchy;
- The fair valuation techniques used.

The Group's main financial instruments comprise unsubordinated debentures, trade receivables and trade payables. The Group has an interest rate and currency swap (IRCS) to manage its exposure to interest rate risk and to foreign currency risk on its remaining non-current interest-bearing liability yielded in foreign currency. The typical financial instruments used to hedge foreign currency risk are forward foreign exchange contracts and currency options.

Fair Value and Fair Value Hierarchy

The following table shows the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of assets and financial liabilities at 1 January 2018. It also includes the fair value hierarchy of the financial instruments and the valuation levels

Classification of financial assets and financial liabilities on the date of the initial application of IFRS 9

The following table shows the orginial measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of assets and financial liabilities as at 1st Jan 2018

As of January 1, 2018 (EUR million)	Original classification under IAS 39 (1)	New classification under IFRS 9 (2)	Original carrying amount under IAS 39	New carrying amount under IFRS 9	Fair value	Level
ASSETS						
Non-current assets						
Other participating interests	AFS	FVTOCI	8	8	8	
Other non-current assets						
Derivatives held for trading	FVTPL	FVTPL	5	5	5	Level 2
Other financial assets	LaR	Amortized cost	25	25	25	
Current assets						
Trade receivables	LaR	Amortized cost	1,111	1,111	1,111	
Interest bearing						
Other receivables	LaR	Amortized cost	6	6	6	
Non-interest bearing						
Other receivables	LaR	Amortized cost	8	8	8	
Derivatives held-for-hedging	HeAc	FVTOCI	2	2	2	Level 1
Investments	HTM	Amortized cost	5	5	5	
Cash and cash equivalents						
Short-term deposits	LaR	Amortized cost	28	28	28	
Cash at bank and in hand	LaR	Amortized cost	305	305	305	
LIABILITIES						
Non-current liabilities						
Interest-bearing liabilities						
Unsubordinated debentures not in a hedge relationship	OFL	Amortized cost	1,850	1,850	1,989	Level 2
Derivatives held for trading	FVTPL	FVTPL	4	4	4	Level 2
Non-interest-bearing liabilities						
Other non-current payables	OFL	Amortized cost	202	202	202	
Current liabilities						
Interest-bearing liabilities, current portion						
Unsubordinated debentures not in a hedge relationship	OFL	Amortized cost	405	405	407	Level 2
Interest-bearing liabilities						
Other loans	OFL	Amortized cost	164	164	164	
Trade payables	OFL	Amortized cost	1,415	1,415	1,415	
Other current payables						
Other derivatives	FVTPL	FVTPL	1	1	1	Level 1
Other debt	FVTPL	FVTPL	37	37	37	Level 3
Other amounts payable	OFL	Amortized cost	289	289	289	

(1) The categories according to IAS 39 are the following :
AFS: Available-for-sale financial assets
HTM: Financial assets held-to-maturity
LaR: Loans and Receivables financial assets
OFL: Other financial liabilities
Hedge activity
HeAc: Hedge accounting

(2) New categories according to IFRS 9 are as follows :
FVTPL: Financial assets/liabilities at fair value through profit and loss
FVTOCI: Financial assets at fair value through other comprehensive income
Amortized costs

As of December 31, 2018 (EUR million)	Classification under IFRS 9 (1)	Carrying amount under IFRS 9	Fair value	Level
ASSETS				
Non-current assets				
Other non-current assets				
Derivatives held for trading	FVTPL	5	5	Level 2
Other financial assets	Amortized cost	11	11	
Current assets				
Trade receivables	Amortized cost	1,042	1,042	
Interest bearing				
Other receivables	Amortized cost	5	5	
Non-interest bearing				
Other receivables	Amortized cost	24	24	
Investments	Amortized cost	4	4	
Cash and cash equivalents				
Short-term deposits	Amortized cost	40	40	
Cash at bank and in hand	Amortized cost	300	300	
LIABILITIES				
Non-current liabilities				
Interest-bearing liabilities				
Unsubordinated debentures not in a hedge relationship	Amortized cost	1,852	1,959	Level 2
Credit institutions	Amortized cost	403	403	Level 2
Derivatives held for trading	FVTPL	4	4	Level 2
Non-interest-bearing liabilities				
Other non-current payables	Amortized cost	132	132	
Current liabilities				
Interest-bearing liabilities, current portion				
Credit institutions	Amortized cost	1	1	
Interest-bearing liabilities				
Other loans	Amortized cost	232	232	
Trade payables	Amortized cost	1,361	1,361	
Other current payables				
Other debt	FVTPL	39	39	Level 3
Other amounts payable	Amortized cost	305	305	

(1) New categories according to IFRS 9 are as follows :
FVTPL: Financial assets/liabilities at fair value through profit and loss
FVTOCI: Financial assets at fair value through other comprehensive income
Amortized costs

Valuation technique

The Group holds financial instruments classified in Level 1, 2 and 3.
The valuation techniques for fair value measuring the Level 2 financial instruments are:

Other derivatives in Level 2

Other derivatives include the interest rate swaps (IRS) and interest rate and currency swaps (IRCS) the Group entered into to reduce the interest rate and currency fluctuations on some of its long-term debentures (including their current portion). The fair values of these instruments are determined by discounting the expected contractual cash flows using interest rate curves in the corresponding currencies and currency exchange rates, all observable on active markets.

