
Consolidated Management Report

2018

proximus

Management discussion and analysis of financial results

Introductory remarks

Underlying revenue and EBITDA

Since 2014, Proximus' management discussion has been focused on underlying figures, i.e. after deduction of the incidentals. The underlying company figures are reported to the chief operating decision makers in view of resources allocation and performance assessment.

In order to allow a like-for-like comparison, Proximus provides a clear view of the operational drivers of the business by isolating

incidentals, i.e. revenues and costs that are unusual or not directly related to Proximus' business operations, and which had a significant impact on the year-on-year variance of the Proximus Group revenue or EBITDA. The adjusted revenue and EBITDA are referred to as "underlying".

Definitions can be found in section 6 of this document.

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

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

Reporting changes as from 2018

Split workforce and non-workforce expenses

The split in expenses between work force and non-workforce has been aligned with the group definitions for all subsidiaries, with the total unchanged on a Group level. The 2017 figures

have been restated accordingly, with for full year 2017 EUR 30 million moving from non-workforce to workforce expenses.

Tango revenue

The 2017 Tango revenue reallocation key was finetuned between the Consumer and Enterprise segments, with a very limited impact

on the segment revenue (EUR 1 million), while neutral on a Group level.

GDPR impact

The application of GDPR has led to a limited impact on the reported household data for the Consumer segment with some information no longer being available to define the composition of households.

To make comparison easier, the data of 2017 has been adjusted accordingly, assuming a stable impact of GDPR over this period in the total HH/SO serviced by Proximus. The derived KPI's such as ARPH and RGU have been restated as well.

Other reporting remarks

Reporting standard

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

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

Disaggregation of revenue

The revenue by segment is disclosed in the table below.

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

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

Rounding

In general, all figures are rounded. Variances are calculated from the source data before

rounding, implying that some variances may not add up.

Key Figures - 10-year overview

										IAS 18	IFRS 15
Income Statement (EUR million)	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2018
Reported income	6.065	7.040	6.417	6.462	6.318	6.112	6.012	5.873	5.802	5.826	5.829
Revenue incidentals	N/A	N/A	N/A	N/A	N/A	248	17	3	24	21	21
Underlying revenue	N/A	N/A	N/A	N/A	N/A	5.864	5.994	5.871	5.778	5.804	5.807
Reported EBITDA (1)	1.967	2.428	1.897	1.786	1.699	1.755	1.646	1.733	1.772	1.796	1.794
EBITDA incidentals	N/A	N/A	N/A	N/A	N/A	102	-88	-63	-51	-70	-70
Underlying EBITDA (1)	N/A	N/A	N/A	N/A	N/A	1.653	1.733	1.796	1.823	1.866	1.865
Depreciation and amortization	-706	-809	-756	-748	-782	-821	-869	-917	-963	-1.016	-1.016
Operating income (EBIT)	1.261	1.619	1.141	1.038	917	933	777	816	809	780	778
Net finance income / (costs)	-117	-102	-106	-131	-96	-96	-120	-101	-70	-56	-56
Share of loss on associates	0	0	0	0	0	-2	-2	-1	-2	-1	-1
Income before taxes	1.144	1.517	1.035	907	822	835	655	715	738	723	721
Tax expense	-241	-233	-262	-177	-170	-154	-156	-167	-185	-194	-191
Non-controlling interests	-1	17	17	19	22	27	17	25	30	23	22
Net income (Group share)	904	1.266	756	712	630	654	482	523	522	506	508
Cash flows (EUR million)	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2018
Cash flows from operating activities	1.406	1.666	1.551	1.480	1.319	1.447	1.386	1.521	1.470	1.558	1.558
Cash paid for Capex	-597	-734	-757	-773	-852	-916	-1.000	-962	-989	-1.099	-1.099
Cash flows from / (used in) other investing activities	-12	48	-7	-16	38	180	22	0	-189	-8	-8
Free cash flow (2)	797	980	788	691	505	711	408	559	292	451	451
Cash flows from / (used in) financing activities	-1.030	-728	-1.051	-809	-353	-364	-608	-764	-256	-444	-444
Net increase / (decrease) of cash and cash equivalents	-233	252	-264	-118	152	347	-200	-205	36	7	7
Balance sheet (EUR million)	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2018
Balance sheet total	7.450	8.511	8.312	8.243	8.417	8.522	8.283	8.117	8.527	8.490	8.671
Non-current assets	5.505	6.185	6.217	6.192	6.254	6.339	6.386	6.372	6.735	6.752	6.850
Investments, cash and cash equivalents	408	627	356	285	415	710	510	302	338	344	344
Shareholders' equity	2.521	3.108	3.078	2.881	2.846	2.779	2.801	2.819	2.857	2.862	3.005
Non-controlling interests	7	235	225	211	196	189	164	162	156	150	148
Liabilities for pensions, other post-employment benefits and termination	677	565	479	570	473	504	464	544	568	605	605
Net financial position	-1.716	-1.451	-1.479	-1.601	-1.815	-1.800	-1.919	-1.861	-2.088	-2.148	-2.148

										IAS18	IFRS 15
Proximus share	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2018
Weighted average number of ordinary shares (3)	320.475.553	321.138.048	319.963.423	318.011.049	318.759.360	320.119.106	321.767.821	322.317.201	322.777.440	322.649.917	322.649.917
Basic earnings per share - as reported (EUR) (4)	2,82	3,94	2,36	2,24	1,98	2,04	1,50	1,62	1,62	1,57	1,58
Total dividend per share (EUR)	2,08	2,18	2,18	2,49	2,18	1,50	1,50	1,50	1,50	1,50	1,50
Share buyback (EUR million)	0	0	100	0	0	0	0	0	0	0	0
Data on employees	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2018
Number of employees (full-time equivalents)	16.804	16.308	15.788	15.859	15.699	14.187	14.090	13.633	13.391	13.385	13.385
Average number of employees over the period	16.878	16.270	15.699	15.952	15.753	14.770	14.040	13.781	13.179	13.161	13.161
Underlying revenue per employee (EUR)	N/A	N/A	N/A	N/A	N/A	410.746	426.958	425.997	438.413	440.995	441.238
Total income per employee (EUR)	359.322	432.685	408.760	405.084	401.080	413.826	428.194	426.201	440.240	442.667	442.870
Underlying EBITDA per employee (EUR)	N/A	N/A	N/A	N/A	N/A	111.923	123.467	130.315	138.325	141.802	141.681
Total EBITDA per employee (EUR)	116.551	149.247	120.834	111.973	107.851	118.798	117.251	125.743	134.483	136.483	136.342
Ratios - on underlying basis	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2018
Return on Equity	N/A	N/A	N/A	N/A	N/A	21,8%	18,9%	19,4%	19,2%	19,2%	18,4%
Direct margin	N/A	N/A	N/A	N/A	N/A	57,8%	59,6%	61,8%	62,5%	63,5%	63,4%
Net debt / EBITDA	N/A	N/A	N/A	N/A	N/A	1,09	1,11	1,04	1,15	1,15	1,15

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

(2) Cash flow before financing activities.

(3) i.e. excluding Treasury shares

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

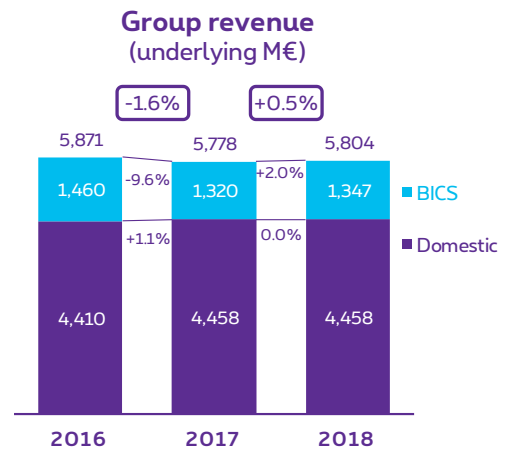
Proximus Group

Revenue

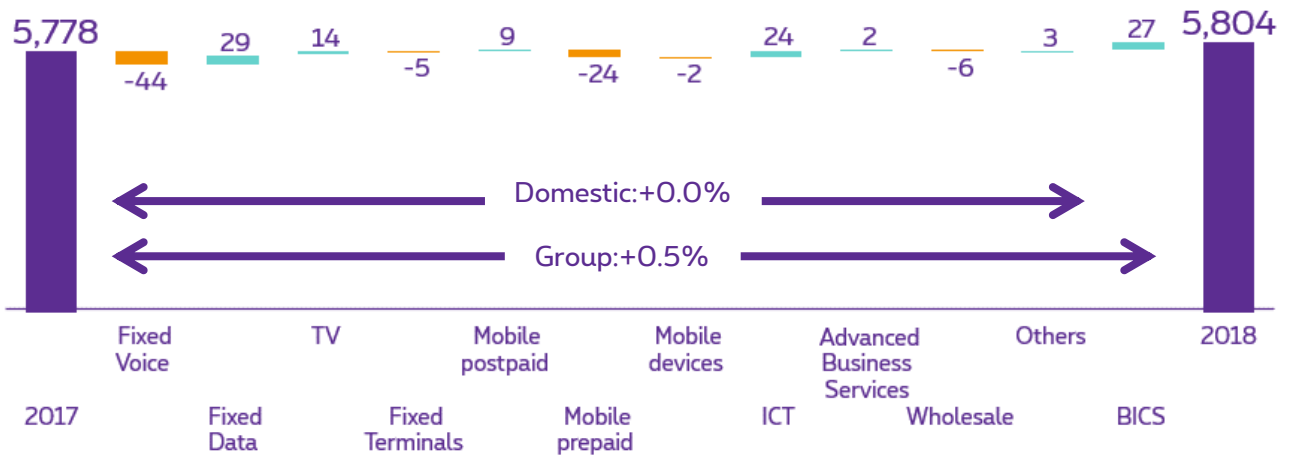
The Proximus Group ended the year 2018 with total underlying revenue of EUR 5,804 million, 0.5% above that of the prior year. The Group underlying revenue is the aggregate of a stable Domestic revenue and a higher revenue for BICS, Proximus' International Carrier business unit, including the revenue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

