

# Quarterly Report

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2019 Q1

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- Further traction of All-in offers Tuttimus and Bizz All-in, bringing subscriber total to 538,000.
- Continued growth of Domestic customer base in a highly competitive setting: +8,000 Fixed Internet, +7,000 TV, + 25,000 Postpaid cards.
- Low-margin terminals revenue aside, the underlying Domestic revenue was 0.9% lower YoY.
- Underlying Domestic Direct Margin +0.9%, EBITDA +2.2% from the first quarter of 2018.
- Solid first quarter 2019 FCF of EUR 143 million, acquisition impact excluded.
- Full-year 2019 outlook for stable underlying Group EBITDA reiterated. When excluding low-margin terminals revenue, underlying Domestic revenue still expected to be nearly stable.

## 1 Highlights Q1 2019

- The Proximus Group ended the first quarter of 2019 with underlying revenue of EUR 1,415 million (-1.8%). For its Domestic operations, Proximus posted underlying revenue of EUR 1,096 million, 2.2% below that of the same period of 2018, of which more than half was due to lower Mobile terminals sales, and including a further erosion of mobile inbound revenue, both having no effect on margin. Terminal revenue aside, the first quarter underlying Domestic revenue closed 0.9% below that of the prior year.
- Proximus' Domestic underlying Direct Margin progressed to EUR 847 million, up by 0.9% from the prior year including a net EUR -2 million regulatory impact from lowered Fixed Termination Rates. The margin improvement resulted from a growing customer base, upselling, residential price indexations and the acquired ICT companies. Since the Domestic revenue erosion was for a large part on low-margin revenue streams, Proximus improved its Domestic Direct Margin as percent of revenue by 2.4 p.p from one year ago, reaching 77.3% for the first quarter 2019.
- Benefitting from an improved Direct Margin, Proximus' Domestic operations posted EUR 428 million underlying EBITDA, up by 2.2% from the first quarter of 2018. This includes flattish expenses of EUR 419 million (-0.3%). Within the mix, lower marketing expenses and ongoing cost efficiencies reduced the Domestic non-workforce expenses by 2.3%, while Domestic workforce expenses were up by 0.9% driven by acquisition-related headcount in the ICT domain.
- Proximus' carrier services, BICS, posted stable first-quarter revenue of EUR 319 million. Driven by growing SMS A2P volumes and the realization of direct cost synergies through the BICS-TeleSign combination, BICS achieved a 2.8% increase in Direct Margin and a 1.3% increase in EBITDA.
- In aggregate the underlying EBITDA of the Proximus Group for the first quarter 2019 totaled EUR 463 million, a 2.1% increase compared with the same period of 2018, benefitting from the EBITDA progress in Proximus' Domestic operations.
- Proximus Group invested EUR 219 million in the first quarter 2019, spectrum capex excluded. Proximus invested a.o. in its Fiber for Belgium project, with the roll-out now ongoing in 10 cities, in its mobile network to provide a high-quality mobile service while coping with a persisting increase in data usage, in new digital platforms and the multi-year modernization of Proximus' transport network.
- Proximus' first quarter 2019 FCF totaled EUR 112 million, or EUR 143 million when excluding the cash-out related to the increased ownership in Be-Mobile. On a like-for-like basis, the FCF is EUR 59 million higher compared to the first quarter 2018 including lower cash needed for business working capital, the benefit from underlying EBITDA growth and lower interest payments.

+5,000 4-Play HH/SO, total of 737,000  
+7,000 TV-customers, total of 1,626,000  
+8,000 Fixed Internet lines, total of 2,065,000  
-37,000 Fixed Voice lines, total of 2,513,000  
+25,000 Mobile Postpaid cards, 4,041,000 in total  
-39,000 Mobile Prepaid cards, 783,000 in total

A positive Internet and TV momentum was kept for both the Proximus and Scarlet brands, despite more limited commercial means spent in the first quarter.

The Enterprise segment achieved strong Postpaid growth, while the Consumer segment's Postpaid customer base remained stable due to fewer Prepaid migrations in the first quarter and stiff competition.



**Dominique Leroy**  
CEO Proximus Group



In the Consumer market we continued to attract customers on our main products, supported by our dual brand strategy and segmented offers. We grew our convergent customer base further, with customers benefitting from our attractive content and our gradually expanding fiber footprint. Especially our all-in offers continue to thrive with our Tuttimus and Bizz All-in base now reaching 538,000 subscribers.

The mobile market remains, also in the first quarter, very competitive. At the same time changing customer behavior, with usage moving more and more to communication apps, is lowering revenue from inbound.

I am very satisfied with our achievements in the B2B segment, closing a strong quarter with another solid increase in its mobile base and the acquired companies living up to expectations. We bring a strong offer to our Enterprise customers, providing solutions to help them in their digital transformation. In this view, I'm pleased we have increased our ownership in Be-Mobile, the Benelux market leader in the field of "smart mobility" and which strengthened its position in the automotive industry through the acquisition of Mediamobile in November 2018.

Following the recent declining trend in the business of reselling standalone mobile devices, we have refocused our revenue outlook to 'Domestic revenue excluding Terminals'. This strategically more valuable revenue is expected to remain nearly stable to the prior year. We reiterated our full-year outlook for stable underlying Group EBITDA, including a slight growth in underlying Domestic EBITDA.

We are confident that our #shifftodigital strategy will enable us to progress further in an increasingly competitive market and will deliver the foreseen savings over the coming years. Regarding our transformation plan, the discussions with the social partners are still ongoing and we hope to enter in a negotiation phase soon.



- The financial results of the Proximus Group are reported under the accounting standards IFRS 15 and, as of 2019 under IFRS 16 (replacing IAS 17).

When applying IFRS 16 as from 2019, Proximus opted for the simplified transition method. No restatement of the prior year was done. However, to allow for a meaningful year-on-year comparison, and the consistency of performance measures, Proximus adjusted its performance measures commented in Sections 1 to 6 of this report.

- The definition of "Underlying" was adjusted to include, as of 2019, the lease depreciation & interest.
  - Capex excludes, as of 2019, the Acquisition of right of Use of Assets
  - FCF is defined as Cash flow before financing activities, but after lease payments.
  - Besides the Net Finance Position, Proximus reports an Adjusted Net Finance Position excluding all lease liabilities.
- Segment reporting changes
    - Simplified Consumer revenue structure reflecting the high convergence rate of the revenue base.
    - Tango Luxembourg Fixed park included in the Group total.
    - Minor change to the Enterprise revenue structure.

For further information, see also the Q1 2019 results presentation: [link](#)

## 2 Proximus Group financial review

### 2.1 Group financials

Table 1:  
Underlying Group  
P&L

(EUR million)	1st Quarter		
	2018	2019	% Change
Revenue <sup>1</sup>	1,440	1,415	-1.8%
Net Revenue	1,428	1,402	-1.8%
Other Operating Income	12	13	8.9%
Cost of Sales <sup>2</sup>	-525	-489	-6.7%
Direct Margin	916	926	1.1%
Direct Margin %	63.6%	65.4%	1.8 p.p.
Expenses	-462	-463	0.1%
EBITDA	453	463	2.1%
EBITDA Margin %	31.5%	32.7%	1.2 p.p.

<sup>1</sup> Referred to as "Total Income" in the reported figures, see section 7

<sup>2</sup> Referred to as "Cost of materials and charges to revenues" in the reported figures, see section 7

#### 2.1.1 Underlying Group revenue

For the first quarter of 2019, Proximus posted **Domestic underlying revenue** of EUR 1,096 million (table 2). This is 2.2% or EUR 25 million below that of the same period of 2018, of which more than half was due to lower Mobile terminal sales, with no negative effect on margin. This is chiefly related to the declining business of reselling standalone mobile terminals to indirect sales channels. The terminals revenue aside, the first quarter Domestic underlying revenue totaled EUR 1,028 million, 0.9% below that of the prior year.

Revenue from **Telecom services** totaled for the first quarter 2019 EUR 789 million, 1% lower than that of the prior year. Revenue from **Fixed Services** ended 0.9% lower year-on-year, chiefly driven by a continued erosion in Fixed Voice lines and traffic. In contrast, the growing customer base of both Broadband and TV contributed positively, with a year-on-year customer increase of 2.0% and 2.8% respectively.

For **Mobile Services**, Proximus posted EUR 296 million of revenue, i.e. a 1.2% year-on-year decline. Within the mix, Proximus total mobile Postpaid revenue was slightly positive (+0.4%) in relation to the prior year, in spite of lower inbound revenue. The 3.4% year-on-year growth in Proximus' mobile Postpaid customer base compensated for a lower mobile Postpaid ARPU in both the Consumer and Enterprise segments. The revenue from mobile Prepaid (-23.4%) was further impacted by both a lower ARPU and a continued decline in the Prepaid base.

In the first quarter 2019 Proximus continued to benefit from its expanded ICT portfolio, accelerating its strategy to bring full end-to-end solutions to its business customers. This led to a **6.5% ICT revenue growth for the Group**, reaching EUR 139 million in the first quarter 2019.

Proximus' **Wholesale segment** reported revenue of EUR 42 million for the first quarter 2019, a 10.8% or EUR 5 million decrease from one year ago. This was chiefly the result of lowered Fixed Termination Rates, with these new regulated tariffs taking effect on 1 January 2019.

**Tango**, Proximus' Luxembourgish subsidiary, posted EUR 35 million revenue for the first quarter 2019, a 3.1% or EUR 1 million decrease compared to the prior year. The solid increase in service revenue, driven by a steady growth in mobile postpaid base and the successful execution of its Fiber strategy increasing the broadband base, was offset by less mobile devices revenue.

With Proximus' carrier services, **BICS**, posting first-quarter revenue of EUR 319 million, i.e. stable (-0.1%) in relation to the comparable period in 2018, the **Proximus Group** ended the first quarter of 2019 with underlying revenue of EUR 1,415 million, -1.8% from the prior year.