Unsubordinated debentures

The unsubordinated debentures are recognized at amortized costs.
In case of anticipated settlement, in the context of the Group portfolio restructuring, those debentures are measured at their transaction price once the transaction is binding for the Group. Their fair values, calculated for each debenture separately, were obtained by discounting the interest rates at which the Group could borrow at 31 December 2018 for similar debentures with the same remaining maturities.

Other debts in level 3
Level 3 financial instruments valuation is not based on observable market data. Instead, its fair value is derived using financial models and other valuation methods. To the extent possible, the underlying assumptions take into account market pricing information. Valuation changes due to new information could impact the income statement.

7.10 Contingent liabilities

BICS received withholding tax assessments from the Indian tax authorities in relation to payments made by an Indian tax-resident customer to BICS in the period 1 April 2007 to 31 March 2010. BICS filed appeals against the above assessments with the competent Indian Courts opposing the view of the Indian tax authorities that Indian withholding taxes are due on the payments. Furthermore, BICS is opposing the assessments in relation to the periods from 1 April 2008 to 31 March 2010 on procedural grounds. The amount of the contingent liability including late payment interest should not exceed EUR 25 million. BICS has not paid the assessed amounts and has not recorded a tax provision. Management assesses that the position as recognized in these financial statements reflects the best estimate of the probable final outcome.

7.11 Post balance sheet events

Accelerated transformation

Proximus launched its #shifttodigital strategy, accelerating its transformation to remain relevant on the Belgian market and to secure the company's future. Proximus intends to change its way of working, become more flexible and lean, renew its employees' competencies in the digital domain and adjust its cost structure to better conform to market standards. On 10 January 2019, Proximus announced its intention to reduce further the number of employees by approximately 1900 people in the next 3 years in line with the planned workload reduction and at the same time to recruit 1.250 new employees with specific skills. Immediately after this date, the information and consultation phase with the Unions started, as part of the social dialogue.

Income Tax

In January 2016, the European Commission announced its decision to consider Belgian tax rulings granted to multinationals with regard to "Excess Profit" as illegal state aid. BICS has applied such tax ruling for the period 2010-2014. BICS has paid the deemed aid recovery assessments. Furthermore, both BICS and the Belgian State filed an appeal against the decision of the European Commission before the European Court. The EU General Court ruled in its decision of 14 February 2019 in favor of the Belgian state against the European Commission based on the argument that there is no "state aid scheme". The European Commission can file an appeal against the above decision with the European Court of Justice (ECJ) within 8 weeks as of the notification of the decision of the EU General Court. Management assesses that the position as recognized in these financial statements reflects the best estimate of the probable outcome. Depending on the actions of the European Commission following the above decision of the EU General Court (in particular whether or not the European Commission will file an appeal with the European Court of Justice), Management's position may need to be reassessed on the future.

Private placement

On 27 February 2019, Proximus entered into an agreement with an institutional investor to issue a new EUR 100 million private placement note starting 8 March 2019 and maturing in September 2031 with an annual fixed coupon of 1.75%.

No other significant post balance sheet events are identified.

7.12 Others

There has been no material change to the information disclosed in the 2017 annual consolidated financial statements in connection with related parties that would require disclosure under the Financial Reporting Framework.

8 Additional information

8.1 Reporting remarks

IFRS 15 impact on reporting

The main implications for Proximus relate to mobile joint offers and to commissions paid to acquire contracts.