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

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



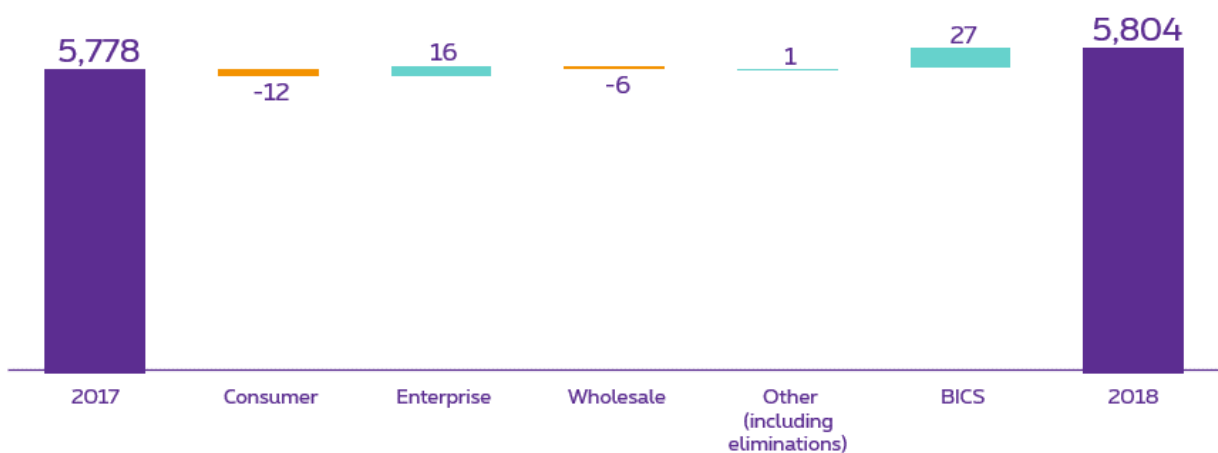
Revenue evolution by product group (underlying, M€)



In 2018, BICS' revenue totaled EUR 1,347 million, 2.0% above that of 2017, including the revenue contribution from TeleSign. BICS faces the ongoing transition within the International Carrier market, with usage moving from Voice to Data. In 2018, BICS Voice volumes further declined, be it at a slower pace compared to

the prior year. The volume losses in Voice traffic were however combined with a less favorable destination mix, and a negative USD currency effect in the first half-year. This was more than offset by a strong increase in messaging volumes, with TeleSign boosting the A2P volumes. This led to a solid 28.8% increase in non-Voice revenue.

Revenue evolution by segment (underlying, M€)



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

The Consumer segment achieved a continued growth in the customer base for its main products, supported by its Proximus-branded All-in offers, and by its low-cost brand Scarlet.

The growing customer base increased Proximus' revenue for TV, Internet, and Mobile Postpaid – despite the annualizing carry-over effect from the roaming regulation.

In contrast, legacy revenue from Fixed Voice further declined due to the combination of a smaller customer base and lower usage.

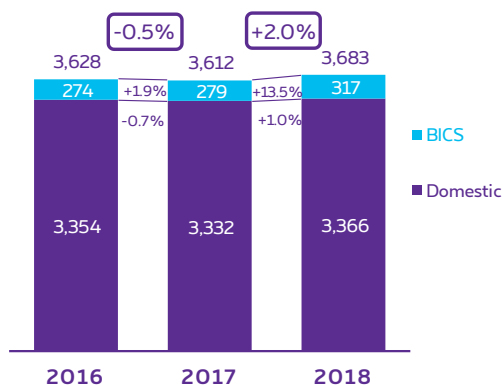
Mobile Prepaid revenue continued to decline as well on a lower customer base, in part driven by the company's active efforts to migrate customers to higher-value Postpaid offers.

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

Proximus' Enterprise segment posted a 1.1% underlying revenue growth for 2018 to reach EUR 1,415 million. The Proximus Enterprise segment benefited from its convergence strategy in ICT, differentiating on high service levels and expanding its portfolio beyond pure connectivity services. To this end, Proximus acquired some small but highly-specialized companies, providing expertise in offering meaningful solutions for the digital transformation of Enterprise customers.

The focus directed on these growth areas allowed Proximus to more than offset the revenue loss in the eroding legacy Fixed Voice and Data services, and the regulatory and competitive pressure on Mobile ARPU.

Direct margin
(underlying M€)



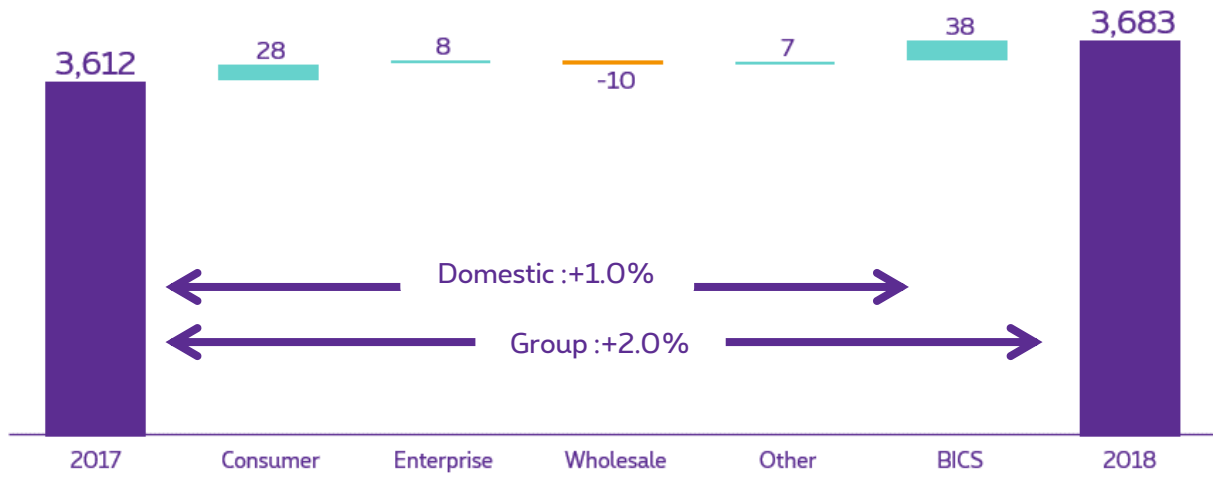
The 2018 underlying Direct Margin of the Proximus Group improved by 2.0% to total EUR 3,683 million for the year.

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

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

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

Direct Margin evolution by segment
(underlying M€)



Group underlying
direct margin
+2.0 %

Operating expenses

Over 2018, the Proximus Group operating expenses totaled EUR 1,816 million.

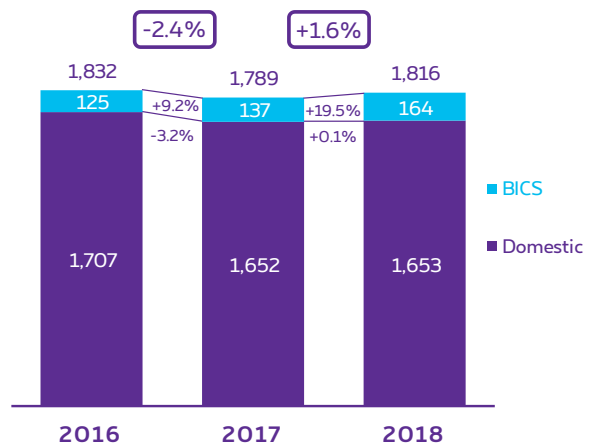
Proximus continued to keep a strong focus on structurally improving its cost base. However, in 2018 these efforts were offset by the operational costs from acquired companies, with TeleSign elevating costs in BICS, and ICT companies in the Enterprise segment. The additional expenses from TeleSign and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

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

Domestic expenses affected by expanding ICT business

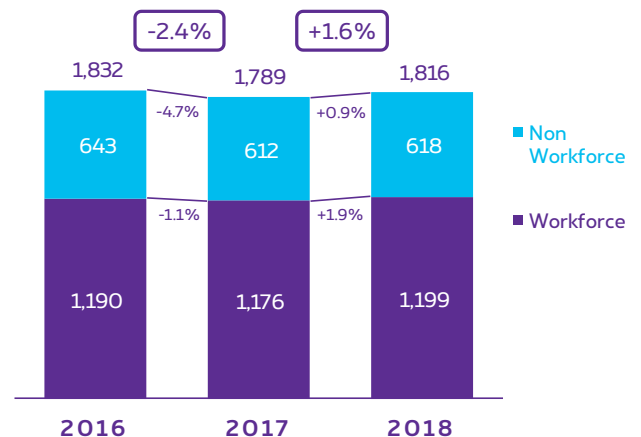
Operating expenses (1)

(underlying M€)



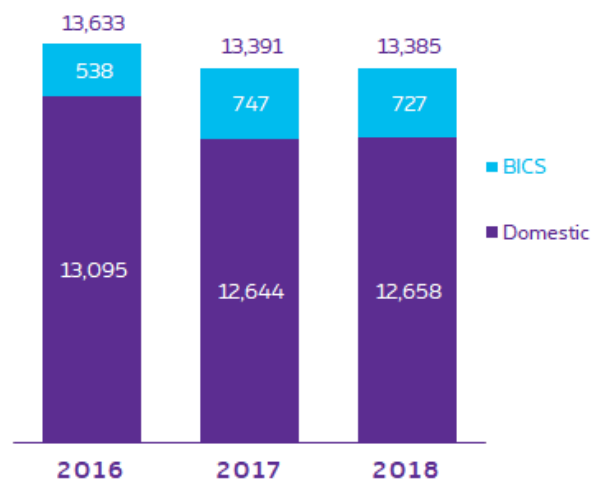
Operating expenses (2)

(underlying M€)



Headcount evolution

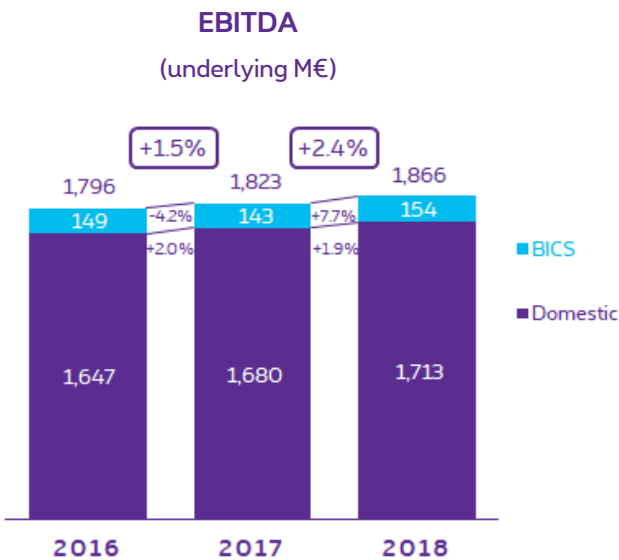
(in FTE)



Underlying EBITDA

The Proximus Group posted an underlying EBITDA of EUR 1,866 million for 2018, 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. BICS' segment margin as percent of revenue for 2018 was 11.4%, up 0.6pp from the previous year.