Table 2: Underlying Group Revenue by Segment

(EUR million)	1st Quarter		
	2018	2019	% Change
<b>Group Underlying by Segment</b>	<b>1,440</b>	<b>1,415</b>	<b>-1.8%</b>
Domestic	1,121	1,096	-2.2%
Consumer	730	708	-31%
Enterprise	351	357	1.6%
Wholesale	48	42	-10.8%
Other (incl. eliminations)	-8	-11	-33.9%
International Carrier Services (BICS)	319	319	-0.1%

More precisely, the first-quarter 2019 underlying revenue variance included following changes in the Consumer and Enterprise segment:

- The Consumer segment posted total revenue of EUR 708 million, a decrease of EUR 22 million, with about half of this associated with lower revenue from mobile device sales at low margin. The remaining half of the Consumer revenue decline is mainly explained by lower proceeds from customer reminder fees<sup>1</sup> posted in "Other Products" and the further erosion of (low margin) inbound revenue and Prepaid, reflected in Mobile services. These effects offset the ongoing positive effect from upselling to 4-Play.
- The Enterprise segment closed the first quarter 2019 with EUR 357 million in revenue, progressing by 1.6% on the comparable base in 2018. This was for a large part driven by ICT, with revenue increasing by 6.7%, benefitting from the contribution from small, specialized companies acquired over the past 12 months. Revenue from mobile services continued its growing trend, up by 2.3% for the first quarter of 2019, fully driven by a 4.9% year-on-year increase of its mobile customer base.

<sup>1</sup> Following a law change mid-2018. See section 2.2

Table 3: Underlying Group Revenue by Product nature

Note: In line with Proximus' strategy, most products are sold through multi-Play Packs. The Packs are sales arrangements with multiple deliverables. The revenue is allocated to the different services (fixed and mobile), based on their relative standalone selling prices, being the amount for which the services could be sold separately. The revenue allocation per nature as reported in this report might be impacted by changes in the composition of multi-Play offers.

The resulting ARPU's as reported in this document, and the variances compared to preceding periods, are therefore partly the mere mathematical consequence of the application of this accounting policy to a changed Pack composition.

(EUR million)	1st Quarter		
	2018	2019	% Change
<b>REVENUES</b>	<b>1,440</b>	<b>1,415</b>	<b>-1.8%</b>
<b>Domestic</b>	<b>1,121</b>	<b>1,096</b>	<b>-2.2%</b>
<b>Other Operating Income</b>	<b>11</b>	<b>12</b>	<b>9.5%</b>
<b>Net Revenues</b>	<b>1,110</b>	<b>1,084</b>	<b>-2.3%</b>
Telecom	917	892	-2.7%
Services	797	789	-1.0%
From Fixed	497	492	-0.9%
From Mobile	300	296	-1.2%
Postpaid	280	281	0.4%
Prepaid	20	15	-23.4%
Terminals	84	68	-18.4%
Tango	36	35	-3.1%
ICT	131	139	6.5%
Advanced Business Services	6	10	50.2%
Other Products	21	16	-23.6%
Wholesale	48	42	-10.9%
Other segment (incl. elim)	-12	-15	-23.5%
<b>BICS Total Income</b>	<b>319</b>	<b>319</b>	<b>-0.1%</b>
<b>Costs of Sales</b>	<b>-525</b>	<b>-489</b>	<b>-6.7%</b>
<b>Segment Direct Margin</b>	<b>916</b>	<b>926</b>	<b>1.1%</b>
Direct Margin %	63.6%	65.4%	1.8 p.p.

Table 4: Group operationals per product

(000's)	PARK			NET ADDS	
	Q1'18	Q1'19	% Change	Q1'18	Q1'19
Fixed Voice	2,626	2,513	-4.3%	-28	-37
Internet	2,025	2,065	2.0%	15	8
TV	1,583	1,626	2.8%	15	7
Mobile Postpaid	3,907	4,041	3.4%	25	25
M2M	1,226	1,432	16.8%	14	101
Mobile Prepaid	924	783	-15.3%	-32	-39

## 2.1.2 Underlying Group direct margin

Table 5: Underlying Group direct margin by Segment

(EUR million)	1st Quarter		
	2018	2019	% Change
<b>Group Underlying by Segment</b>	<b>916</b>	<b>926</b>	<b>1.1%</b>
Domestic	839	847	0.9%
Consumer	556	558	0.3%
Enterprise	237	247	4.2%
Wholesale	41	35	-14.8%
Other (incl. eliminations)	6	8	37.5%
International Carrier Services (BICS)	77	79	2.8%

The underlying Direct margin of the **Proximus Group progressed by 1.1% to EUR 926 million for the first quarter of 2019**, i.e. 65.4% of revenue.

**For its Domestic operations, Proximus posted first-quarter 2019 direct margin of EUR 847 million, +0.9%** or EUR 8 million above that of the comparable period of 2018. This includes a EUR -2 million regulation impact on direct margin from lowered Fixed Termination Rates, with the negative impact posted in the Wholesale segment partially offset in the Consumer and Enterprise segments.

The first quarter direct margin progress was chiefly achieved in the Enterprise segment, which posted a 4.2% direct margin increase. In spite of the lower revenue, the Consumer segment direct margin progressed slightly (+0.3%) compared to the prior year.

For the first quarter of 2019, **BICS posted a direct margin of EUR 79 million, up by 2.8%** compared to the prior year, with a positive variance in both the Voice and non-Voice direct margin.

## 2.1.3 Underlying Group expenses<sup>2</sup>

Table 6: Underlying Group expenses

(EUR million)	1st Quarter		
	2018	2019	% Change
<b>Group Underlying</b>	<b>462</b>	<b>463</b>	<b>0.1%</b>
Workforce expenses	296	300	1.4%
Non Workforce expenses	166	162	-2.2%
<b>Domestic Underlying</b>	<b>420</b>	<b>419</b>	<b>-0.3%</b>
Workforce expenses	273	276	0.9%
Non Workforce expenses	147	144	-2.3%
<b>BICS Underlying</b>	<b>42</b>	<b>44</b>	<b>4.1%</b>
Workforce expenses	23	25	8.6%
Non Workforce expenses	19	19	-1.3%

<sup>2</sup> Before D&A; excluding Cost of Sales; excluding incidentals.



**Proximus' Group underlying operating expenses for the first quarter 2019 remained broadly stable (+0.1%) at EUR 463 million.** This included higher operating expenses for BICS, +4.1%, driven by TeleSign workforce expenses.

For its Domestic operations, Proximus' expenses totaled EUR 419 million, 0.3% lower than the prior year. Within the mix, the Domestic non-workforce expenses decreased year-on-year by 2.3% as a result of lower commercial means spent in the first quarter of 2019 and ongoing company-wide efforts in achieving structural cost efficiencies.

The workforce expenses were up by 0.9%, driven by acquisition-related headcount in the ICT domain. The ICT hiring concerns mainly revenue-generating employees, offering consultancy- like services to ICT customers.

These acquired ICT companies aside, the Domestic workforce expenses would have come slightly down with wage increases (mainly driven by the October 2018 wage indexation) nearly offsetting the benefit from the Early leave plan ahead of retirement .

End-March 2019, the Proximus Group counted 13,086 FTEs, of which 12,305 FTEs Domestic headcount, including acquired companies. Over the first quarter 2019, the Group headcount decreased by 299 FTEs, mainly driven by the ongoing "Voluntary Early Leave before retirement"-program, pension and other natural outflow, partly offset by hiring.

### 1.1.1 Group EBITDA- reported and underlying

Table 7 :  
From reported  
to underlying  
EBITDA

(EUR million)	1st Quarter		
	2018	2019	% Change
Group reported EBITDA	442	477	nr
Lease depreciations	nr	-21	nr
Lease interest	nr	0	nr
Incidentals	11	7	nr
Group Underlying EBITDA	453	463	2.1%
Domestic	419	428	2.2%
BICS	35	35	1.3%

#### (1) Underlying Group EBITDA

As a result of the higher Domestic direct margin in the first quarter 2019, and flattish operating expenses, Proximus posted a 2.2% year-on-year increase in its underlying **Domestic EBITDA**, totaling EUR 428 million.

**BICS** posted a first-quarter 2019 EBITDA of EUR 35 million, a year-on-year increase of 1.3%. Therefore, in aggregate, the **Proximus Group's** first-quarter underlying EBITDA totaled EUR 463 million, a 2.1% increase compared with the same period of 2018.

#### (2) Total Reported Group EBITDA

In the first quarter of 2019, the Proximus Group recorded EUR 7 million negative EBITDA incidentals, mainly related to the ongoing Early leave plan ahead of retirement. See section 8.2 for more information on the incidentals.

Moreover, following the application of IFRS 16, the reported EBITDA of the first quarter 2019 no longer includes operating lease expenses for a total amount of EUR 21 million.

With incidentals included and operating lease expenses excluded, the Proximus Group's reported EBITDA totaled EUR 477 million for the first quarter 2019. This compares to a reported EBITDA of EUR 442 million for 2018.

## 1.1.2 Net income

### Depreciation and amortization

The first quarter 2019 depreciation and amortization totaled EUR 255 million excluding lease depreciation and EUR 276 million including lease depreciation. This compares to EUR 250 million for the same period of 2018, up by 1.9%, with the increase mainly due to 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 11 million for the first quarter 2019, down 7.8% from last year, mainly resulting from a bond replacement by a EUR 400 million EIB loan at lower interest rates mid-March 2018, and positive remeasurements to fair value.

### Tax expenses

The first quarter 2019 tax expenses amounted to EUR 52 million, i.e. an **effective tax rate of 27.27 %**. This is below the Belgian statutory tax rate of 29.58%, due to the application of Belgian general principles of tax law such as the patent income deduction and other R&D incentives, offset by non-deductible expenses for income tax purposes.

### Net income (Group share)

The first quarter net income was EUR 134 million, i.e. a 8.6% increase from prior year. This results mainly from a higher underlying Group EBITDA.