1. Under IFRS 15, as of 1 January 2018, revenue arising from customer contracts, is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

   The revenue allocation to Service revenue and Device revenue is based on the relative stand-alone selling price of the device and services. Compared to IAS 18 this means for revenue from Mobile joint offers:
   - More revenue is allocated to the device, and less to Service revenue
   - Higher upfront revenue is recorded related to the device

2. Commissions paid for the acquisition of contracts are deferred whereas they were recognized immediately under IAS 18.

Comparative table IAS18/IFRS15 (underlying)

(EUR million)	IAS 18 Q4'18	IFRS 15 Q4'18	Variance abs.	IAS 18 YTD'18	IFRS 15 YTD'18	Variance abs.
Revenues	1,469	**1,475**	**6**	**5,804**	**5,807**	**3**
Net revenue	**1,454**	**1,460**	**6**	**5,761**	**5,764**	**3**
Services	808	792	-16	3,252	3,188	-64
Devices	61	87	26	226	308	82
Other (including BeMobile,Tango & penalties)	586	582	-4	2,283	2,268	-15
Other operating income	**15**	**15**	**0**	**43**	**43**	**0**
Cost of Goods Sold	-554	-554	0	-2,122	-2,126	-4
Direct Margin	**914**	**921**	**6**	**3,683**	**3,681**	**-2**
direct margin %	62.3%	62.4%	0.2pp	63.5%	63.4%	-0.1pp
Operating Expenses	**-465**	**-466**	**-1**	**-1,816**	**-1,817**	**0**
Workforce	-305	-305	0	-1,199	-1,199	0
Non Workforce	-160	-161	-1	-618	-618	0
EBITDA	**449**	**455**	**6**	**1,866**	**1,865**	**-2**
ebitda %	30.6%	30.8%	0.3pp	32.2%	32.1%	0.0pp

IFRS 16 impact on 2019 reporting

The Group plans to adopt the simplified transition approach with the cumulative effect of initially applying IFRS 16 recognized in retained earnings at the date of initial application being 1 January 2019 without restatement of year before adoption. The right-of-use assets will be measured at the amount of the lease liability at adoption.

As from 2019, the underlying numbers will still exclude the incidental impacts but the group intends to include lease depreciation and lease interest in incidentals, neutralizing the IFRS16 impact. The underlying definition will be adapted accordingly.

Rounding

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

8.2 Incidentals

	GROUP Revenue		GROUP EBITDA		GROUP Revenue		GROUP EBITDA	
(EUR million)	**Q4'17**	**Q4'18**	**Q4'17**	**Q4'18**	**YTD '17**	**YTD '18**	**YTD '17**	**YTD '18**
Reported	1,478	1,488	431	436	5,802	5,826	1,772	1,796
Underlying	1,477	1,469	445	449	5,778	5,804	1,823	1,866
Incidentals	1	19	-15	-13	24	21	-51	-70
Incidentals:	1	19	-15	-13	24	21	-51	-70
Capital gains on building sales	0	19	0	19	23	21	23	21
Divesture Telindus France	1	-	1	-	1	-	1	-
Early Leave Plan and Collective Agreement	-	-	-15	-8	-	-	-70	-41
M&A-related transaction costs	-	-	-1	-3	-	-	-6	-8
Enterprise software impairment & settlement	-	-	-	-22	-	-	-	-22
Reversal rent provision Telindus UK	-	-	-	-	-	-	1	-
Update provision Tax on Pylons (previous years)	-	-	-	1	-	-	-	-20

8.3 Quarterly results tables (IAS 18 unless otherwise stated)

8.3.1 Group – Financials

(EUR million)	Q117	Q217	Q317	Q417	2017	Q118	Q218	Q318	Q418	2018
REPORTED										
Revenues	1,444	1,417	1,463	1,478	5,802	1,441	1,454	1,443	1,488	5,826
EBITDA	428	445	468	431	1,772	443	460	457	436	1,796
UNDERLYING										
Revenues per Segment	1,443	1,417	1,441	1,477	5,778	1,441	1,454	1,441	1,469	5,804
Domestic	1,111	1,105	1,105	1,137	4,458	1,121	1,114	1,095	1,128	4,458
Consumer	720	727	729	734	2,909	731	725	715	726	2,898
Enterprise	349	343	340	369	1,400	351	351	347	366	1,415
Wholesale	52	48	56	51	207	48	50	53	51	201
Other (incl. eliminations)	-9	-13	-20	-17	-58	-8	-13	-21	-15	-57
International Carrier Services (BICS)	332	312	336	339	1,320	319	340	347	341	1,347
Costs of materials and charges to revenues (*)	-545	-516	-539	-565	-2,166	-524	-522	-522	-554	-2,122
Direct Margin	898	901	901	912	3,612	917	932	920	914	3,683
Direct Margin %	*62.2%*	*63.6%*	*62.6%*	*61.7%*	*62.5%*	*63.6%*	*64.1%*	*63.8%*	*62.3%*	*63.5%*
Total expenses before D&A	-449	-436	-437	-466	-1,789	-462	-440	-449	-465	-1,816
EBITDA	449	464	464	445	1,823	454	493	470	449	1,866
Segment EBITDA margin %	*31.1%*	*32.8%*	*32.2%*	*30.2%*	*31.6%*	*31.5%*	*33.9%*	*32.6%*	*30.6%*	*32.2%*