EBITDA evolution

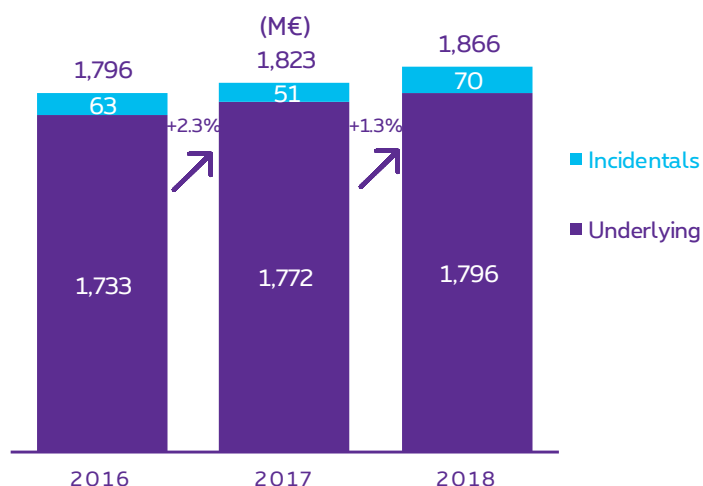
(underlying, M€)



Reported EBITDA (incidentals included)

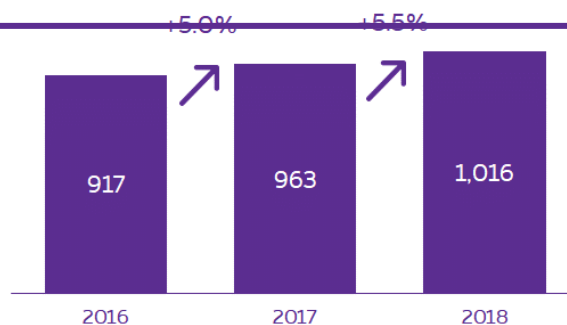
Incidentals included, the Proximus Group reported EBITDA of EUR 1,796 million, compared to EUR 1,772 million for the year before, i.e. +1.3%. See page 3 for more information on the incidentals.

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



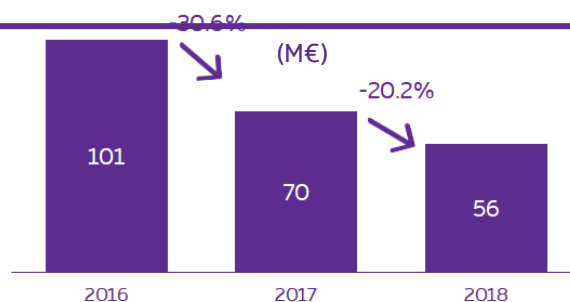
Depreciation & Amortization

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



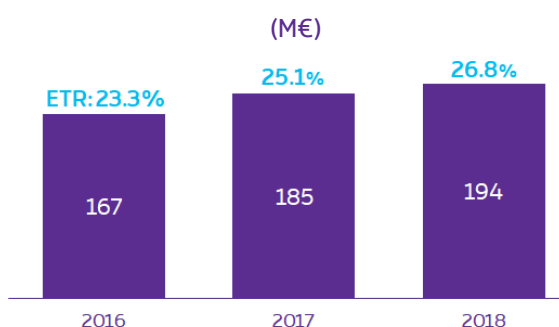
Net finance cost

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



Tax Expense

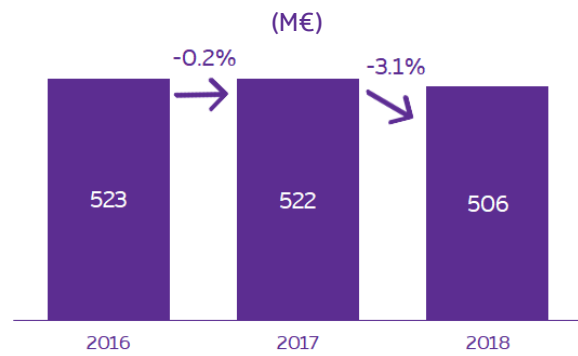
The 2018 tax expenses amount to EUR 194 million, representing an effective tax rate of 26.8%. This is 2.8% below the Belgian statutory tax rate of 29.58%. The difference mainly relates to the application of general principles of tax law applicable in Belgium such as the patent income deduction and other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



Net income

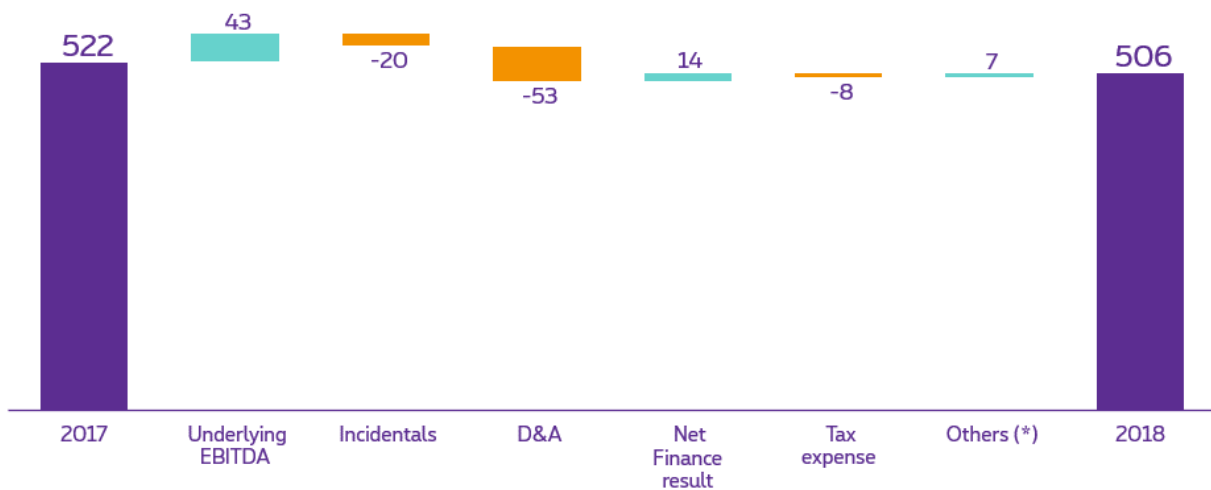
Proximus reported a 2018 net income (Group share) of EUR 506 million. This is down from the prior year with higher underlying Group EBITDA and a lower finance cost more than offset by higher depreciation and amortization, incidentals and tax expenses.

Net income (Group Share)



Net income evolution

(M€)

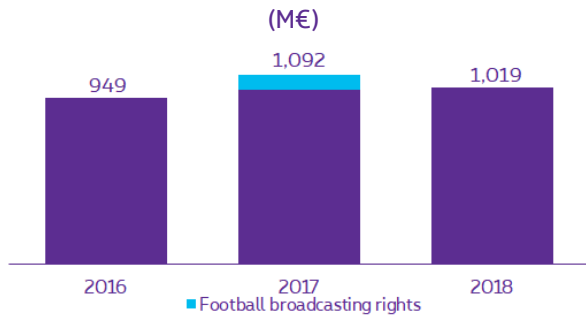


* includes Non-controlling interests and Share of loss from associates



Capex

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

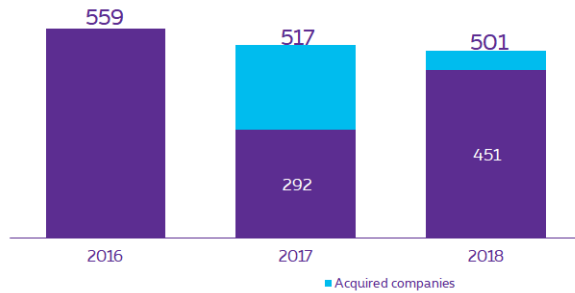


Free Cash Flow

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

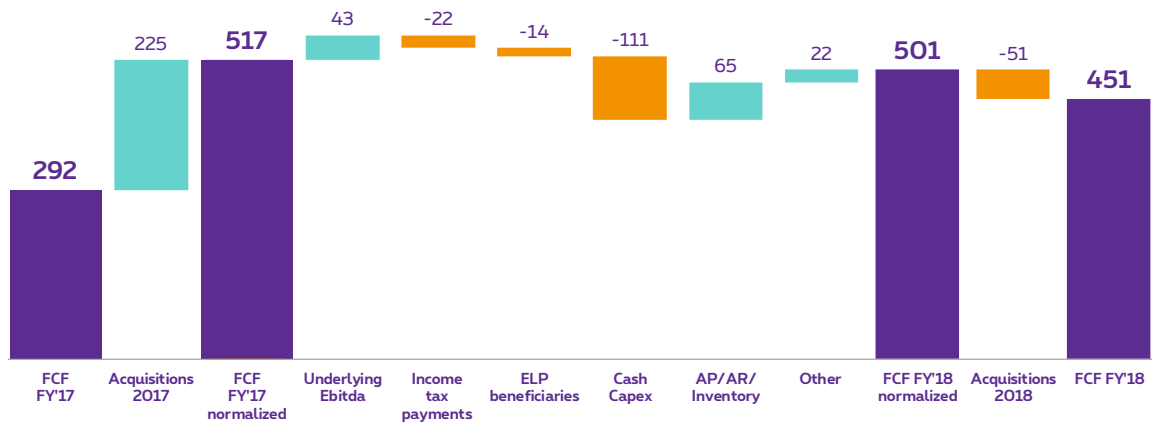
On a like-for-like basis, the EUR 16 million decrease compared to 2017 was the net result of higher cash paid for Capex, higher payments for income tax and the beneficiaries of the early leave plan ahead of retirement, for a large part offset by a growth in underlying EBITDA and less cash needed for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