Table 8:  
From Group EBITDA to net income

	1st Quarter		
	2018	2019	% Change
(EUR million)	IAS 17	IFRS 16	
<b>Group reported EBITDA</b>	<b>442</b>	<b>477</b>	<b>nr</b>
Depreciation and amortization	-250	-255	1.9%
Lease depreciation	nr	-21	nr
<b>Operating income (EBIT)</b>	<b>192</b>	<b>201</b>	<b>4.5%</b>
Net finance costs (including lease interest)	-12	-11	-7.8%
Share of loss on associates	-1	0	nr
<b>Income before taxes</b>	<b>179</b>	<b>189</b>	<b>5.5%</b>
Tax expense	-51	-52	1.9%
<b>Net income</b>	<b>129</b>	<b>138</b>	<b>7.0%</b>
Non-controlling interests	5	3	-34.7%
<b>Net income (Group share)</b>	<b>124</b>	<b>134</b>	<b>8.6%</b>

## 1.1.3 Investments

Over the first 3 months of 2019, Proximus Group invested a fairly stable amount of EUR 219 million, excluding EUR 8 million of spectrum-related capex for Proximus Luxembourg<sup>3</sup>.

Proximus invested a.o. in new digital platforms, the ongoing multi-year modernization of its transport network and its Fiber for Belgium project. With the Fiber roll-out for the city of Aalst announced 19 March 2019, Fiber for Belgium is now ongoing in 10 cities. Furthermore, Proximus continued to invest in its mobile network to provide a high-quality mobile service while coping with a persisting increase in data usage. For the first quarter 2019 the average data usage was 2.5 GB/month, a year-on-year increase nearly 60%.

<sup>3</sup> Following a law change and Proximus Luxembourg spectrum meeting the conditions, this spectrum is recognized as an intangible asset for which the minimum amount is eligible for capitalization.

## 1.1.4 Cash flows

	1st Quarter		
	2018	2019	% Change
(EUR million)	IAS 17	IFRS 16	
Cash flows from operating activities	387	465	20.2%
Cash paid for Capex (*)	-302	-299	-11%
Cash flows used and provided in other investing activities	-6	-30	>100%
<b>Cash flow before financing activities</b>	<b>78</b>	<b>135</b>	<b>73.0%</b>
Lease payments	nr	-23	nr
<b>Free cash flow</b>	<b>78</b>	<b>112</b>	<b>43.2%</b>
Cash flows used and provided in financing activities other than lease payments	35	-131	<-100%
<b>Net increase/(decrease) of cash and cash equivalents</b>	<b>114</b>	<b>-19</b>	<b>&lt;-100%</b>

Table 9:  
Cash flows

\* Cash paid for acquisitions of intangible assets and property, plant and equipment.

Proximus' first quarter 2019 FCF totaled EUR 112 million, or EUR 143 million when excluding cash-out related to the acquisition of subsidiaries. This compares to EUR 84 million FCF for the first quarter 2018, adjusted for the acquisition of ION IP. The resulting year-on-year increase by EUR 59 million includes lower cash needed for business working capital (partly timing), the benefit from underlying EBITDA growth and lower interest payments following bond renewal at lower interest rates.

## 1.1.5 Balance sheet and shareholders' equity

Compared to year-end 2018 the goodwill increased with EUR 12 million mainly as a consequence of the provisional purchase price allocation of Mediamobile. The purchase price allocation for the companies acquired in 2018 is still provisional except for ION-IP and will be completed within 12 months after the respective acquisition dates.

Tangible and intangible fixed assets amount to EUR 4,182 million and remain in line with last year as the amount of investments more or less equals the depreciation and amortization charge of the year.

The shareholders' equity increased from EUR 3,005 million end-December 2018 to EUR 3,136 million end-March 2019 thanks to the net income (Group Share) of the period of EUR 134 million.

The initial application of IFRS 16 does not impact the equity as the Group selected to apply the simplified transition approach (see Section 7).

End-March 2019, Proximus' outstanding long-term debt (excluding lease liabilities) amounted to EUR 2,360 million, maintaining a solid financial position with an adjusted net financial position of EUR 2,030 million.

	As of 31 December 2018	As per 1 January 2019	As of 31 March 2019
(EUR million)	IAS 17	IFRS 16	IFRS 16
Investments, Cash and cash equivalents	344	344	325
Derivatives	5	5	6
<b>Assets</b>	<b>349</b>	<b>349</b>	<b>330</b>
Non-current liabilities (*)	-2,263	-2,475	-2,578
Current liabilities (*)	-234	-307	-74
<b>Liabilities</b>	<b>-2,497</b>	<b>-2,782</b>	<b>-2,652</b>
<b>Net financial position (*)</b>	<b>-2,148</b>	<b>-2,433</b>	<b>-2,321</b>
of which Leasing liabilities	-5	-290	-291
<b>Adjusted Net financial position</b>	<b>-2,143</b>	<b>-2,143</b>	<b>-2,030</b>

\* Including derivatives and leasing liabilities.

Table 10:  
Net financial  
position

## 2.2 Regulation

### Fixed Termination Rates (FTR)

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.

For the full-year 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

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 included favorable conditions for new entrants.

The final texts have not been approved yet. The whole process is now postponed until after the May elections and will be left to the future new Government. Therefore, the timing and the final conditions of the auctions remain uncertain.

### Review of the EU Telecom framework – new caps on intra-EU calls and SMS

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 Belgian regulators’ decisions 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, at the end of 2018, the BIPT held 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.

End March 2019, the BIPT also started the review of the wholesale regulation of broadband lines for businesses (high quality access market i.e. leased lines and similar services). In the draft submitted to consultation, Proximus is considered as sole operator having significant market power and subject to obligations. The BIPT proposes to maintain the obligations on access, transparency, non-discrimination imposed to Proximus by the previous market analysis of 2013 (pricing set in 2015). In addition, Proximus would be obliged to introduce a new offer for passive access to its fiber-optic network. In practice this passive access could be achieved a.o. by duct access and dark fiber. In areas where multiple networks are already present, a lighter regulatory touch is proposed. For these various wholesale services, Proximus would have to apply a “fair pricing” (similar to the one imposed for fiber in the broadband market of 2018). A final decision is expected before the end of this year.

### Consumer protection – reminder fees

A modification of the e-com law introduced new obligations in case of non-payment of invoices since 1 July 2018. 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.

## 2.3 Outlook and shareholder return

Based on the recent trend in the reselling business of standalone mobile devices, creating top line pressure while being margin-neutral, Proximus redefines its revenue metric for the full-year 2019 outlook, moving to ‘Domestic revenue excluding terminals’. This metric eliminates the volatility linked to the sales of standalone mobile devices and keeps focus on value. In a competitive market, Proximus anticipates its 2019 Domestic underlying revenue excluding terminals to remain nearly stable in relation to the prior year.

Proximus reiterates its outlook for stable underlying Group EBITDA, including a slight underlying Domestic EBITDA growth. It’s expected this will be offset by an unfavorable EBITDA effect on BICS following a renewed agreement 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<sup>4</sup> measures to reduce the Domestic underlying margin by an estimated EUR 20 million.

The Group Capex, spectrum excluded, 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 6 additional cities over the remainder of the year, on top of the 10 cities that are currently being deployed.

Table 11:  
Outlook

Guidance metric	FY18 Actuals	FY19 Guidance	FY19 Revised Guidance	Q119 Actuals
Domestic underlying revenue	€4,460m	nearly stable		
Domestic underlying revenue excluding terminals	€4,153m		nearly stable	-0.9%
Group underlying EBITDA	€1,865m	stable	stable	+2.1%
Capex (excluding Spectrum)	€1,019m	stable	stable	€219m

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.

<sup>4</sup> International calling for Consumers as of May 2019 and Fixed Termination Rates as of January 2019

## 3 Consumer

- Keeping good Internet and TV momentum for both brands, despite low promotional activity.
- Postpaid customer base stable due to fewer Prepaid migrations in Q1 and stiff competition.
- Further upselling to all-in offers, bringing Tuttimus and Bizz All-in base to 538,000.
- Value-accretive customer mix: growing 4-Play, RGU +2% and ARPH +1.2% to EUR 66.7.
- Decrease in device and inbound revenue, without margin impact.
- Direct margin at 78.8% of revenue, +2.7pp year-on-year.

### 3.1 Consumer revenue

Lower mobile device sales and decreasing inbound revenue, without Direct Margin impact.

For the first quarter 2019, Proximus posted for its **Consumer segment a total revenue of EUR 708 million. This compares to EUR 730 for 2018, a decrease of 3.1% or EUR 22 million** (see tables 13-14). About half of the year-on-year decline was associated with lower revenue from mobile device sales at a low-margin. This was chiefly related to the declining business of reselling standalone mobile devices. The remaining half of the Consumer revenue decline is mainly explained by lower proceeds from customer reminder fees<sup>5</sup> posted in “Other Products” following a law change mid-2018 and the further erosion in (low margin) inbound revenue, reflected in Mobile services.

Stable Postpaid revenue, Prepaid lower.

For the first quarter 2019, Proximus posted **EUR 218 million Mobile Services revenue**, 2.4% below that of the prior year. Setting the eroding inbound revenue aside, the Mobile service revenue was somewhat lower, driven by a reduced Prepaid base. The loss of out-of-bundle revenue following the move to unlimited data and voice since 1 November 2018 was largely compensated for by recurring revenue invoiced to customers. Moreover, Mobile postpaid revenue was supported by the year-on-year enlarged Mobile postpaid customer base, up by 2.8%, to reach 2,738,000 SIMs. In the first quarter 2019 the Postpaid base remained flattish, despite the churn at 16.7% being somewhat better than a year ago. The first quarter 2019 was marked by fewer Prepaid-Postpaid migrations, and stiff competition, with downwards adjusted competitor pricing and steep promotions.

Stable Fixed Services revenue. TV and Internet compensating Fixed Voice erosion.