(*) referred to as "Cost of sales" in the document

Product view

(EUR million)	Q117	Q217	Q317	Q417	2017	Q118	Q218	Q318	Q418	2018
Revenues	1,443	1,417	1,441	1,477	5,778	1,441	1,454	1,441	1,469	5,804
Domestic	1,111	1,105	1,105	1,137	4,458	1,121	1,114	1,095	1,128	4,458
Fixed	505	502	500	500	2,007	506	502	497	497	2,001
Fixed Services	496	494	491	491	1,972	498	494	489	490	1,972
Voice	188	182	177	175	721	177	171	166	164	677
Data (Internet & Data Connectivity)	214	216	217	219	866	222	224	225	225	896
TV	95	96	97	98	385	99	99	99	101	399
Fixed Terminals (excl. TV)	9	9	9	8	34	8	8	7	7	30
Mobile	366	373	374	381	1,493	371	371	364	371	1,476
Mobile Services	321	326	327	322	1,296	314	323	326	318	1,280
Postpaid	294	298	302	300	1,195	294	302	307	301	1,203
Prepaid	27	28	25	22	101	20	21	19	17	77
Mobile Terminals	45	47	47	58	198	56	48	38	54	196
ICT	133	128	128	149	538	135	136	136	154	561
Advanced Business Services	6	6	7	9	28	7	7	9	8	30
Subsidiaries (Tango)	31	33	31	35	131	34	33	34	35	136
Other Products	27	27	28	30	112	30	27	24	27	108
Wholesale	52	48	56	51	207	48	50	53	51	201
Other segment (incl. eliminations)	*-9*	*-13*	*-20*	*-17*	*-58*	*-8*	*-13*	*-21*	*-15*	*-57*
International Carrier Services (BICS)	*332*	*312*	*336*	*339*	*1,320*	*319*	*340*	*347*	*341*	*1,347*

8.3.2 Consumer –Financials

X-Play view

(EUR million)	Q117 IFRS15 (pro forma)	Q217 IFRS15 (pro forma)	Q317 IFRS15 (pro forma)	Q417 IFRS15 (pro forma)	2017 IFRS15 (pro forma)	Q118 IFRS15 (pro forma)	Q218 IFRS15	Q318 IFRS15	Q418 IFRS15	2018 IFRS15
Revenues (underlying)	719	734	730	744	2,928	730	724	714	735	2,903
Net Revenue (underlying)	714	729	725	740	2,908	725	718	709	727	2,880
X-Play Revenues	583	589	586	585	2,343	588	589	586	585	2,348
4-Play	211	220	224	227	882	231	236	240	241	948
3-Play	174	172	169	168	682	168	166	163	162	659
Convergent	86	85	83	82	336	82	82	81	80	325
Fixed	87	87	86	86	346	85	84	83	82	334
2-Play	76	74	73	72	294	72	70	69	68	280
Convergent	22	21	21	20	84	20	20	20	19	79
Fixed	54	53	52	51	210	52	50	49	49	201
1-Play	123	123	120	118	485	117	116	114	113	460
1P Fixed Voice	28	26	26	25	105	25	24	23	22	94
1P internet	12	12	12	13	48	13	13	14	14	54
1P Mobile (Postpaid)	83	84	83	81	331	79	79	77	77	312
Mobile Prepaid	27	28	25	22	101	20	21	19	17	77
Terminals sales	46	49	49	56	200	52	45	37	50	184
Tango	26	28	28	32	114	28	28	29	31	116
Other net revenues	32	34	39	45	149	37	35	39	44	155
Other operating Income (underlying)	5	5	5	5	20	5	5	5	7	23
Costs of materials & charges to revenues	-172	-176	-181	-194	-722	-174	-161	-163	-185	-684
Direct Margin	547	558	549	551	2,206	556	563	551	550	2,219
Direct Margin %	*76.1%*	*76.1%*	*75.2%*	*74.0%*	*75.3%*	*76.1%*	*77.7%*	*77.2%*	*74.8%*	*76.5%*

*the Pro-Forma figures refer to:
1/ Adjustments to reflect the IFRS 15 impact on 2017 figures
2/ Following the application of GDPR[18] there was a limited impact on the reported household data for the Consumer segment in the second quarter 2018, with some information no longer being available to define the composition of households. To ease comparison, the data of 2017 and Q1'18 was adjusted accordingly, assuming a stable impact of GDPR over this period. The derived KPI's such as ARPH and RGU were also restated.