Free Cash Flow



€501M
Normalized
Free Cash Flow

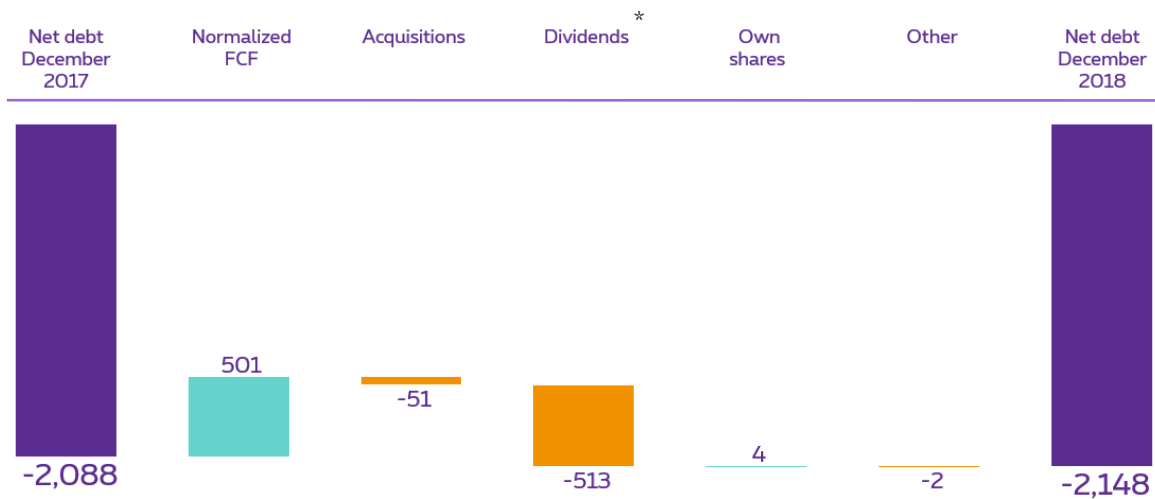
Free Cash Flow evolution (M€)



Net financial position

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

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



*Including dividends to non-controlling interests

Consumer

Revenue

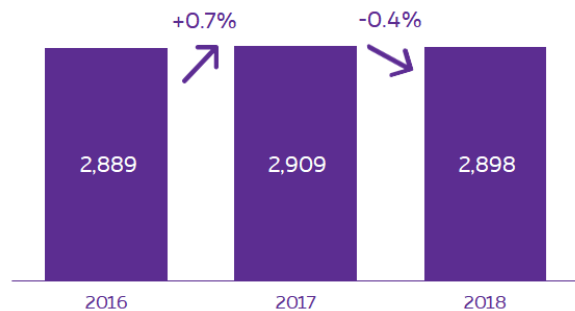
The Consumer revenue over 2018 totaled EUR 2,898 million, -0.4% compared to 2017. This was mainly driven by higher revenue from Fixed Services and Tango, offset by lower revenue from Mobile services due to Roam like at Home regulation and the erosion in Prepaid, and by reduced low-margin mobile device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

Proximus' dual-brand strategy and its segmentation approach for the residential market delivered results, especially in a more competitive context. The Proximus brand grew a more valuable customer base with the ongoing traction of Tuttimus and Bizz All-In offers, for which a total of 508,000 subscribers was reached by end-2018.

The EPIC mobile offers launched end-June were also proving successful, bringing a full digital experience to millennials. In the price seekers segment, the Scarlet brand continued to grow, benefitting from its no-frills offers.

Revenue

(M€)

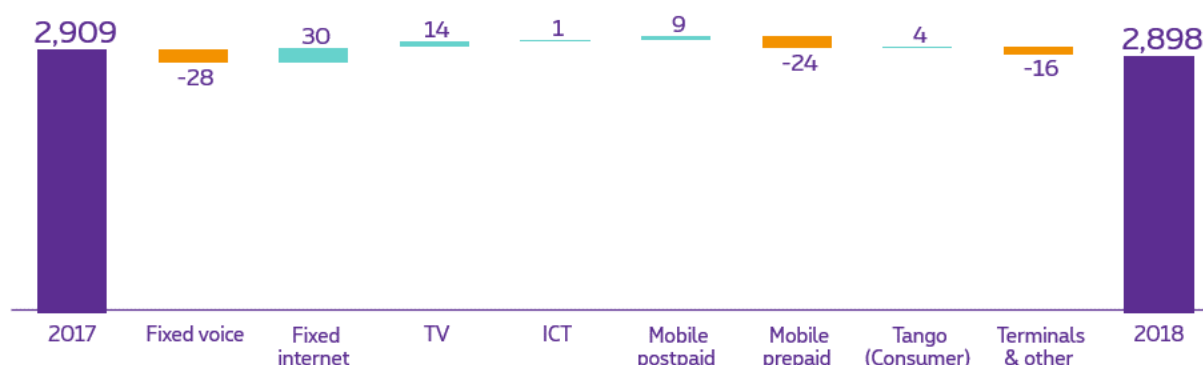


The revenue increase resulting from the customer growth for TV and Internet more than compensated for the ongoing erosion in Fixed Voice revenue. A solidly growing Mobile postpaid customer base also resulted in higher revenue, in spite of substantial roaming regulation headwinds impacting the first half-year.

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

Revenue evolution per product group

(underlying, M€)



The revenue from the Consumer segment was strongly supported by upselling additional services to its customer base, strengthened by the appealing Tuttimus and Bizz-All-in offers.

This translated into a growing 4-play customer base, with Proximus closing the year 2018 with 731,000 4-play households, an increase of 7.0% from the prior year.

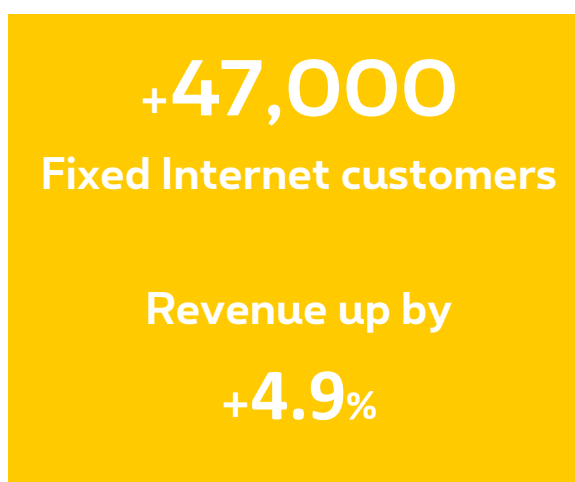
Internet

The Proximus Consumer segment generated 4.9% more revenue from its Internet subscriptions compared to the prior year, totaling EUR 649 million in revenue for 2018. This resulted from a solid 47,000 customer growth over the past 12 months. The total Internet customer base increased to 1,894,000, a steady annual growth of 2.5%, supported by both the Proximus and Scarlet brands. This was achieved through a sound level of gross customer gains and fairly stable Proximus Internet churn compared to the prior year, in a competitive market.

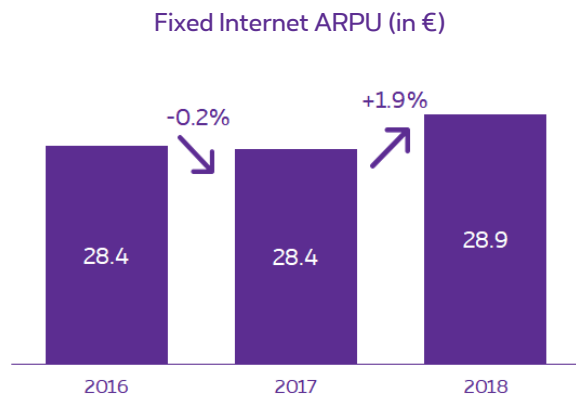
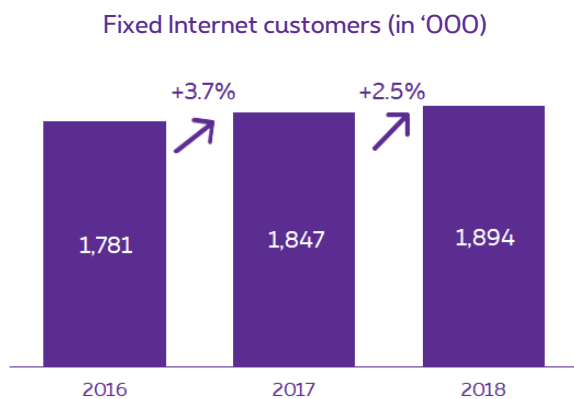
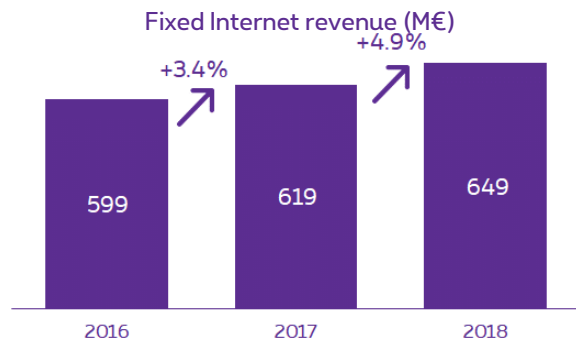
The average revenue per customer was up by 1.9%, with the 2018 ARPU at EUR 28.9. This reflected the price changes since the start of 2018, partly offset by an increased proportion of Scarlet customers, with Internet offers typically at lower pricing.

With a 4-play ARPH of EUR 111.4, and low full-churn of 3.4%, the Consumer customer base became more valuable and loyal in 2018.