**Revenue from Fixed Services was stable** at EUR 382 million for the first quarter 2019. The ongoing erosion from Fixed Voice lines was compensated for by Internet and TV and was supported by the 1 January 2019 price indexation. In a competitive setting, Proximus gained customers over the past 12 months for its Internet offers, reaching a base of 1,901,000 subscribers, and for its TV offers, totaling 1,617,000 subscribers. In a low-marketing quarter, Proximus grew its Internet base (+8,000) and TV base (+7,000), supported by its dual-brand strategy.

Continued 4-Play upselling drives +1.2% ARPH increase.

Out of the EUR 708 million Consumer revenue in the first quarter 2019, EUR 590 million<sup>6</sup> was X-Play service revenue generated by Proximus' Households/Small Offices (HH/SO) base. The **X-Play revenue was up 0.3% from the prior year**. Revenue from convergent HH/SO<sup>7</sup> increased by 3.9% compared with the prior year and compensated for lower Mobile-only revenue (-2.4%) and Fixed-only revenue (-5.2%). The convergence revenue benefitted from the continued traction of the 4-Play offers. In the first quarter, Proximus added 29,000 customers to its Tuttimus and Bizz All-in offers, bringing the total base to 538,000. As a result, 73% of 737,000 4-Play HH/SO are now on Proximus' latest offers. The successful upselling strategy led to further improvement in RGU, up 2% to 2.78, and further growth in the ARPH, up by 1.2% to EUR 66.7.

<sup>5</sup> Proximus' collection process was adapted in view of improving the customer experience, reducing the number of reminders on open invoices. Reminder fees were lowered following a new legislation (see section 2.2).

<sup>6</sup> See table 14. Service revenue from HH/SO excludes Mobile prepaid, but includes ICT revenue.

<sup>7</sup> A convergent HH/SO subscribes to at least one Fixed and Mobile Proximus offer.

## 3.2 Consumer direct margin

For the first quarter 2019, the Consumer segment posted a **nearly stable direct margin (+0.3%)**, totaling EUR 558 million. This represents 78.8% of revenue, a 2.7 p.p. improvement compared to the prior year, driven by a better revenue mix, lower commercial means (mainly commissions) spent in the first quarter 2019 and a positive effect from increased digital adoption in the sales channel mix. This offset the continued erosion of prepaid and the impact of the new legislation on collection fees.

Table 12:  
Consumer revenue by nature and direct margin

(EUR million)	1st Quarter		
	2018	2019	% Change
<b>Revenue</b>	<b>730</b>	<b>708</b>	<b>-3.1%</b>
<b>Other Operating Income</b>	<b>5</b>	<b>6</b>	<b>11.3%</b>
<b>Net Revenue</b>	<b>725</b>	<b>702</b>	<b>-3.2%</b>
<i>Of Which X-Play Revenue</i>	588	590	0.3%
Service Revenue	606	600	-0.9%
From Fixed	382	382	-0.1%
From Mobile	223	218	-2.4%
Postpaid	203	202	-0.3%
Prepaid	20	15	-23.4%
Terminals (fixed and mobile)	66	54	-18.4%
<i>Of which revenue from joint offer devices (IFRS15 impact) *</i>	16	17	91%
Tango	28	28	-0.2%
ICT	8	8	3.8%
Other Products	18	12	-30.8%
<b>Costs of sales</b>	<b>-174</b>	<b>-150</b>	<b>-13.9%</b>
<b>Segment Direct Margin</b>	<b>556</b>	<b>558</b>	<b>0.3%</b>
<i>Direct Margin %</i>	76.1%	78.8%	2.7 p.p.

Estimated revenue from joint offer devices, previously recognized as service revenue.

Table 13:  
Consumer operationals by nature

	1st Quarter		
	2018	2019	% Change
<b>Park (000's)</b>			
Fixed voice lines	2,020	1,940	-3.9%
Broadband lines	1,861	1,901	2.1%
TV unique customers	1,575	1,617	2.7%
Postpaid cards	2,663	2,738	2.8%
Of which M2M	3	4	38.9%
Prepaid cards	870	735	-15.5%
<b>ARPH - all Plays (EUR)</b>	<b>65.9</b>	<b>66.7</b>	<b>1.2%</b>
<b>ARPU (EUR)</b>			
Mobile blended	21.0	20.9	-0.7%
Postpaid	25.5	24.7	-3.2%
Prepaid	7.6	6.9	-9.1%
<b>Annualized churn rate (blended)</b>	<b>20.4%</b>	<b>20.9%</b>	<b>0.5pp</b>
Postpaid	17.3%	16.7%	-0.6pp
Prepaid	29.0%	34.6%	5.6pp
<b>Average Mobile data usage user/month (Mb)</b>	<b>1,614</b>	<b>2,702</b>	<b>67.4%</b>

Table 14:  
Consumer  
X-Play view

	1st Quarter		
	2018	2019	% Change
<b>Revenues x - play (EUR million)</b>	<b>588</b>	<b>590</b>	<b>0.3%</b>
Convergent	334	347	3.9%
Mobile-only	79	77	-2.4%
Fixed-only	176	167	-5.2%
<b>4-Play</b>	<b>231</b>	<b>247</b>	<b>6.7%</b>
<b>3-Play</b>	<b>168</b>	<b>162</b>	<b>-3.1%</b>
Convergent	82	80	-2.2%
Fixed	85	82	-4.1%
<b>2-Play</b>	<b>72</b>	<b>68</b>	<b>-5.6%</b>
Convergent	20	20	-3.5%
Fixed	52	49	-6.4%
<b>1-Play</b>	<b>117</b>	<b>113</b>	<b>-3.6%</b>
1P Fixed Voice	25	22	-15.1%
1P internet	13	15	10.9%
1P Mobile	79	77	-2.4%
<b>HH/SO per Play - Total (000's)</b>	<b>2,977</b>	<b>2,948</b>	<b>-1.0%</b>
<b>4-Play</b>	<b>697</b>	<b>737</b>	<b>5.7%</b>
<b>3-Play</b>	<b>746</b>	<b>729</b>	<b>-2.2%</b>
Convergent	257	257	0.0%
Fixed	489	473	-3.3%
<b>2-Play</b>	<b>402</b>	<b>383</b>	<b>-4.9%</b>
Convergent	92	91	-1.6%
Fixed	310	292	-5.8%
<b>1-Play</b>	<b>1,132</b>	<b>1,099</b>	<b>-2.9%</b>
1P Fixed Voice	298	257	-13.9%
1P internet	143	154	8.0%
1P Mobile	690	688	-0.4%
<b>ARPH x - play (in EUR)</b>	<b>65.9</b>	<b>66.7</b>	<b>1.2%</b>
<b>4-Play</b>	<b>111.5</b>	<b>111.8</b>	<b>0.3%</b>
<b>3-Play</b>	<b>74.9</b>	<b>74.1</b>	<b>-1.0%</b>
Convergent	106.6	104.9	-1.5%
Fixed	58.3	57.6	-1.2%
<b>2-Play</b>	<b>59.3</b>	<b>59.1</b>	<b>-0.2%</b>
Convergent	72.7	71.9	-1.2%
Fixed	55.3	55.2	-0.2%
<b>1-Play</b>	<b>34.5</b>	<b>34.2</b>	<b>-0.8%</b>
1P Fixed Voice	27.7	27.3	-1.4%
1P internet	31.0	31.6	2.1%
1P Mobile	38.2	37.4	-2.1%
<b>Average #RGUs per HH/SO - Total</b>	<b>2.72</b>	<b>2.78</b>	<b>2.0%</b>
<b>4-Play</b>	<b>4.85</b>	<b>4.88</b>	<b>0.8%</b>
<b>3-Play</b>	<b>3.31</b>	<b>3.31</b>	<b>0.0%</b>
Convergent	3.79	3.78	-0.4%
Fixed	3.05	3.05	0.0%
<b>2-Play</b>	<b>2.19</b>	<b>2.18</b>	<b>-0.2%</b>
Convergent	2.53	2.50	-1.0%
Fixed	2.09	2.08	-0.1%
<b>1-Play</b>	<b>1.22</b>	<b>1.22</b>	<b>0.0%</b>
1P Fixed Voice	1.06	1.06	-0.2%
1P internet	1.00	1.00	0.0%
1P Mobile	1.33	1.33	-0.3%
<b>Annualized full churn rate (HH/SO) - Total</b>	<b>14.5%</b>	<b>15.3%</b>	<b>0.8pp</b>
<b>4-Play</b>	3.6%	4.1%	0.5pp
<b>3-Play</b>	11.3%	12.6%	1.4pp
<b>2-Play</b>	13.4%	15.6%	2.2pp
<b>1-Play</b>	23.7%	24.5%	0.9pp
<b>% Convergent HH/SO - Total *</b>	<b>56.7%</b>	<b>58.7%</b>	<b>1.9pp</b>
<b>4-Play</b>	100.0%	100.0%	
<b>3-Play</b>	34.4%	35.2%	0.8pp
<b>2-Play</b>	23.0%	23.8%	0.8pp

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



## 4 Enterprise

- Q1 2019 revenue up by 1.6%, with higher revenue from ICT, Advanced Business Services and Mobile services more than offsetting the erosion in legacy services.
- ICT revenue +6.7%, benefitting from acquired companies strengthening Proximus' ICT portfolio.
- Strong Mobile customer growth in competitive market: +19,000 Postpaid cards.
- Mobile Services revenue +2.3%, customer growth more than compensated ARPU pressure.
- Direct margin up by 4.2%, with higher margin from ICT, Mobile services and Advanced Business Services more than offsetting the legacy margin erosion.

### 4.1 Enterprise revenue

First quarter Enterprise revenue up by 1.6%.

For the first quarter 2019, **Proximus' Enterprise segment posted total revenue of EUR 357 million, a 1.6% or EUR 6 million improvement** over the prior year, despite a EUR 3 million decline from a high comparable base in Terminals revenue, at low margin.

ICT remains solid revenue driver. +6.7% including acquired companies.