[18] General Data Protection Regulation. EU law enforced since 25 May 2018

Product view

(EUR million)	Q117	Q217	Q317	Q417	2017	Q118	Q218	Q318	Q418	2018
REPORTED										
Revenues	720	727	729	734	2,909	731	725	715	726	2,898
UNDERLYING										
Revenues	**720**	**727**	**729**	**734**	**2,909**	**731**	**725**	**715**	**726**	**2,898**
Fixed	**381**	**380**	**380**	**381**	**1,522**	**387**	**384**	**381**	**383**	**1,534**
Fixed Services	377	376	376	377	1,507	384	381	378	380	1,523
Voice	130	126	124	122	503	124	119	116	115	474
Data (Internet & Data Connectivity)	153	154	156	157	619	161	162	163	164	649
TV	95	96	97	98	385	99	99	99	101	399
Fixed Terminals (excl. TV)	4	4	4	4	15	3	3	3	3	12
Mobile	**281**	**288**	**289**	**290**	**1,148**	**281**	**282**	**278**	**282**	**1,122**
Mobile Services	242	247	248	243	979	237	243	246	237	963
Postpaid	215	219	223	221	878	217	222	227	220	887
Prepaid	27	28	25	22	101	20	21	19	17	77
Mobile Terminals	39	42	41	47	170	43	39	32	44	159
ICT	**7**	**7**	**7**	**7**	**28**	**8**	**7**	**7**	**7**	**29**
Subsidiaries (Tango)	27	29	28	31	114	29	29	30	31	118
Other Products	24	23	24	25	96	26	24	20	24	94
Costs of materials & charges to revenues	-173	-175	-178	-193	-720	-174	-159	-161	-185	-680
Direct Margin	**547**	**551**	**550**	**541**	**2,189**	**556**	**566**	**554**	**541**	**2,218**
Direct Margin %	*76.0%*	*75.9%*	*75.5%*	*73.7%*	*75.3%*	*76.2%*	*78.0%*	*77.4%*	*74.5%*	*76.5%*