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



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



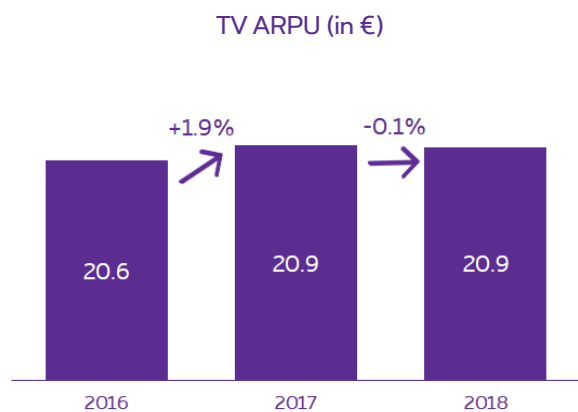
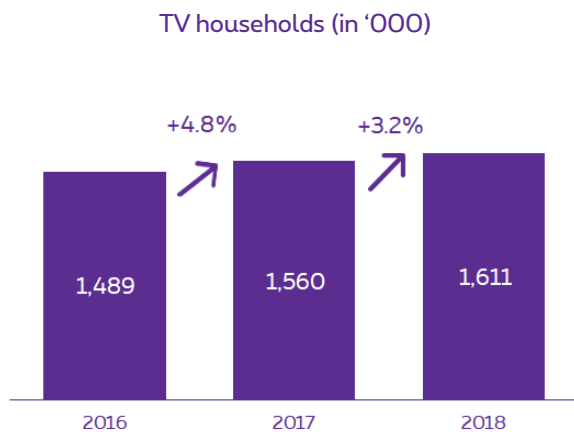
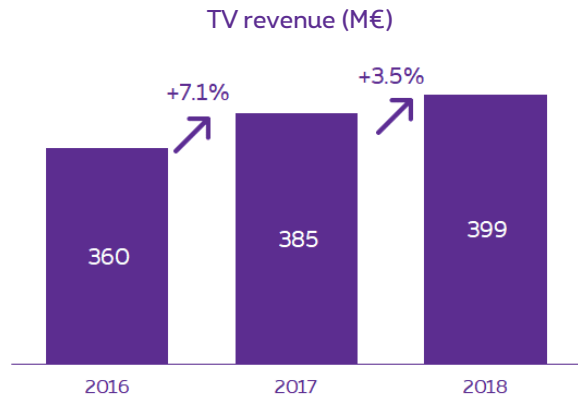
TV

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

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



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



Fixed voice

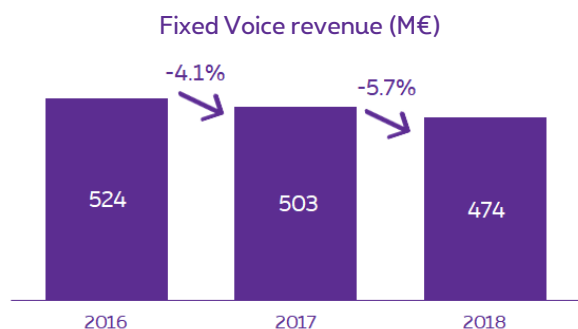
By end-2018 Proximus' Fixed Voice customer base totaled 1,969,000 lines for both the Proximus and Scarlet brands. Supported by All-in offers including Fixed Voice, the year-on-year decrease was mitigated to 3.3%.

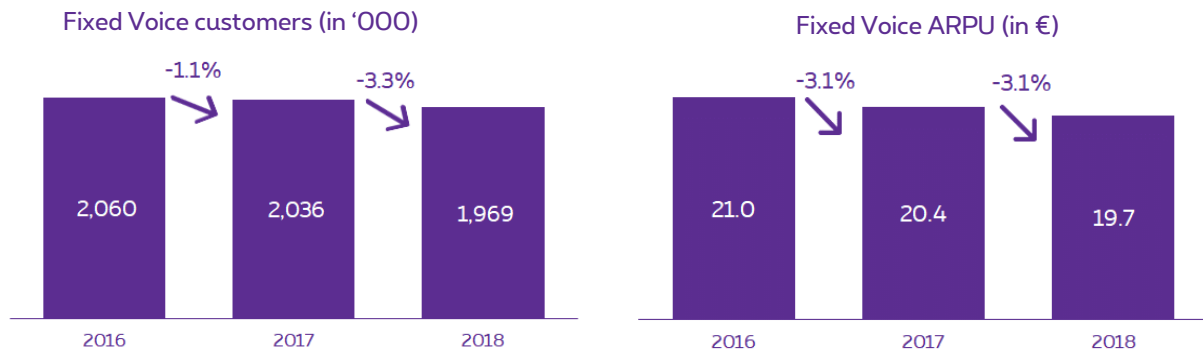
The Fixed Voice ARPU for 2018 was EUR 19.7, i.e. a decline of 3.1% compared to the previous year.

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

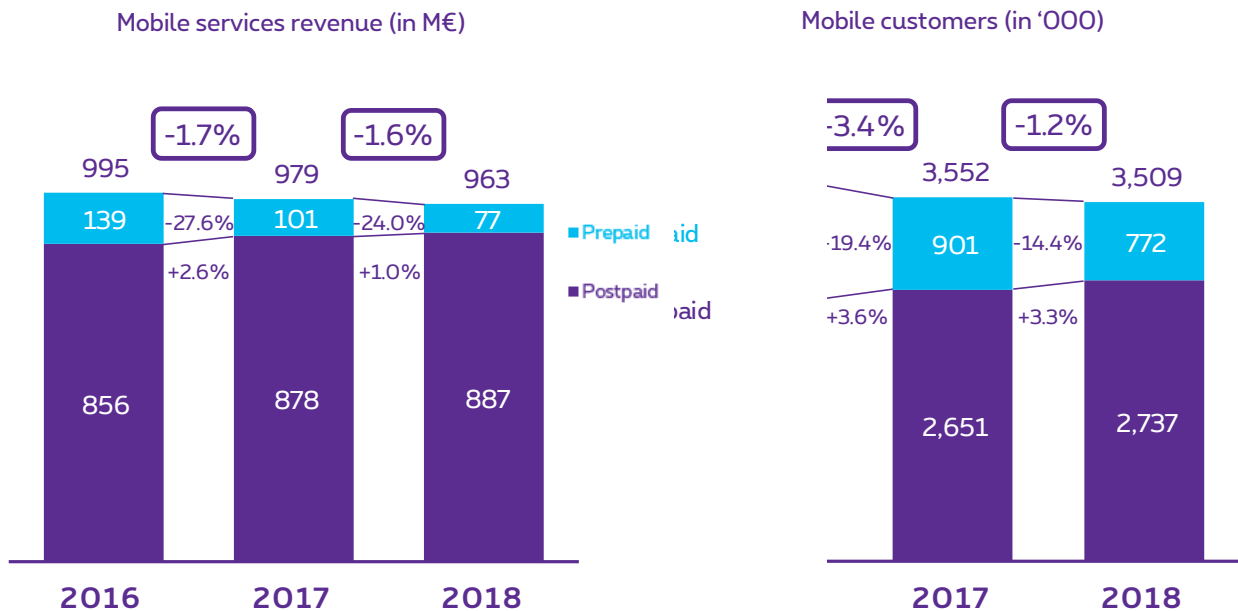
A lower Fixed Voice customer base compared to a year ago, combined with a lower ARPU, resulted in a -5.7% year-on-year revenue decline for Fixed Voice, reaching EUR 474 million in 2018.

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





Mobile



MOBILE POSTPAID

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

Despite bold competitive moves, the Mobile postpaid churn remained contained at 15.8%, +0.2pp from one year ago. With churn rates kept under control and successful changes to the

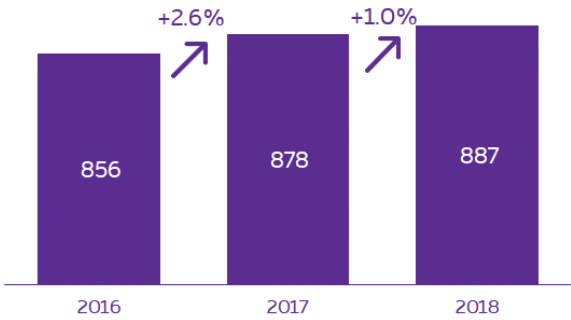
Proximus mobile portfolio, adding unlimited Voice and Data offers, and launching the millennial oriented EPIC offer, Proximus grew its Consumer Postpaid subscriptions by 86,000 in 2018.

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

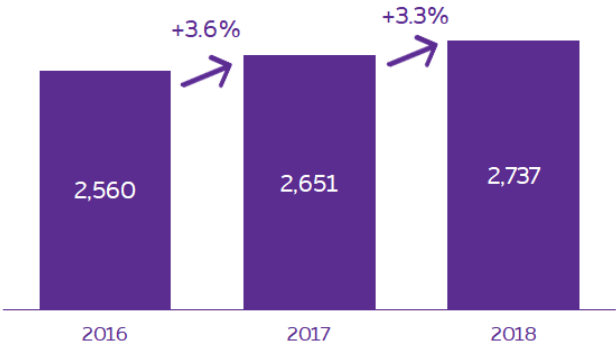
+86,000
Mobile postpaid
cards

+3.3% YoY

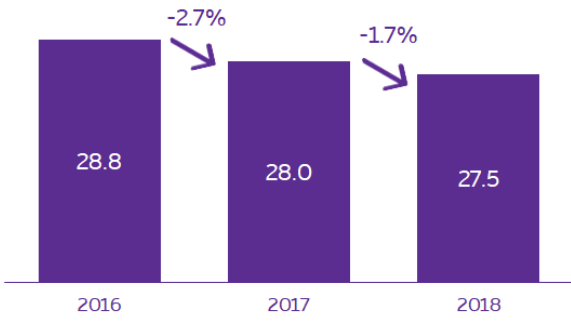
Postpaid revenue (M€)



Postpaid cards (in '000)



Postpaid ARPU (in '€)



MOBILE PREPAID

In contrast to Mobile Postpaid, the revenue from mobile Prepaid showed a steep decline, down by 24% from the prior year.

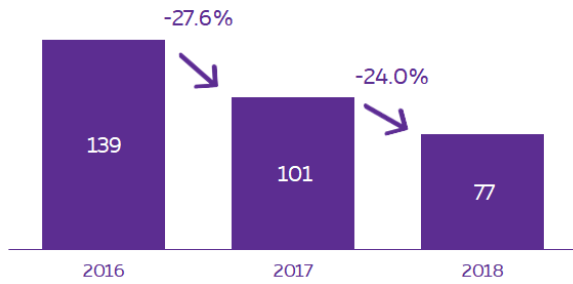
The loss of Prepaid cards remained elevated, with the Prepaid base reduced by 130,000, totaling 772,000 Prepaid cards end-2018. The continued erosion in an already declining market, was partly driven by the strategy to migrate customers to similar Postpaid pricing plans, at higher value.

For 2018 the Prepaid ARPU was EUR 7.6, a 10.1% decline from 2017.