**ICT remained a solid growth driver, with revenue up by 6.7%** to a total of EUR 132 million for the first quarter 2019. This includes the contribution from specialized companies acquired over the past 12 months<sup>8</sup>, enlarging Proximus' ICT portfolio and moving the company from pure connectivity towards digital transformation solutions for its professional customers.

Strong increase in Advanced Business Services following acquisition of Mediamobile.

Revenue from **Advanced Business Services was up by 50% year-on-year with, in particular, Proximus' subsidiary Be-Mobile, the Benelux market leader in the field of "smart mobility", posting higher revenue.** This was mainly driven by the acquisition of Mediamobile in November 2018, strengthening the position of Be-Mobile in the automotive industry and increasing the coverage of its traffic management services in France, Germany, the Nordic countries and Poland, where Mediamobile is active today.

Over the first three months of 2019, **Proximus posted EUR 210 million in Telecom revenue**, including lower revenue from Terminals.

Fixed Telecom Services revenue lower due to Fixed Voice erosion.

**Fixed Telecom Services revenue of EUR 110 million was 3.7% lower** year-on-year, driven by the continued erosion of Fixed Voice revenue. The Fixed Voice park showed a steady declining trend, eroding by 10,000 lines in the first quarter 2019. This brought the Fixed Voice base to 531,000, i.e. a year-on-year line loss of 6.4%. The Fixed Voice ARPU eroded by 2.6% to EUR 30.2, with the decrease in traffic per line and a higher penetration of unlimited call options only partly compensated for by the limited price indexation on 1 January 2019.

P2P Fiber driving higher Data Connectivity revenue.

The Enterprise revenue from **Fixed Data services totaled EUR 62 million, up by 1%** from the prior year. The largest portion of this product category, Data Connectivity services, was up on a stronger revenue from "Explore", Proximus flagship VPN-solution, supported by the growing P2P Fiber park for Business customers. This offset the ongoing outphasing and migration of legacy products in the context of simplification programs, offering customers new solutions at attractive pricing.

<sup>8</sup> Codit, a Belgium-headquartered market leader in business application integration, API Management and Cloud services, was acquired on 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.

Internet base kept stable in Q1. High-end internet offers driving improved ARPU.

Revenue from Internet was stable for the first quarter of 2019. Despite competitive pressure, Proximus kept its Enterprise Internet park stable at 131,000 lines compared to end-2018. Over the past year, the Internet park declined by 2.1%. The revenue impact, however, was offset by a 2.1% increase in Internet ARPU to EUR 44.2, mainly driven by the increased share of high-end internet lines for the first quarter.

Mobile Service revenue +2.3%. +19,000 Mobile net adds in Q1'19.

For the first quarter 2019, the Enterprise segment posted **EUR 78 million in Mobile Services revenue, up by 2.3%**. This was driven by a strong growth in revenue from subscriptions, which more than offset lower out-of-bundle revenue resulting from the continued move to mobile price bundles, a further decrease in subscriptions for Roaming Options and competitive price pressure. Compared to a year ago, Proximus increased its Enterprise Mobile base by 4.9% to reach 1,048,000 Mobile postpaid cards, M2M excluded. For the first quarter 2019, these cards generated a Mobile ARPU of EUR 24.3, a year-on-year decrease of 1.9%. In a competitive market, the first quarter Mobile churn remained at the prior quarter level, i.e. 10.8% or 1.1pp above last year. Nonetheless, over the first three months of the year, Proximus added 19,000 Mobile cards including the gain of a large B2B customer for which further port-in is expected in the second quarter.

+101,000 M2M cards activated, maintaining pole position.

The Enterprise segment posted a strong increase in M2M for the first quarter of 2019 with an additional 101,000 M2M cards activated. In addition to an ongoing growth in classical M2M cards, about half of the added M2M cards were due to the ongoing activation of Road User Charging cards. Furthermore, in the first quarter 2019, the roll-out of the Smart metering<sup>9</sup> project with Fluvius started. This brought the total number of M2M cards to 1,427,000 at end-March 2019, or a 16.7% increase from the prior year.

Proximus' Enterprise segment continues to launch innovative solutions to maintain its leadership position and stay relevant as the preferred partner for its customers' digital transformation. Launching smart mobility solutions with a recent example through Be-Mobile being the recent Flux app allowing for optimized traffic management for truckers. It also invests in strong analytics value propositions, and developed a state of the art managed security & threat intelligence solution, helping to secure some of the largest organizations in Belgium.

## 4.2 Enterprise direct margin

**For the first quarter 2019, Proximus' Enterprise segment posted EUR 247 million in direct margin, a year-on-year increase of 4.2%.** The direct margin of acquired companies, further supported by a higher margin from Mobile Services, more than offset the ongoing margin erosion for Fixed voice.

The direct margin as a percentage of revenue improved for the first quarter 2019 by 1.8pp to 69.1%. This resulted from a change in the revenue mix, with an increasing share of revenue coming from labor-intensive (operational expenses) ICT services.

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<sup>9</sup> As announced on 8 May 2018, Proximus launched NB-IoT network for the connection of the digital meters of Fluvius. Commissioned by IBM and Sagemcom, Proximus will connect 1.3 million digital meters for gas and electricity, which Fluvius intends to roll out in Flanders by the end of 2022.

Table 15: Enterprise revenue by nature and direct margin

(EUR million)	1st Quarter		
	2018	2019	% Change
<b>Revenue</b>	<b>351</b>	<b>357</b>	<b>1.6%</b>
<b>Other Operating Income</b>	<b>1</b>	<b>2</b>	<b>19.9%</b>
<b>Net Revenue</b>	<b>350</b>	<b>355</b>	<b>1.5%</b>
Telecom Revenue	217	210	-3.2%
Service Revenue	191	189	-1.3%
Fixed Services	114	110	-3.7%
Voice	53	49	-9.1%
Data	61	62	1.0%
Mobile Services	77	78	2.3%
Terminals (fixed and mobile)	18	14	-18.6%
Tango	8	7	-13.1%
ICT	123	132	6.7%
Advanced Business Services	6	10	50.2%
Other Products	3	3	22.5%
<b>Costs of Sales</b>	<b>-115</b>	<b>-110</b>	<b>-3.9%</b>
<b>Segment Direct Margin</b>	<b>237</b>	<b>247</b>	<b>4.2%</b>
<i>Direct Margin %</i>	<i>67.3%</i>	<i>69.1%</i>	<i>1.8 p.p.</i>

Table 16: Enterprise operational

	1st Quarter		
	2018	2019	% Change
<b>Park (000's)</b>			
Fixed voice lines	567	531	-6.4%
Broadband lines	134	131	-2.1%
Postpaid cards excl. M2M	999	1,048	4.9%
M2M cards	1,223	1,427	16.7%
<b>ARPU (EUR)</b>			
Fixed voice	31.0	30.2	-2.6%
Boadband	43.3	44.2	2.1%
Postpaid	24.8	24.3	-1.9%
<b>Annualized mobile churn rate</b>	<b>9.7%</b>	<b>10.8%</b>	<b>1.1 p.p.</b>
<b>Average Mobile data usage user/month (Mb)</b>	<b>1,499</b>	<b>1,916</b>	<b>27.8%</b>

## 5 Wholesale

Table 17: Wholesale revenue and direct margin

(EUR million)	1st Quarter		
	2018	2019	% Change
Segment Revenue	48	42	-10.8%
Net Revenue	48	42	-10.9%
Other Operating Income	0	0	4.0%
Costs of Sales	-7	-8	12.7%
Segment Direct Margin	41	35	-14.8%
Direct Margin %	85.4%	81.6%	-3.9 p.p.

Lowered regulated FTR rates impacting revenue and direct margin.

For the first quarter of 2019, Proximus' Wholesale segment reported **revenue of EUR 42 million, 10.8% lower than in 2018**. This reflects the impact of regulation, with lowered Fixed Termination Rates since 1 January 2019.

Furthermore, within the mix, wholesale roaming revenue was up on higher traffic volumes, offsetting the impact from lowered roaming wholesale rates, negotiated in the Group's interest. The increase in wholesale roaming traffic revenue was however offset by lower revenue from traditional wholesale services.

The **direct margin for the first quarter 2019 totaled EUR 35 million, a 14.8% decline compared with the prior year**. This mainly reflects a direct margin impact from the regulated lower Fixed Termination Rates, partially offset on Group level through a positive impact on the Consumer and Enterprise segments.

Furthermore, the margin was impacted by the revenue erosion of traditional wholesale services, and the effect from lowered Wholesale roaming rates. The downward renegotiated Wholesale roaming rates however benefit the direct margin of both the Consumer and Enterprise segments.

## 6 BICS (International Carrier Services)

- Nearly stable first-quarter revenue of EUR 319 million.
- Higher SMS A2P volumes, supported by TeleSign growing business.
- Direct margin +2.8% YoY, driven by both Voice and non-Voice Direct Margin.
- Segment result up 1.3% YoY, segment margin of 11.0%; +0.2pp YoY.

### 6.1 BICS revenue

**For the first quarter 2019 BICS posted a nearly stable (-0.1%) revenue of EUR 319 million.** In line with the ongoing market trend, BICS' revenue mix moved further from Voice to Data.

In the first 3 months of 2019, BICS carried 6.4 billion minutes, 5.9% more than in the comparable period of 2018. The higher Voice volumes were however offset by a less favorable revenue destination mix, though with limited unit margin erosion. This resulted in a 5.3% decline in Voice revenue in comparison to the prior year.

Messaging volumes carried by BICS continued to rise, up by 4.4% from the first quarter of 2018. This was driven by higher A2P volumes, supported by TeleSign in this growing market. This led to continued solid revenue growth of 12.4% for non-Voice, reaching EUR 104 million in the first quarter 2019.

## 6.2 BICS direct margin

For the first quarter of 2019, **BICS posted a direct margin of EUR 79 million, up 2.8%** compared to the prior year.