8.3.3 Consumer Operationals

X-Play view – pro forma figures adjusted for IFRS15 and GDPR

	Q117 IFRS15 (pro forma)	Q217 IFRS15 (pro forma)	Q317 IFRS15 (pro forma)	Q417 IFRS15 (pro forma)	2017 IFRS15 (pro forma)	Q118 IFRS15 (pro forma)	Q218 IFRS15	Q318 IFRS15	Q418 IFRS15	2018 IFRS15
HH/SO per Play - Total (000's)	**2,990**	**2,998**	**2,984**	**2,979**	**2,979**	**2,977**	**2,979**	**2,959**	**2,956**	**2,956**
4-Play	636	658	670	683	683	697	711	721	731	731
3-Play	753	751	747	746	746	746	742	736	733	733
Convergent	267	262	259	258	258	257	256	255	256	256
Fixed	486	489	488	488	488	489	486	481	477	477
2-Play	429	421	415	411	411	402	397	391	387	387
Convergent	99	98	96	94	94	92	92	91	91	91
Fixed	330	323	319	317	317	310	305	299	295	295
1-Play	1,172	1,168	1,153	1,139	1,139	1,132	1,130	1,111	1,105	1,105
1P Fixed Voice	344	332	321	311	311	298	288	278	268	268
1P internet	131	133	135	139	139	143	145	146	151	151
1P Mobile	697	703	696	689	689	690	697	687	686	686
ARPH x - play (in EUR)	**65.1**	**65.6**	**65.3**	**65.4**	**65.3**	**65.9**	**66.2**	**65.7**	**65.8**	**65.9**
4-Play	113.2	113.6	112.4	112.1	112.8	111.5	111.7	111.8	110.7	111.4
3-Play	76.6	76.1	75.3	74.7	75.7	74.9	74.6	73.6	73.3	74.1
Convergent	106.0	106.9	106.0	105.8	106.2	106.6	106.1	105.4	104.6	105.7
Fixed	60.2	59.4	58.8	58.3	59.2	58.3	57.8	56.9	56.8	57.5
2-Play	58.5	58.1	57.9	57.9	58.1	59.3	58.7	58.4	58.5	58.7
Convergent	72.6	72.5	71.9	71.9	72.2	72.7	71.8	71.4	71.4	71.8
Fixed	54.3	53.8	53.6	53.7	53.8	55.3	54.8	54.5	54.5	54.8
1-Play	34.8	35.0	34.6	34.4	34.7	34.5	34.6	33.7	33.9	34.2
1P Fixed Voice	26.5	26.1	26.1	26.4	26.3	27.7	27.0	26.9	27.2	27.2
1P internet	30.2	30.0	30.2	30.4	30.2	31.0	31.1	31.0	31.3	31.1
1P Mobile	39.8	40.3	39.5	38.9	39.6	38.2	38.6	37.1	37.2	37.8
Average #RGUs per HH/SO - Total	**2.65**	**2.67**	**2.69**	**2.71**	**2.71**	**2.72**	**2.73**	**2.76**	**2.77**	**2.77**
4-Play	4.82	4.83	4.84	4.83	4.83	4.85	4.85	4.87	4.89	4.89
3-Play	3.31	3.31	3.31	3.31	3.31	3.31	3.30	3.31	3.31	3.31
Convergent	3.78	3.79	3.79	3.79	3.79	3.79	3.79	3.79	3.79	3.79
Fixed	3.06	3.06	3.06	3.05	3.05	3.05	3.05	3.05	3.06	3.06
2-Play	2.20	2.19	2.19	2.19	2.19	2.19	2.18	2.19	2.19	2.19
Convergent	2.54	2.54	2.54	2.53	2.53	2.53	2.52	2.52	2.51	2.51
Fixed	2.09	2.09	2.09	2.08	2.08	2.09	2.08	2.08	2.08	2.08
1-Play	1.22	1.22	1.22	1.22	1.22	1.22	1.22	1.22	1.22	1.22
1P Fixed Voice	1.06	1.06	1.06	1.06	1.06	1.06	1.06	1.06	1.06	1.06
1P internet	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
1P Mobile	1.34	1.34	1.34	1.34	1.34	1.33	1.33	1.34	1.34	1.34
Annualized full churn rate (HH/SO) - Total	**13.6%**	**11.5%**	**13.4%**	**13.1%**	**12.9%**	**14.5%**	**11.9%**	**13.6%**	**14.3%**	**13.6%**
4-Play	2.8%	2.5%	3.2%	3.0%	2.9%	3.6%	2.9%	3.4%	3.6%	3.4%
3-Play	10.2%	8.9%	10.1%	9.4%	9.7%	11.3%	9.3%	10.6%	10.9%	10.5%
2-Play	12.3%	10.5%	11.7%	10.7%	11.3%	13.4%	11.8%	13.1%	12.6%	12.7%
1-Play	21.8%	18.6%	21.9%	22.3%	21.1%	23.7%	19.4%	22.2%	24.0%	22.3%
% Convergent HH/SO - Total *	**55.1%**	**55.6%**	**55.9%**	**56.3%**	**56.3%**	**56.7%**	**57.2%**	**57.8%**	**58.3%**	**58.3%**
4-Play	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
3-Play	35.5%	34.9%	34.7%	34.6%	34.6%	34.4%	34.5%	34.7%	34.9%	34.9%
2-Play	23.1%	23.2%	23.1%	22.9%	22.9%	23.0%	23.1%	23.4%	23.6%	23.6%

* (i.e. % of HH/SO having Mobile + Fixed component)

Product view

	Q117	Q217	Q317	Q417	2017	Q118	Q218	Q318	Q418	2018
From Fixed										
Number of access channels (thousands)	3,872	3,885	3,877	3,883	3,883	3,881	3,870	3,862	3,862	3,862
Voice	2,066	2,063	2,048	2,036	2,036	2,020	2,002	1,986	1,969	1,969
Broadband	1,806	1,821	1,829	1,847	1,847	1,861	1,868	1,877	1,894	1,894
TV unique customers (thousands)	1,516	1,533	1,543	1,560	1,560	1,575	1,584	1,595	1,611	1,611
ARPU (EUR)										
ARPU Voice	21.0	20.4	20.1	19.9	20.4	20.4	19.8	19.4	19.3	19.7
ARPU broadband	28.4	28.3	28.4	28.4	28.4	28.9	28.9	29.0	28.9	28.9
ARPU TV	20.9	20.8	20.9	21.0	20.9	20.9	20.9	20.8	20.9	20.9
From Mobile										
Number of active customers (thousands)	3,646	3,631	3,552	3,552	3,552	3,533	3,528	3,519	3,509	3,509
Prepaid	1,057	998	909	901	901	870	832	806	772	772
Postpaid	2,589	2,633	2,643	2,651	2,651	2,663	2,695	2,713	2,737	2,737
Annualized churn rate										
Prepaid	39.0%	38.5%	n.r.	24.3%	n.r.	29.0%	34.7%	34.7%	33.7%	32.9%
Postpaid	15.1%	13.3%	16.3%	17.1%	15.6%	17.3%	14.2%	15.8%	15.9%	15.8%
Blended	22.7%	21.0%	n.r.	19.1%	23.9%	20.4%	19.5%	20.5%	20.3%	20.2%
Net ARPU (EUR)										
Prepaid	8.1	9.0	8.7	8.2	8.5	7.6	8.2	7.6	7.2	7.6
Postpaid	27.9	28.0	28.3	27.8	28.0	27.3	27.7	28.0	27.0	27.5
Blended	22.0	22.6	23.1	22.8	22.6	22.4	23.0	23.3	22.6	22.8
Average Mobile data usage user/month (Mb)										
4G	1,303	1,407	1,546	1,625		1,818	2,163	2,137	2,541	
Blended	1,083	1,192	1,330	1,414		1,614	1,922	1,924	2,301	