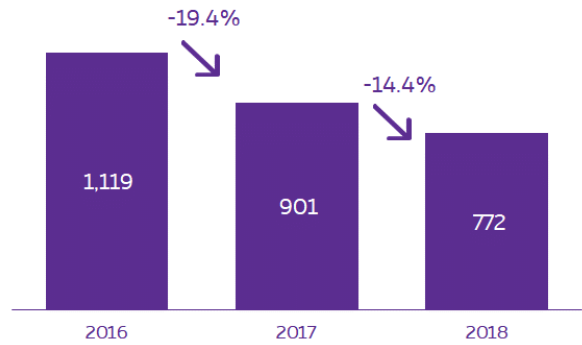
-130,000
Mobile prepaid
cards

-14.4% YoY

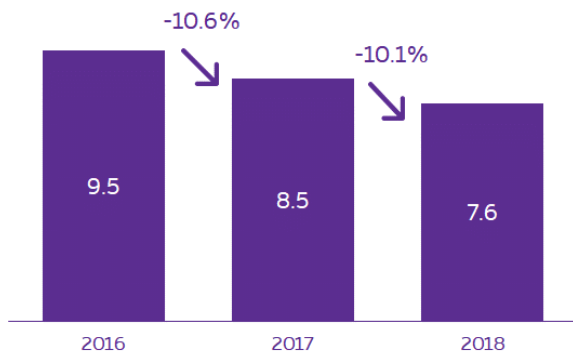
Prepaid revenue (M€)



Prepaid cards (in '000)



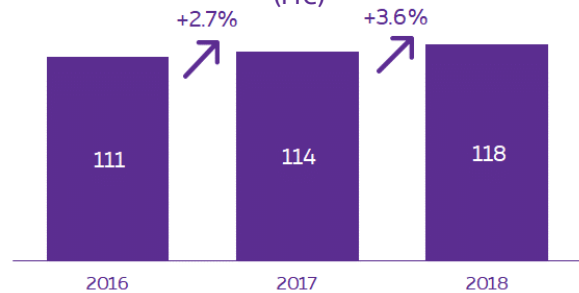
Prepaid ARPU (in €)



Consumer Tango

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

Consumer Tango revenue (M€)

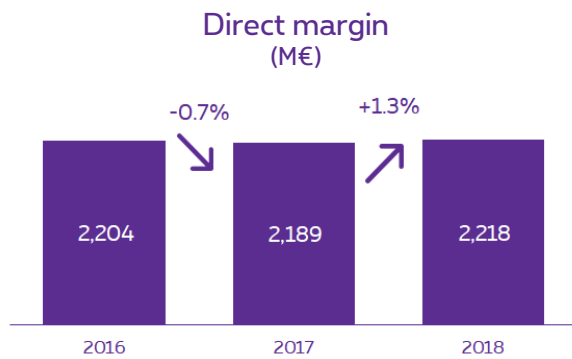


+3.6%
Consumer
Tango revenue

Consumer direct margin

The Consumer direct margin over 2018 grew by 1.3% to EUR 2,218 million, i.e. 28 million above that of 2017. In spite of the first half of 2018 being impacted by the Roam-like-at-Home regulation, this growth was achieved thanks to a solidly growing customer base, improved revenue mix, and the benefit from price changes. Moreover, the

first half of 2018 was supported by some substantial one-off tailwinds, whereas the second half was negatively impacted by a loss in direct margin due to a renewed collection process¹.



€2,218M
Consumer direct margin

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

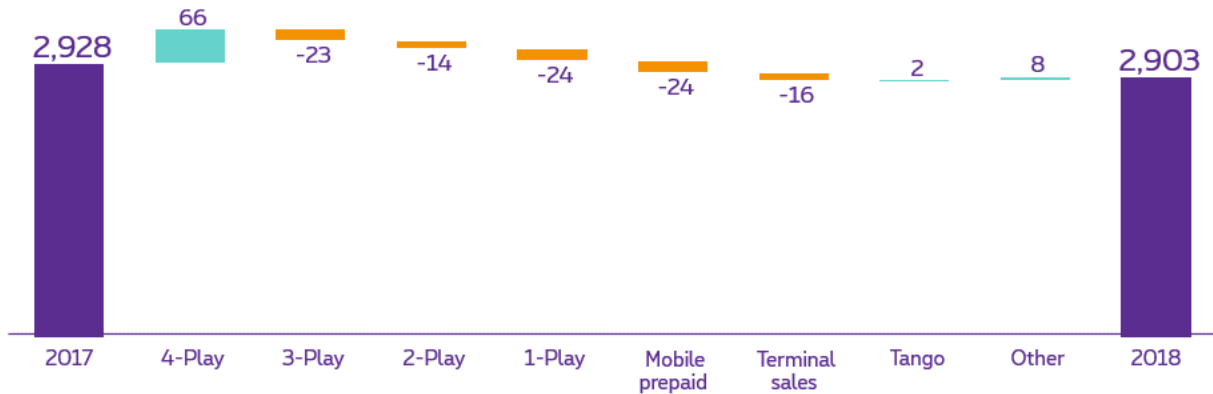
The progress on Proximus' long-term convergence and value strategy is measured through 'multi-play' reporting. In contrast to the traditional reporting per product group, the X-play reporting focuses on operational and financial metrics in terms of Households and Small Offices (HH/SO) serviced by Proximus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

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

¹ Reminder fees were lowered following a new legislation. Moreover, Proximus' collection process was adapted with a to improving the customer experience, reducing the number of reminders on open invoices.

Revenue evolution per X-Play product group

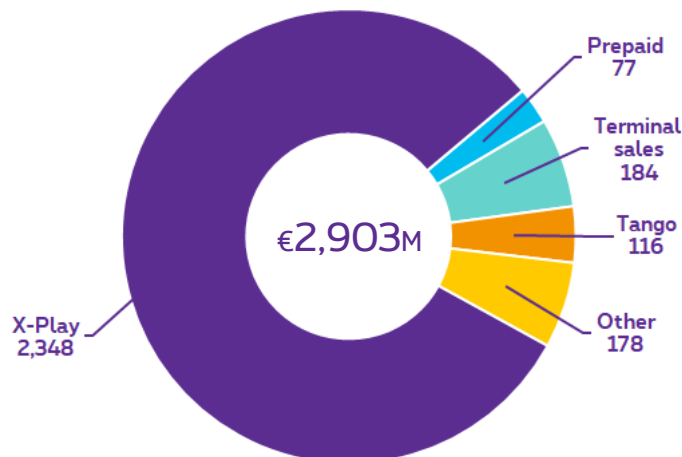
(underlying, M€ under IFRS15)



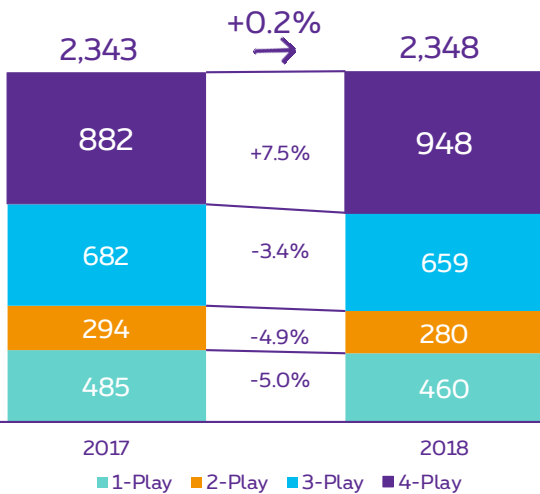
In 2018, Proximus continued to improve its customer mix, with an increasing number of its Households/Small Offices on 4-Play. Over the twelve months of 2018, 48,000 4-Play HH/SO were added, or +7.0%. By end-2018, Proximus serviced 731,000 4-Play HH/SO, i.e. 24.7% of its total base. This positive evolution was especially driven by the continued success of the Proximus offers Tuttimus and Bizz All-in for which an additional 149,000 HH/SO signed up in 2018 to reach 508,000 by end-2018. This further increased the penetration rate of All-in bundles in the total 4-Play base.

The enlarging 4-Play base drove a steady year-on-year 4-Play revenue increase of 7.5%. The ARPH of a 4-Play HH/SO stood at EUR 111.4 for 2018 -1.2% from the prior year. This is a mixed result from an enhanced level of RGU's to 4.89 (+1.1%), regulatory pressure on Mobile roaming and annualizing support from the more-for-more price increase. Moreover, the ARPH reflects a continued erosion in Voice traffic.

2018 Consumer revenue split
(M€, under IFRS15)



HH/SO revenue per X-Play (M€)



+7.5%
4-Play
revenue

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

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

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

The erosion of Single-Play Fixed Voice HH/SO continued its even trend with a decrease of 43,000 HH/SO for 2018. As a consequence, revenue from standalone Fixed Voice was further reduced to a

total of EUR 94 million, representing 3.2% of the total Consumer revenue.

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

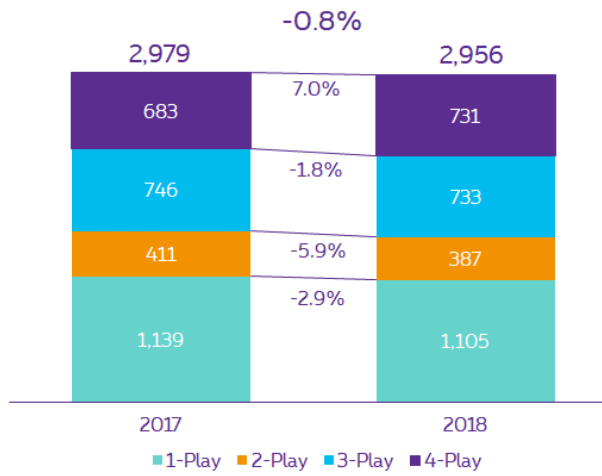
Proximus' Single-Play Internet HH/SO base increased to 151,000, with 12,000 added over 2018, including the effect of Scarlet's successful standalone broadband offers. The corresponding ARPH of EUR 31.1. was up 2.8% from the prior year, including the price increase of the Proximus standalone broadband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

Average
RGU
2.77

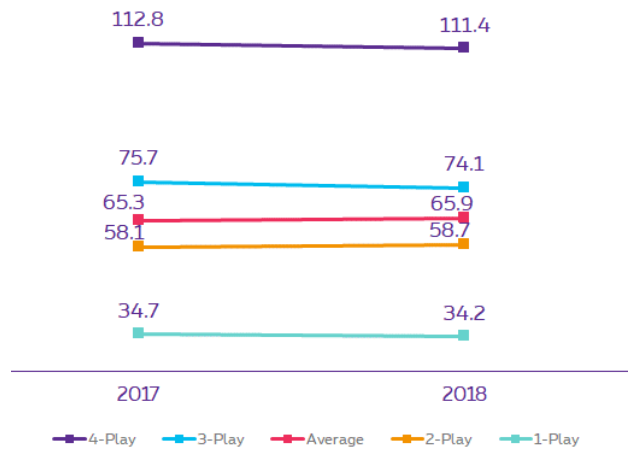
Average revenue
per HH/SO
€65.9

HH/SO having
Fixed & Mobile
58.3%

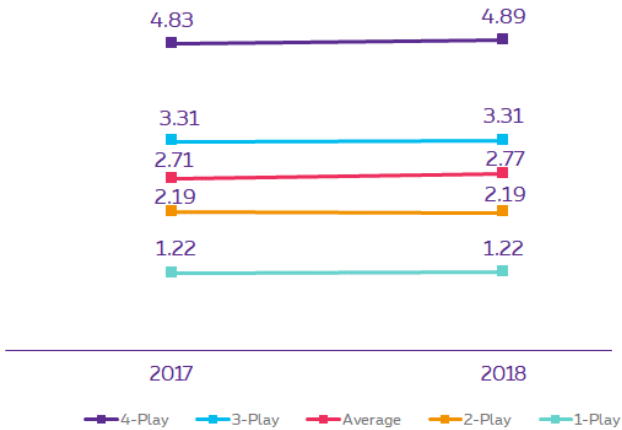
Consumer Households & Small Offices
per X-Play (in '000)