Despite a 5.3% revenue decline for Voice, the Voice direct margin was up by 2.9% in the first quarter, supported by the development of cloud numbers and TeleSign Mobile Identity services.

BICS' non-Voice direct margin benefitted from the BICS-TeleSign combination, with growth in SMS A2P volumes and the realization of direct cost synergies, resulting in an overall non-Voice margin growth of 2.8% for the first quarter, totaling EUR 44 million.

The Direct margin as percent of revenue improved by 0.7pp from the prior year to reach 24.7% in the first quarter of 2019.

## 6.3 BICS segment result

**BICS' segment result for the first quarter of 2019 totaled EUR 35 million, up 1.3%** compared to the prior year, driven by the increase in Direct Margin, partly offset by higher expenses.

The segment margin as percentage of revenue progressed to 11.0%.

Table 18:  
BICS P&L

(EUR million)	1st Quarter		
	2018	2019	% Change
Segment Revenue	319	319	-0.1%
Net Revenue	319	318	-0.1%
Other Operating Income	1	1	-1.6%
Costs of Sales	-242	-240	-1.0%
Segment Direct Margin	77	79	2.8%
Direct Margin %	24.0%	24.7%	0.7 p.p.
Expenses	-42	-44	4.1%
Workforce Expenses	-23	-25	8.6%
Non Workforce Expenses	-19	-19	-1.3%
Segment Result	35	35	1.3%
Segment Contribution Margin	10.9%	11.0%	0.2 p.p.

Table 19:  
BICS revenue by  
nature

(EUR million)	1st Quarter		
	2018	2019	% Change
Total revenue	319	319	-0.1%
Voice	226	214	-5.3%
Non-Voice	93	104	12.4%

(EUR million)		1st Quarter		
		2018	2019	% Change
Table 20: BICS direct margin by nature	Total direct margin	77	79	2.8%
	Voice	34	35	2.9%
	Non-Voice	43	44	2.8%

Volumes (in million)		1st Quarter		
		2018	2019	% Change
Table 21: BICS volume by nature	Voice	5,997	6,352	5.9%
	Non-Voice	2,457	2,564	4.4%

# 7 Consolidated Financial Statements

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. They have not been subject to a review by the independent auditors.

## 7.1 Accounting policies

The accounting policies and methods of the Group used as of 2019 are consistent with those applied in the 31 December 2018 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 2019.

As from 1 January 2019 the Group adopted IFRS 16 which resulted in the changes in accounting policies described below.

### Changes following the adoption of IFRS 16 – Leases

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.

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. Under IAS 17, the Group was required to classify its leases as either finance or operating leases. Under the 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 previously presented in operating expenses are now capitalized and depreciated. The discounting of lease liability will be periodically unwound into finance cost. The distinction between operating and finance leases remains when the Group acts as lessor.

The Group applies the standard from its mandatory application date of 1 January 2019.

The Group selected to adopt the simplified transition approach with the cumulative effect of initially applying IFRS 16 recognized in retained earnings (if any) at the date of initial application being 1 January 2019 without restatement of year before adoption. Right-of-use assets are measured at the amount of the lease liabilities at adoption.

At transition, initial recognition of lease liabilities under IFRS 16 (and consequently right-of-use assets) amounts to EUR 285 million and are measured at the present value of the remaining lease payments with the Group's incremental borrowing rate at a discount rate ranging from 0.2% to 2.5%. There is no impact on equity as a result of the adoption of IFRS 16.

The Group elected not to apply exemptions for short-term leases or leases for which the underlying is of low value and to exclude the initial direct costs from the right-of-use. No grandfathering was applied. The non-lease components are not included to determine the right-of-use and lease liabilities.

The Group's activities as a lessor are not significant and the Group did not identify other impacts than reclassifications to lease receivable and lease liabilities in the financial statements at adoption date as the previous classification into operating or finance lease remains applicable under IFRS 16.

In note 33 of the 2018 consolidated financial statements, future minimum rentals payable under the non-cancellable operating leases at 31 December 2018 were disclosed and amounted to EUR 295 million. For those commitments, see next table for a reconciliation between this amount and the lease liability of EUR 290 million recognized in the opening balance sheet at IFRS 16 adoption:

(EUR million)

Operating lease commitments on 31 December 2018		295
Lease on 31 December 2018 but starting after 1 January 2019*	-	60
<b>Non cancellable lease commitment excluding leases starting after 1 January</b>		<b>235</b>
Impact of expected end date**		58
Impact of discounting	-	8
Existing finance lease liabilities		5
<b>Lease liability on 1 January 2019</b>		<b>290</b>

\* The operating lease commitments as reported at 31 December 2018 include commitments for contracts for which the asset will only be available for use in the course of 2019. IFRS 16 requires to recognize leases when they are available for use. These lease liabilities for those commitments are therefore not be recognized in the opening balance but will be recognized as they will become available for use.

\*\* The period of the lease term under IAS 17 represents the minimum non-cancellable period. Whereas for IFRS 16, the lease term corresponds to the period including all extension options deemed reasonably certain to be activated and until both lessee and lessor can terminate the contract.

## Opening balance of leases

(EUR million)	31/12/2018	Initial recognition under IFRS 16	Opening balance sheet of leases on 01/01/2019
<b>Assets</b>	<b>8</b>	<b>285</b>	<b>293</b>
Right-of-use asset	0	285	293
Receivables (related to leasing) - non-current	4	0	4
Receivables (related to leasing) - current	4	0	4
<b>Liabilities</b>	<b>5</b>	<b>285</b>	<b>290</b>
Lease liabilities - non-current	4	212	216
Lease liabilities - current	2	73	75

## Judgments and estimates

The Group does not make any significant judgments and estimates other than those mentioned under note 2 in the 31 December 2018 consolidated financial statements, and other than those mentioned below in this report.

The application of IFRS 16 judgment is required in determining the lease term.

## Significant events or transactions in 2019

### Transactions with minority interests

The Group acquired all of the remaining Be-Mobile non controlling interests through the exercise of the put option that had been granted on these shares.



In a second step the Group sold 7.26% of the shares to the minority interests on which it granted a put option (together with a new shareholder's agreement) resulting in a loss in other comprehensive income of EUR 6 million.

The Group was granted call options on these 7.26% non-controlling shares. These options can be exercised under the same conditions and for the same price.

### Accelerated transformation

Proximus launched its #shifftodigital 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 employee's 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 Unions started, as part of the social dialogue.

### Income taxes

On January 11, 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 February 14, 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 filed an appeal against the above decision with the European Court of Justice (ECJ) on 25 April 2019.

Management assesses that the position as recognized in these financial statements reflects the best estimate of the probable outcome.

### Private bond

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

## 7.2 Consolidated income statement

( EUR million)	1st Quarter		
	2018 IAS 17	2019 IFRS 16	% Change
Net revenue	1,428	1,402	-1.8%
Other operating income	13	15	17.0%
<b>Total income</b>	<b>1,441</b>	<b>1,417</b>	<b>-1.7%</b>
Costs of materials and services related to revenue	-525	-488	-7.0%
Workforce expenses	-308	-310	0.6%
Non workforce expenses	-166	-142	-14.5%
<b>Total operating expenses before depreciation &amp; amortization</b>	<b>-999</b>	<b>-940</b>	<b>-5.9%</b>
<b>Operating income before depreciation &amp; amortization</b>	<b>442</b>	<b>477</b>	<b>7.8%</b>
Depreciation and amortization (excluding lease depreciation)	-250	-255	1.9%
Lease depreciation	0	-21	-
<b>Operating income</b>	<b>192</b>	<b>201</b>	<b>4.5%</b>
Finance income	1	3	>100%
Finance costs	-14	-15	7.4%
<b>Net finance costs</b>	<b>-12</b>	<b>-11</b>	<b>-7.8%</b>
Share of loss on associates	-1	0	-49.9%
<b>Income before taxes</b>	<b>179</b>	<b>189</b>	<b>5.5%</b>
Tax expense	-51	-52	19%
<b>Net income</b>	<b>129</b>	<b>138</b>	<b>7.0%</b>
Attributable to:			
Equity holders of the parent (Group share)	124	134	8.6%
Non-controlling interests	5	3	-34.7%
Basic earnings per share	0.38	0.42	8.6%
Diluted earnings per share	0.38	0.42	8.6%
Weighted average number of outstanding shares	322,595,356	322,668,522	
Weighted average number of outstanding shares for diluted earnings per share	322,702,750	322,737,502	

## 7.3 Consolidated statements of other comprehensive income

(EUR million)	Year-to-date	
	2018	2019
	IAS17	IFRS16
<b>Net income</b>	<b>129</b>	<b>138</b>
<b>Other comprehensive income:</b>		
<b>Items that may be reclassified to profit and loss</b>		
Exchange differences on translation of foreign operations	-6	4
Cash flow hedges:		
Gain taken to equity	5	0
Transfer to profit or loss for the period	0	-1
<b>Total before related tax effects</b>	<b>0</b>	<b>4</b>
<b>Related tax effects</b>		
(Loss) taken to equity	-2	0
<b>Income tax relating to items that may be reclassified</b>	<b>-2</b>	<b>0</b>
<b>Total of items that may be reclassified to profit and loss, net of related tax</b>	<b>-2</b>	<b>4</b>
<b>Items that will not be reclassified to profit and loss</b>		
Change in shareholders agreement	0	-6
<b>Total before related tax effects</b>	<b>0</b>	<b>-6</b>
<b>Items that will not be reclassified to profit and loss, net of related tax effects</b>	<b>0</b>	<b>-6</b>
<b>Total comprehensive income</b>	<b>127</b>	<b>136</b>
<b>Attributable to:</b>		
Equity holders of the parent	125	131
Non-controlling interests	3	5