8.3.4 Enterprise – Financials

(EUR million)	Q117	Q217	Q317	Q417	2017	Q118	Q218	Q318	Q418	2018
REPORTED										
Revenues	349	343	340	369	1,400	351	351	347	370	1,420
UNDERLYING										
Revenues	349	343	340	369	1,400	351	351	347	366	1,415
Fixed	124	122	119	119	484	119	118	116	115	467
Fixed Services	119	118	115	114	465	114	113	111	110	449
Voice	57	55	53	52	218	53	51	49	49	203
Data (Internet & Data Connectivity)	62	62	61	62	247	61	62	62	61	246
Fixed Terminals (excl. TV)	5	5	5	5	19	5	5	5	4	18
Mobile	85	85	85	90	345	90	89	86	89	354
Mobile Services	79	79	79	79	317	77	80	80	80	317
Mobile Terminals	6	5	6	11	28	13	9	6	9	37
ICT	126	121	121	141	509	127	129	129	147	532
Advanced Business Services	6	6	7	9	28	7	7	9	8	30
Subsidiaries (Tango)	4	4	3	5	17	5	4	4	4	18
Other Products	3	4	4	4	16	4	3	4	3	14
Costs of materials and charges to revenues	-111	-104	-106	-125	-445	-115	-112	-106	-120	-453
Direct Margin	238	239	234	244	955	237	239	241	246	962
Direct Margin %	68.3%	69.7%	68.8%	66.1%	68.2%	67.4%	68.0%	69.4%	67.2%	68.0%

8.3.5 Enterprise – Operationals

	Q117	Q217	Q317	Q417	2017	Q118	Q218	Q318	Q418	2018
From Fixed										
Number of access channels (thousands)	746	735	724	715	715	701	692	682	672	672
Voice	609	599	589	580	580	567	559	549	541	541
Broadband	137	137	135	135	135	134	133	133	131	131
ARPU (EUR)										
ARPU Voice	31.2	30.5	29.9	29.8	30.4	31.0	30.3	29.7	29.9	30.2
ARPU Broadband	42.8	43.3	43.2	43.4	43.2	43.3	43.5	44.0	44.0	43.7

	Q117	Q217	Q317	Q417	2017	Q118	Q218	Q318	Q418	2018
From Mobile										
Number of mobile cards (thousands)	2,132	2,155	2,173	2,197	2,197	2,222	2,251	2,295	2,355	2,355
Among which voice and data cards	952	965	975	988	988	999	1,010	1,021	1,028	1,028
Among which M2M	1,180	1,190	1,198	1,209	1,209	1,223	1,241	1,273	1,327	1,327
Annualized churn rate (blended)	10.6%	10.5%	9.4%	10.4%	10.2%	9.7%	8.9%	9.0%	10.8%	9.6%
Net ARPU (EUR)										
Postpaid	26.9	26.6	26.3	26.1	26.5	24.8	25.5	25.2	25.0	25.1
Average Mobile data usage user/month (Mb)										
4G	1,266	1,345	1,412	1,480		1,647	1,905	1,804	1,880	
Blended	1,094	1,180	1,254	1,328		1,499	1,745	1,669	1,749	

8.3.6 Wholesale – Financials

(EUR million)	**Q117**	**Q217**	**Q317**	**Q417**	**2017**	**Q118**	**Q218**	**Q318**	**Q418**	**2018**
REPORTED										
Revenues	52	48	56	51	207	48	50	53	51	201
UNDERLYING										
Revenues	**52**	**48**	**56**	**51**	**207**	**48**	**50**	**53**	**51**	**201**
Costs of materials and charges to revenues	-7	-7	-11	-7	-32	-7	-9	-11	-9	-36
Direct Margin	**45**	**41**	**46**	**43**	**175**	**41**	**41**	**42**	**41**	**165**
Direct Margin %	*86.4%*	*86.2%*	*81.2%*	*85.4%*	*84.7%*	*85.4%*	*82.5%*	*78.9%*	*81.5%*	*82.0%*