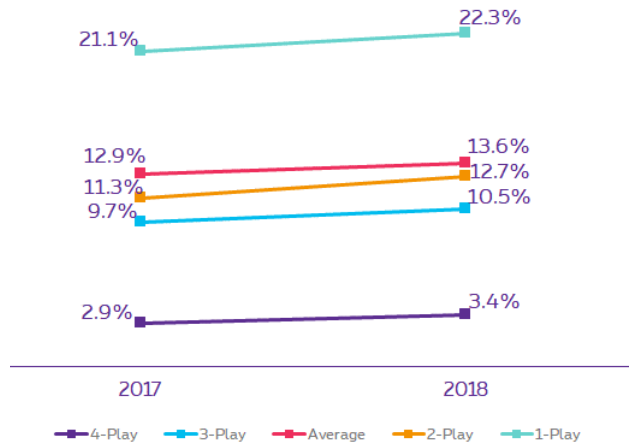
Average Revenue per HH/SO
(ARPH in €)



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



Annualized full churn rate

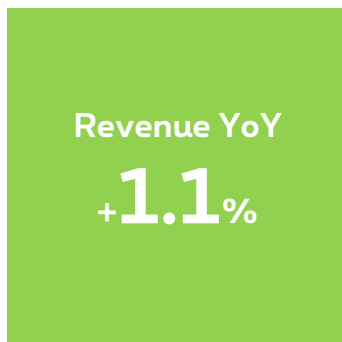
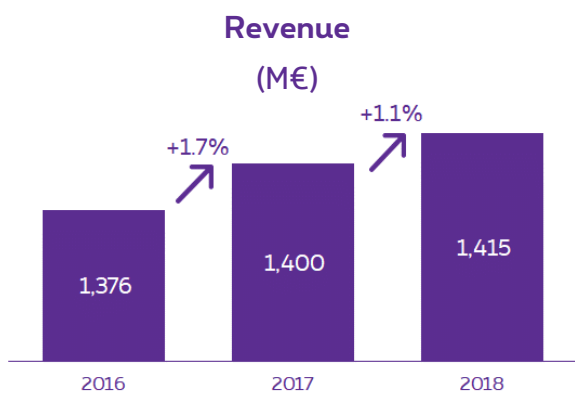


Enterprise

Revenue

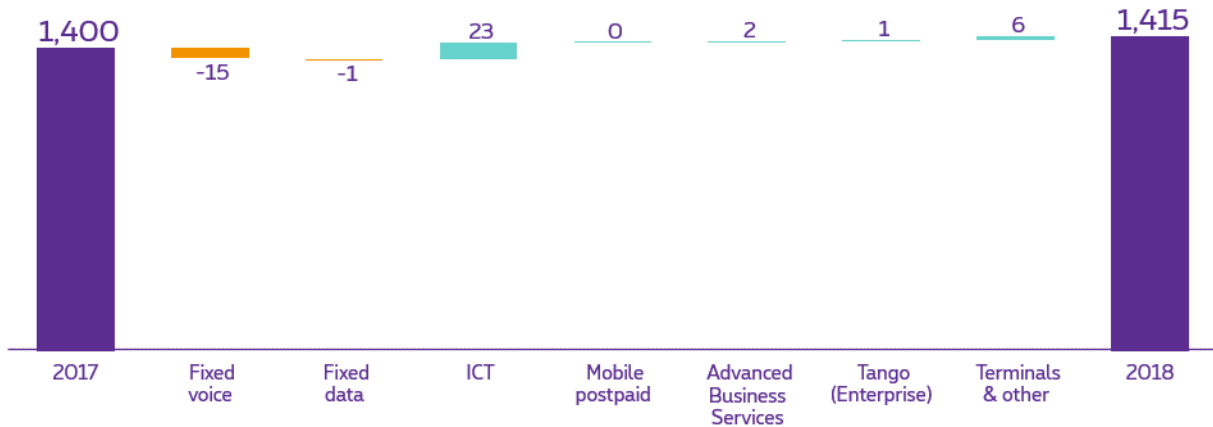
For 2018, Proximus' Enterprise segment posted EUR 1,415 million in revenue, up 1.1% from 2017, in spite of a more competitive business market, regulatory headwinds on Roaming in the first half of the year, and the continued revenue erosion in Fixed Voice.

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



Revenue evolution per product group

(underlying, M€)

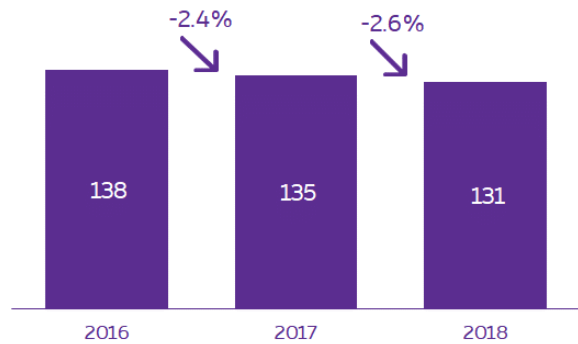
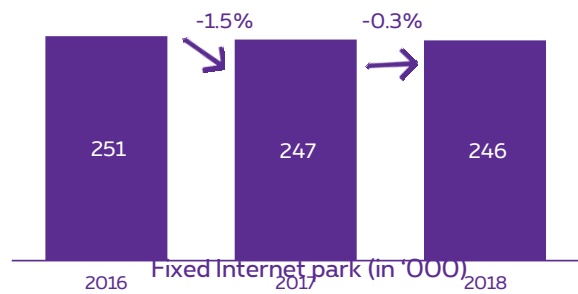


Fixed data

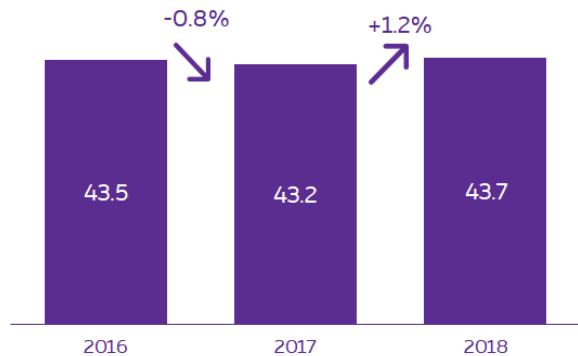
The 2018 revenue from Fixed Data totaled EUR 246 million, nearly stable in relation to the prior year (-0.3%). This includes a steady revenue generation from Data Connectivity, by far the largest part in this product category. The Enterprise segment continued to migrate customers to Proximus' VPN flagship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

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

Fixed Data revenue (M€)

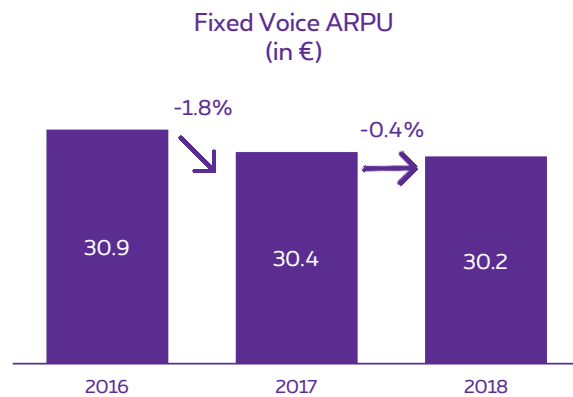
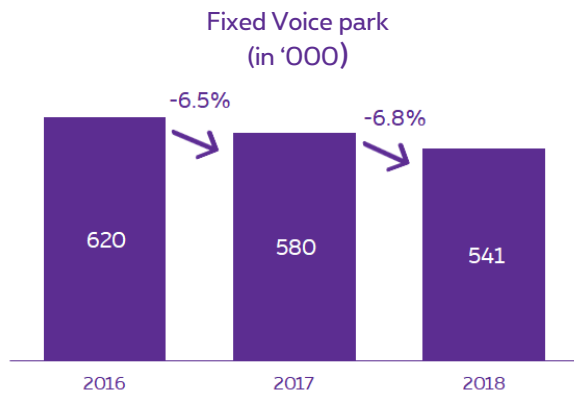
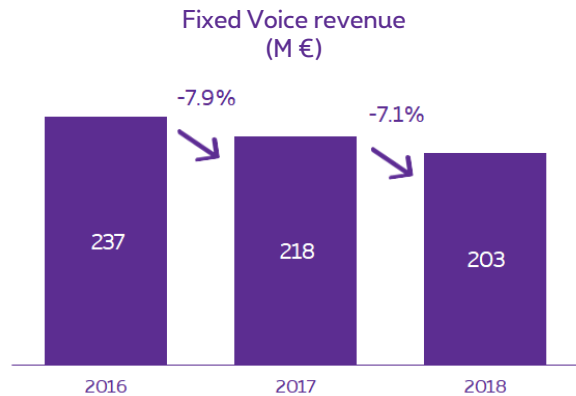


Fixed Internet ARPU (in €)