## 7.4 Consolidated balance sheet

(EUR million)	As of 31 December 2018 IAS 17	As of 1 January 2019 IFRS 16	As of 31 March 2019 IFRS 16
<b>ASSETS</b>			
<b>Non-current assets</b>	<b>6,850</b>	<b>7,135</b>	<b>7,124</b>
Goodwill	2,470	2,470	2,482
Intangible fixed assets	1,154	1,154	1,134
Property, plant and equipment	3,054	3,054	3,048
Right-of-use asset	0	285	288
Leasing receivables	4	4	4
Contract costs	116	116	115
Deferred income tax asset	12	12	14
Other non-current assets	38	38	40
<b>Current assets</b>	<b>1,822</b>	<b>1,822</b>	<b>1,878</b>
Inventories	129	129	143
Trade receivables	1,042	1,042	1,070
Contract assets	83	83	83
Leasing receivables	4	4	3
Current tax asset	68	68	68
Other current assets	152	152	187
Investments	4	4	4
Cash and cash equivalents	340	340	321
<b>TOTAL ASSETS</b>	<b>8,671</b>	<b>8,956</b>	<b>9,002</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Equity</b>	<b>3,153</b>	<b>3,153</b>	<b>3,290</b>
Shareholders' equity	3,005	3,005	3,136
Issued capital	1,000	1,000	1,000
Reserves	-469	-469	-471
Retained earnings	2,474	2,474	2,607
<b>Non-controlling interests</b>	<b>148</b>	<b>148</b>	<b>155</b>
<b>Non-current liabilities</b>	<b>3,181</b>	<b>3,393</b>	<b>3,467</b>
Interest-bearing liabilities	2,259	2,259	2,360
Lease liabilities	4	216	218
Pensions and similar obligations	553	553	528
Provisions for liabilities and charges	142	142	144
Deferred income tax liabilities	91	91	88
Other non-current payables	132	132	129
<b>Current liabilities</b>	<b>2,338</b>	<b>2,411</b>	<b>2,245</b>
Interest-bearing liabilities	232	232	1
Provisions for pensions and similar obligations*	52	52	68
Lease liabilities	2	75	74
Trade payables	1,361	1,361	1,302
Contract Liabilities	109	109	141
Current tax payables	56	56	102
Other current payables	526	526	558
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>8,671</b>	<b>8,956</b>	<b>9,002</b>

\* The 2018 figures have been restated to reflect the non-current versus the current portion of the provisions for pensions and similar obligations.

## 7.5 Consolidated cash flow statement

(EUR million)	1st Quarter		% Change
	2018 IAS 17	2019 IFRS 16	
<b>Cash flow from operating activities</b>			
Net income	129	138	7.0%
Adjustments for:			
Depreciation and amortization on intangible assets and property, plant and equipment	250	255	1.9%
Lease depreciation	0	21	-
Increase of provisions	3	2	-25.2%
Deferred tax income	-9	0	-96.8%
Loss from investments accounted for using the equity method	1	0	-49.9%
Gain on disposal of property, plant and equipment	-1	-1	-55.6%
<b>Operating cash flow before working capital changes</b>	<b>373</b>	<b>416</b>	<b>11.5%</b>
Increase in inventories	-26	-14	-44.9%
Decrease/(increase) in trade receivables	16	-26	<-100%
Decrease in contract costs	1	1	99.0%
Increase in other current assets	-23	-35	47.5%
(Decrease)/Increase in trade payables	-53	3	>100%
Increase in contract liability	9	20	>100%
Increase in income tax payables	61	47	-23.8%
Increase in other current payables	27	58	>100%
(Decrease)/Increase in net liability for pensions, other post-employment benefits and termination benefits	3	-9	<-100%
Increase in other non-current payables and provisions	0	3	>100%
<b>Decrease in working capital, net of acquisitions and disposals of subsidiaries</b>	<b>14</b>	<b>49</b>	<b>&gt;100%</b>
<b>Net cash flow provided by operating activities</b>	<b>387</b>	<b>465</b>	<b>20.2%</b>
<b>Cash flow from investing activities</b>			
Cash paid for acquisitions of intangible assets and property, plant and equipment	-302	-299	-1.1%
Cash paid for acquisitions of equity instruments	-2	0	-91.6%
Cash paid for acquisition of consolidated companies, net of cash acquired	-6	-37	>100%
Cash received / (paid) for sales of consolidated companies, net of cash disposed of	0	7	>100%
Cash received from sales of intangible assets and property, plant and equipment	2	0	-68.6%
<b>Cash flow before financing activities</b>	<b>78</b>	<b>135</b>	<b>73.0%</b>
Lease payments	nr	-23	nr
<b>Free cash flow*</b>	<b>78</b>	<b>112</b>	<b>43.2%</b>
<b>Cash flow from financing activities other than lease payments</b>			
Dividends paid to shareholders	0	-1	>100%
Net sale of treasury shares	0	2	>100%
Cash received from cash flow hedge instrument related to long term debt	8	0	-93.7%
Issuance of long term debt	400	100	-75.1%
Repayment of long term debt**	-405	0	-99.9%
Issuance/(repayment) of short term debt	33	-232	<-100%
<b>Cash flows from financing activities other than lease payments</b>	<b>35</b>	<b>-131</b>	<b>&lt;-100%</b>
Exchange rate impact	0	0	-
<b>Net increase of cash and cash equivalents</b>	<b>114</b>	<b>-19</b>	<b>&lt;-100%</b>
Cash and cash equivalents at 1 January	333	340	2.1%
Cash and cash equivalents at the end of the period	446	321	-28.1%
Interest paid	-23	-12	
Interest received	0	0	
Income taxes recovered/(paid)	2	-5	

\* Free cash flow: cash flow before financing activities and after lease payments as from 2019.

\*\* The repayment of long term debt is the net of cash received and paid for the debt and related derivatives.

## 7.6 Consolidated statements of changes in equity

(EUR million)	Issued capital	Treasury shares	Restricted reserve	Equity instruments and hedge reserve	Other remeasurement reserve	Foreign currency translation	Stock Compensation	Retained Earnings	Shareholders' Equity	Non-controlling interests	Total Equity
<b>Balance at January 1, 2018</b>	1,000	-431	100	5	-128	-4	4	2,451	2,997	156	3,153
<b>Total comprehensive income</b>	0	0	0	4	0	-3	0	124	125	3	127
Treasury shares											
Sale of treasury shares	0	0	0	0	0	0	0	-1	-1	0	-1
<b>Total transactions with equity holders</b>	0	0	0	0	0	0	0	0	0	0	-1
<b>Balance at 31 March 2018</b>	1,000	-431	100	9	-128	-7	4	2,574	3,122	158	3,280
<b>Balance per 1 January 2019</b>	1,000	-427	100	6	-155	3	4	2,474	3,005	148	3,153
<b>Total comprehensive income</b>	0	0	0	-6	0	2	0	134	131	5	136
Business combination											
	0	0	0	0	0	0	0	-2	-2	2	0
Stock options											
Exercise of stock options	0	2	0	0	0	0	0	0	2	0	2
<b>Total transactions with equity holders</b>	0	2	0	0	0	0	0	-1	0	2	2
<b>Balance at 31 March 2019</b>	1,000	-425	100	0	-155	5	4	2,607	3,136	155	3,290

## 7.7 Segment reporting

See reconciliation of reported and underlying figures in section 8.2

(EUR million)	Group Proximus				31 March 2019					
	Reported (IFRS 16*)	Lease depreciation and interest	Incidental	Underlying	Underlying by segment					
					BICS	Domestic (Group excl. BICS)	Consumer	Enterprise	Wholesale	Others
Net revenue	1,402	0	0	1,402	318	1,084	702	355	42	-15
Other revenues	15	0	2	13	1	12	6	2	0	4
<b>Total income</b>	<b>1,417</b>	<b>0</b>	<b>2</b>	<b>1,415</b>	<b>319</b>	<b>1,096</b>	<b>708</b>	<b>357</b>	<b>42</b>	<b>-11</b>
Costs of materials and services related to revenue	-488	1	0	-489	-240	-249	-150	-110	-8	19
<b>Direct margin</b>	<b>929</b>	<b>1</b>	<b>2</b>	<b>926</b>	<b>79</b>	<b>847</b>	<b>558</b>	<b>247</b>	<b>35</b>	<b>8</b>
Workforce expenses	-310	0	-9	-300	-25	-276				
Non workforce expenses	-142	20	0	-162	-19	-144				
<b>Total other operating expenses</b>	<b>-452</b>	<b>20</b>	<b>-9</b>	<b>-463</b>	<b>-44</b>	<b>-419</b>				
<b>Operating income before depreciation &amp; amortization</b>	<b>477</b>	<b>22</b>	<b>-7</b>	<b>463</b>	<b>35</b>	<b>428</b>				
Depreciation and amortization	-276									
<b>Operating income</b>	<b>201</b>									
Net finance costs	-11									
Share of loss on associates	0									
<b>Income before taxes</b>	<b>189</b>									
Tax expense	-52									
<b>Net income</b>	<b>138</b>									
Attributable to:										
Equity holders of the parent (Group share)	134									
Non-controlling interests	3									

(EUR million)	Group Proximus				31 March 2018					
	Reported (IAS 17*)	Incidental	Underlying	Underlying	Underlying by segment					
					BICS	Domestic (Group excl. BICS)	Consumer	Enterprise	Wholesale	Others
Net revenue	1,428	0	1,428	319	1,110	725	350	48	-12	
Other revenues	13	1	12	1	11	5	1	0	4	
<b>Total income</b>	<b>1,441</b>	<b>1</b>	<b>1,440</b>	<b>319</b>	<b>1,121</b>	<b>730</b>	<b>351</b>	<b>48</b>	<b>-8</b>	
Costs of materials and services related to revenue	-525	0	-525	-242	-282	-174	-115	-7	14	
<b>Direct margin</b>	<b>917</b>	<b>1</b>	<b>916</b>	<b>77</b>	<b>839</b>	<b>556</b>	<b>237</b>	<b>41</b>	<b>6</b>	
Workforce expenses	-308	-12	-296	-23	-273					
Non workforce expenses	-166	0	-166	-19	-147					
<b>Total other operating expenses</b>	<b>-474</b>	<b>-12</b>	<b>-462</b>	<b>-42</b>	<b>-420</b>					
<b>Operating income before depreciation &amp; amortization</b>	<b>442</b>	<b>-11</b>	<b>453</b>	<b>35</b>	<b>419</b>					
Depreciation and amortization	-250	0	-250	-21	-229					
<b>Operating income</b>	<b>192</b>	<b>-11</b>	<b>203</b>	<b>14</b>	<b>190</b>					
Net finance costs	-12									
Share of loss on associates	-1									
<b>Income before taxes</b>	<b>179</b>									
Tax expense	-51									
<b>Net income</b>	<b>129</b>									
Attributable to:										
Equity holders of the parent (Group share)	124									
Non-controlling interests	5									