8.3.7 Retail Operationals and MVNO customers reported in Wholesale

	Q117	Q217	Q317	Q417	2017	Q118	Q218	Q318	Q418	2018
From Fixed										
Number of access channels (thousands)										
Voice (1)	8	8	8	8	8	8	8	8	7	7
Broadband (1)	1	1	1	1	1	1	1	1	1	1
From Mobile										
Number of active Mobile customers (thousands)										
Retail (1)	9	9	9	8	8	8	9	9	7	7
MVNO	17	19	21	21	21	22	23	23	23	23

(1) i.e. Proximus retail products sold via Wholesale (OLO's own usage and reselling)

8.3.8 BICS – Financials

(EUR million)	Q117	Q217	Q317	Q417	2017	Q118	Q218	Q318	Q418	2018
REPORTED										
Revenues	332	312	336	339	1,320	319	340	347	341	1,347
Segment Result	31	33	37	37	139	34	39	39	40	152
UNDERLYING										
Revenues	332	312	336	339	1,320	319	340	347	341	1,347
Revenues from Voice	262	241	251	249	1,003	226	240	238	234	939
Revenues from non-Voice	70	71	85	90	317	93	100	108	107	408
Costs of materials and charges to revenues	-268	-245	-266	-261	-1,041	-242	-261	-267	-260	-1,030
Direct Margin	64	67	70	78	279	77	79	80	81	317
Direct Margin from Voice	29	30	29	35	123	34	34	33	34	135
Direct Margin from non-Voice	36	37	40	43	156	43	45	47	47	182
Direct Margin %	*19.4%*	*21.5%*	*20.8%*	*23.0%*	*21.2%*	*24.0%*	*23.4%*	*23.0%*	*23.8%*	*23.6%*
Total expenses before D&A	-31	-33	-32	-41	-137	-42	-41	-40	-41	-164
Workforce expenses	-18	-17	-17	-21	-72	-23	-23	-22	-23	-91
Non Workforce expenses	-14	-16	-15	-20	-65	-19	-18	-19	-17	-73
Segment result	33	34	38	37	143	35	39	39	41	154
Segment contribution margin %	*9.9%*	*11.0%*	*11.2%*	*11.0%*	*10.8%*	*10.9%*	*11.4%*	*11.4%*	*11.9%*	*11.4%*

8.3.9 BICS - Operationals

Volumes in million	Q117	Q217	Q317	Q417	2017	Q118	Q218	Q318	Q418	2018
Voice	6,118	5,907	6,241	6,118	24,385	5,997	6,001	6,135	6,330	24,463
Non-Voice (Messaging)	879	939	1,101	1,909	4,828	2,457	2,453	2,578	2,687	10,174

8.4 Definitions

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.

General and Administrative expenses (G&A): Domestic expenses excluding Marketing, Sales and Servicing and Network and IT expenses, i.e. mainly overheads.

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.

Marketing, Sales and Servicing expenses: all expenses related to Consumer, Enterprise and Wholesale customers, including remote servicing.

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.

Network and IT expenses: all IT and Network-related expenses, including interventions at customer premises.

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

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.

RGU: Revenue Generating Unit. 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).

8.5 Management statement

The Proximus Executive Committee declares that to the best of its knowledge, the interim condensed consolidated financial statements, established in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU, give a true and fair view of the assets, financial position and results of Proximus and of the entities included in the consolidation. The financial report gives an accurate overview of the information that needs to be disclosed. The Executive Committee is represented by Dominique Leroy, Chief Executive Officer, Sandrine Dufour, Chief Financial Officer, Bart Van Den Meersche, Chief Enterprise Market Officer, Guillaume Boutin, Chief Consumer Market Officer, Geert Standaert, Chief Technology Officer, Renaud Tilmans, Chief Customer Operations Officer, Jan Van Acoleyen, Chief Human Resources Officer, and Dirk Lybaert, Chief Corporate Affairs Officer.

8.6 Financial calendar (dates could be subject to change)

11 April 2019	Start of quiet period ahead of Q1 2019 results
17 April 2019	Annual General Meeting
3 May 2019	Announcement of Q1 2019 results
8 July 2019	Start of quiet period ahead of Q2 2019 results
30 July 2019	Announcement of Q2 2019 results
7 October 2019	Start of quiet period ahead of Q3 2019 results
25 October 2019	Announcement of Q3 2019 results

8.7 Contact details

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8.8 Investor & analyst Conference Call and Webcast

Analyst conference call details

Proximus will host a webcast and conference call for investors and analysts on Friday 1 March 2019.

Time: 02:00pm Brussels – 01:00pm London – 08:00am New York

Dial-in UK	+44 20 7194 3759
Dial-in USA	+1 646 722 4916
Dial-in Europe	+32 2 403 5816
Code	22629284#

If you want to follow the webcast, please register here.