\* segment reporting for both accounting year 2019 and 2018 include the application of IFRS 15

## 7.8 Disaggregation of revenue

(EUR million)	As of 31 March 2019						
	Group	BICS	Domestic (Group excl. BICS)	Consumer	Enterprise	Wholesale	Others
Net revenue (underlying)	1,402	318	1,084	702	355	42	-15
Net revenue (incidentals)	0	0	0	0	0	0	0
Net revenue (reported)	1,402	318	1,084	702	355	42	-15
Other operating income (underlying)	13	1	12	6	2	0	4
Other operating income (incidentals)	2	0	2	0	2	0	0
Other operating income (reported)	15	1	14	6	4	0	4
<b>Total income (underlying)</b>	<b>1,415</b>	<b>319</b>	<b>1,096</b>	<b>708</b>	<b>357</b>	<b>42</b>	<b>-11</b>
<b>Total income (incidentals)</b>	<b>2</b>	<b>0</b>	<b>2</b>	<b>0</b>	<b>2</b>	<b>0</b>	<b>0</b>
<b>Total income (reported)</b>	<b>1,417</b>	<b>319</b>	<b>1,098</b>	<b>708</b>	<b>359</b>	<b>42</b>	<b>-11</b>

## 7.9 Group financing activities related to interest bearing liabilities

(EUR million)	As of 31 December	As of 1 January 2019	Cash flows	Non cash changes	As of 31 March 2019
	IAS 17	IFRS 16			
<b>Long-term</b>					
Unsubordinated debentures	1,852	1,852	100	0	1,952
Credit institutions	403	403	0	0	403
Derivatives held for trading	4	4	0	0	5
<b>Current portion of amounts payable &gt; one year</b>					0
Credit institutions held to maturity	1	1	0	0	1
<b>Other financial debts</b>					
Other loans	232	232	-232	0	0
<b>Total liabilities from financing activities excluding lease liabilities</b>	<b>2,492</b>	<b>2,492</b>	<b>-132</b>	<b>0</b>	<b>2,360</b>
Lease liabilities non current and current	5	290	-23	24	291
<b>Total liabilities from financing activities including lease liabilities</b>	<b>2,497</b>	<b>2,782</b>	<b>-155</b>	<b>24</b>	<b>2,652</b>

## 7.10 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 measurement categories under IFRS 9 for each class of assets and financial liabilities. It also includes the fair value hierarchy of the financial instruments and the valuation levels.



As of 31 March 2018				
(EUR million)	Classification under IFRS 9	Carrying amount under IFRS 9	Fair value	Level
<b>ASSETS</b>				
<b>Non-current assets</b>				
Other participating interests	FVTOCI	9	9	
Other non-current assets				
Derivatives held-for-hedging	FVTPL	5	5	Level 2
Derivatives held for trading	FVTPL	5	5	
Other financial assets	Amortized cost	24	24	
<b>Current assets</b>				
Trade receivables	Amortized cost	1,097	1,097	
Interest bearing				
Other receivables	Amortized cost	6	6	
Non-interest bearing				
Other receivables	Amortized cost	1	1	
Derivatives held for trading	FVTPL	0	0	Level 1
Derivatives held-for-hedging	HeAcc	0	0	Level 1
Investments	Amortized cost	5	5	
Cash and cash equivalents				
Short-term deposits	Amortized cost	248	248	
Cash at bank and in hand	Amortized cost	199	199	
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Interest-bearing liabilities				
Unsubordinated debentures not in a hedge relationship	Amortized cost	1,851	1,959	Level 2
Credit institutions	Amortized cost	400	400	Level 2
Derivatives held for trading	FVTPL	4	4	Level 2
Non-interest-bearing liabilities				
Other non-current payables	Amortized cost	187	187	
<b>Current liabilities</b>				
Interest-bearing liabilities, current portion				
Unsubordinated debentures not in a hedge relationship	Amortized cost	0	0	Level 2
Credit institutions	Amortized cost	0	0	
Interest-bearing liabilities				
Other loans	Amortized cost	196	196	
Trade payables	Amortized cost	1,295	1,295	
Other current payables				
Derivatives held-for-hedging	FVTPL	0	0	Level 1
Other derivatives	FVTPL	0	0	Level 1
Other debt	FVTPL	37	37	Level 3
Other amounts payable	Amortized cost	254	254	

As of 31 March 2019				
(EUR million)	Classification under IFRS 9	Carrying amount under IFRS 9	Fair value	Level
<b>ASSETS</b>				
<b>Non-current assets</b>				
Other participating interests	FVTOCI	0	0	
Other non-current assets				
Derivatives held-for-hedging	FVTPL	6	6	Level 2
Derivatives held for trading	FVTPL	6	6	
Other financial assets	Amortized cost	13	13	
<b>Current assets</b>				
Trade receivables	Amortized cost	1,070	13	
Interest bearing				
Other receivables	Amortized cost	5	5	
Non-interest bearing				
Other receivables	Amortized cost	24	24	
Derivatives held for trading	FVTPL	0	0	Level 1
Derivatives held-for-hedging	HeAcc	0	0	Level 1
Investments	Amortized cost	4	4	
Cash and cash equivalents				
Short-term deposits	Amortized cost	38	38	
Cash at bank and in hand	Amortized cost	263	263	
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Interest-bearing liabilities				
Unsubordinated debentures not in a hedge relationship	Amortized cost	1,952	2,077	Level 2
Credit institutions	Amortized cost	403	403	Level 2
Derivatives held for trading	FVTPL	5	5	Level 2
Non-interest-bearing liabilities				
Other non-current payables	Amortized cost	129	129	
<b>Current liabilities</b>				
Interest-bearing liabilities, current portion				
Unsubordinated debentures not in a hedge relationship	Amortized cost	0	0	Level 2
Credit institutions	Amortized cost	1	1	
Interest-bearing liabilities				
Other loans	Amortized cost	0	0	
Trade payables	Amortized cost	1,302	1,302	
Other current payables				
Derivatives held-for-hedging	FVTPL	0	0	Level 1
Other derivatives	FVTPL	0	0	Level 1
Other debt	FVTPL	14	14	Level 3
Other amounts payable	Amortized cost	287	287	

## 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 period end 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.

## 7.11 Contingent liabilities

Compared to the 2018 annual accounts, no change occurred during the first quarter of 2019 in the contingent liabilities.

## 7.12 Post balance sheet events

The Annual General Meeting of April 2019 approved the dividend distribution for the year 2018 which will impact the cash flow of the Group in the second quarter of 2019 for EUR 323 million.

No other significant post balance sheet events are identified.

## 7.13 Others

There has been no material change to the information disclosed in the 2018 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

#### 8.1.1 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 From Reported to Underlying

(EUR million)	GROUP Revenue		GROUP EBITDA	
	Q118	Q119	Q118	Q119
<b>Reported</b>	<b>1,441</b>	<b>1,417</b>	<b>442</b>	<b>477</b>
Lease Depreciations	nr	0	nr	-21
Lease Interest	nr	0	nr	0
Incidentals	-1	-2	11	7
<b>Underlying</b>	<b>1,440</b>	<b>1,415</b>	<b>453</b>	<b>463</b>
<b>Incidentals</b>	<b>-1</b>	<b>-2</b>	<b>11</b>	<b>7</b>
Capital gains on building sales	-1		-1	
Change in M&A contingent consideration		-2		-2
Early Leave Plan and Collective Agreement			11	5
M&A-related transaction costs			1	3
#shifftodigital plan				1

### 8.3 Definitions

**Adjusted Net Financial Position:** refers to the total interest bearing debt (short term + long term) minus cash and cash equivalents, excluding lease liabilities.

**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).

**ARPU:** Average Revenue per Unit

**Average Mobile data usage:** 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.

**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 MVNO's but excludes M2M.

**Broadband access channels:** ADSL, VDSL and Fiber lines. For Consumer this also includes 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, excluding Right of Use assets (leasing)

**Consumer:** addressing the residential and small businesses (< 10 employees) market, including the 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 Services Revenue:** total underlying revenue from Fixed services (Fixed Voice, Broadband and TV).

**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.)

**Free Cash Flow:** This is cash flow before financing activities, but after lease payments as from 2019.

**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.(to be updated)

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

**Mobile customers:** Voice and Data cards as well as Machine-to-Machine, and excludes 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 Financial Position:** total interest bearing debt (short and long term) minus cash and cash equivalents.

**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.

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

**Reported Revenues:** this corresponds to the TOTAL INCOME.

**Terminals:** this corresponds to devices for Fixed voice, Data, Mobile and related accessories. This excludes PABX, ICT products and TV CPE.

**Underlying:** refers to Revenue and EBITDA (Total Income and Operating Income before Depreciation and Amortization) adjusted for lease depreciations and interest as from 2019 and 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).

## 8.4 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.

## 8.5 Financial calendar (dates could be subject to change)

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	Start of quiet period ahead of Q3 2019 results

## 8.6 Contact details

### Investor relations

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[www.proximus.com/en/investors](http://www.proximus.com/en/investors)

## 8.7 Investor & analyst Conference Call

### Analyst conference call details

Proximus will host a conference call for investors and analysts on Friday 3 May 2019.

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

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