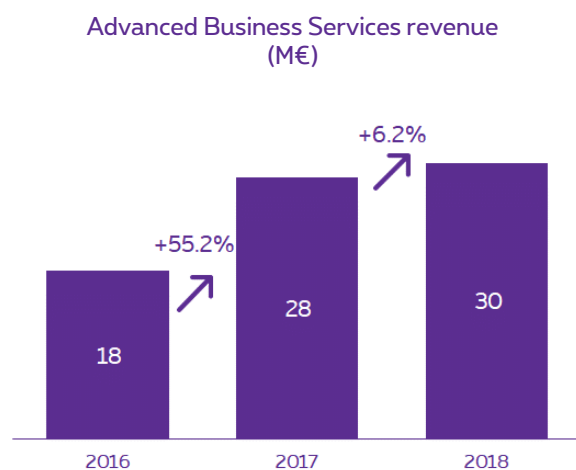
Fixed Voice

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

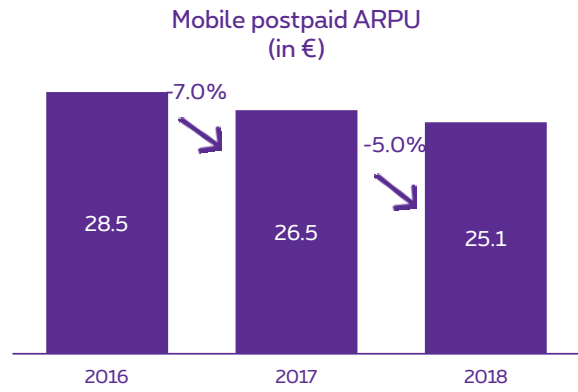
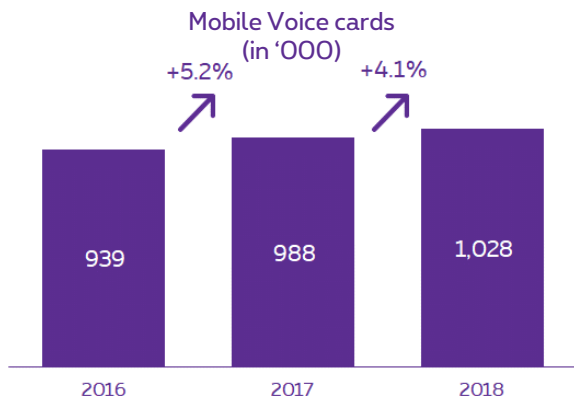


Advanced Business Services

The Enterprise segment made further progress in Advanced Business Services (+6.2%), driven by Smart Mobility, with BeMobile² occupying a unique position in the field. Furthermore, Proximus' convergent business solutions gained traction, growing the number of Call Connect customers (PABX in the cloud).

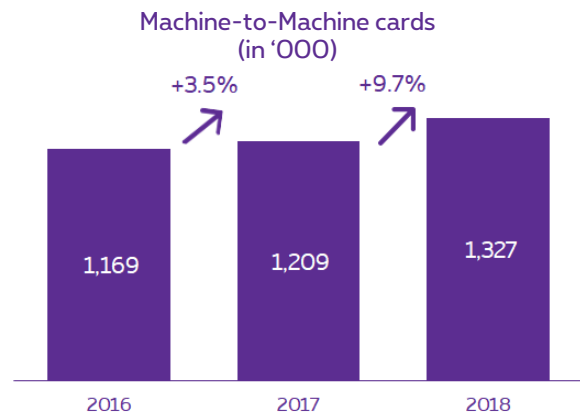


² Be-Mobile is a Proximus subsidiary specialized in smart mobility. In November 2018 it expanded its smart mobility services in Europe by acquiring the French company Mediamobile



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

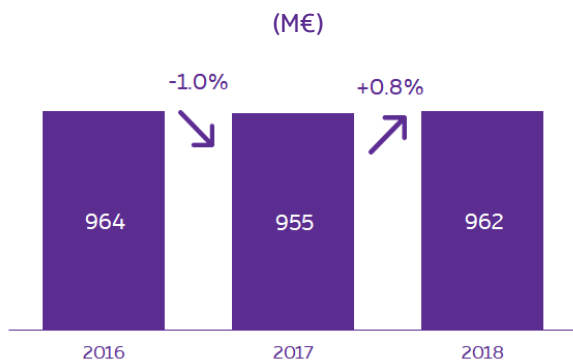
In 2018 its M2M base grew by 117,000 cards to reach 1,327,000 a 9.7% increase from one year ago. This was a.o. driven by activated cards for the Road User Charging product.



Enterprise direct margin

The 2018 direct margin grew by EUR 8 million or 0.8% to EUR 962 million. This resulted from the direct margin contribution from Mobile Services, Advanced Business Services and ICT, including the support from acquired ICT companies. The growth in these areas more than offset the ongoing margin

erosion for Fixed Voice. The 2018 direct margin as a percentage of revenue was 68.0%, down 0.2ppt from a year ago, reflecting a changing revenue mix from higher direct margin legacy revenue to higher workforce-driven ICT revenue.

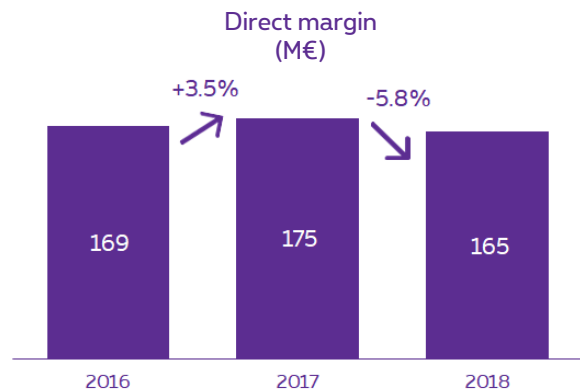
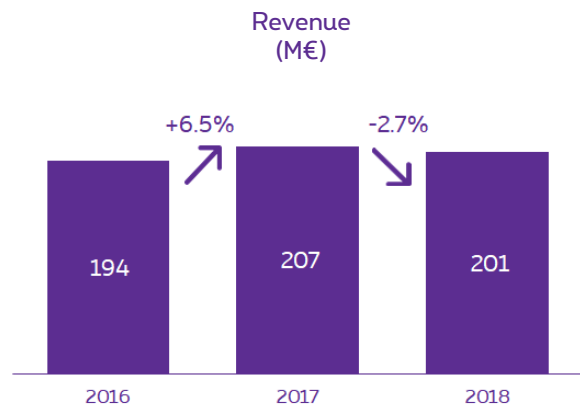


€962M
Enterprise direct margin

Wholesale

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

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



BICS

Revenue

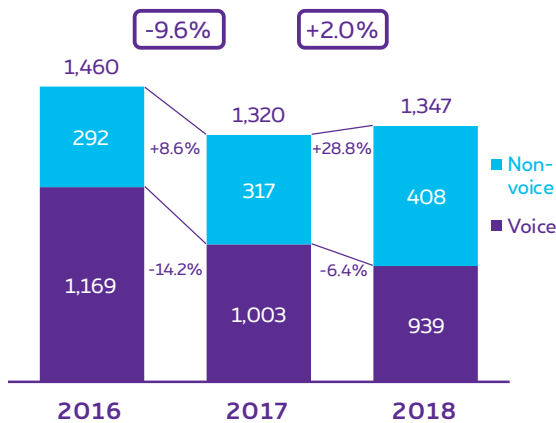
BICS operates in the international communications market, which is highly competitive and faces the transition from Voice to Data usage. In a volatile Voice market, BICS carried a fairly stable 24.5 billion Voice minutes in 2018, 0.3% more than in 2017.

This was however on a less favorable revenue destination mix, leading to a 6.4% decline in BICS' Voice revenue. In contrast, messaging volumes carried by BICS rose steeply, more than doubling compared to the prior year (+110.7%).

This was driven by boosting A2P volumes, including the solid contribution of TeleSign, accelerating BICS' strategic ambitions in this growing market. This led to a solid revenue growth for non-Voice by 28.8%, reaching EUR 408 million in 2018.

In aggregate, BICS closed the year 2018 with revenue of EUR 1,347 million, 2.0% up from the prior year.

BICS revenue (M€)



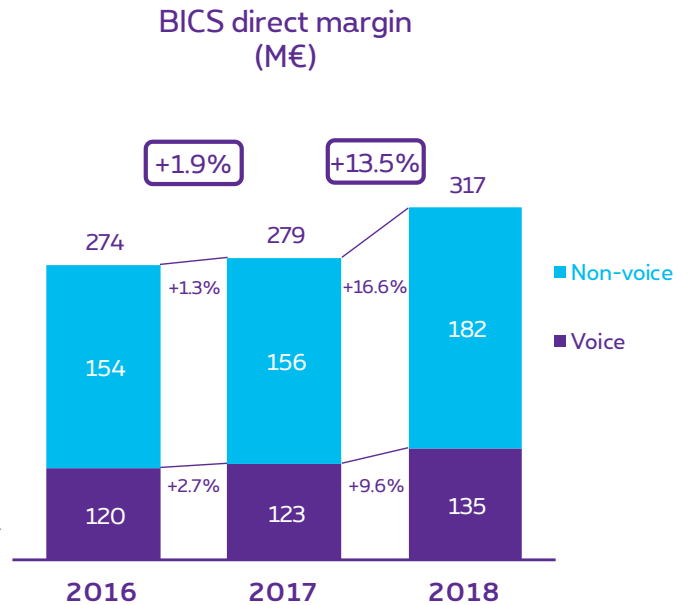
BICS revenue facing ongoing transition from Voice to Data usage

Direct margin

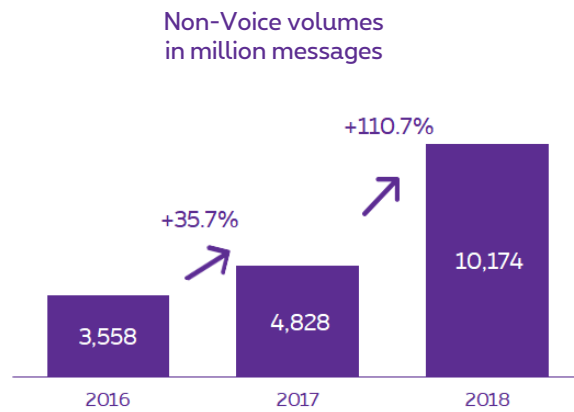
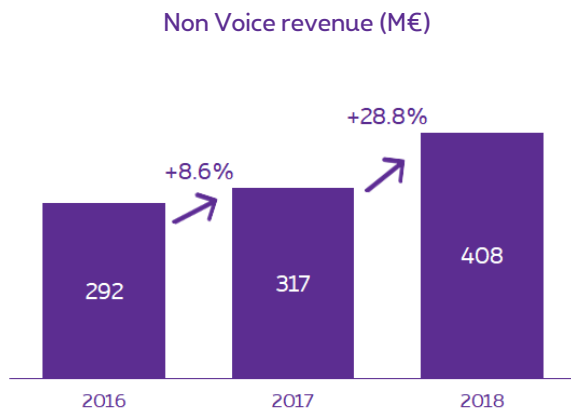
For 2018, BICS achieved a direct margin growth of 13.5%, reaching EUR 317 million. This represents 23.6% of revenue, a 2.4pp improvement from one year ago.

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

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

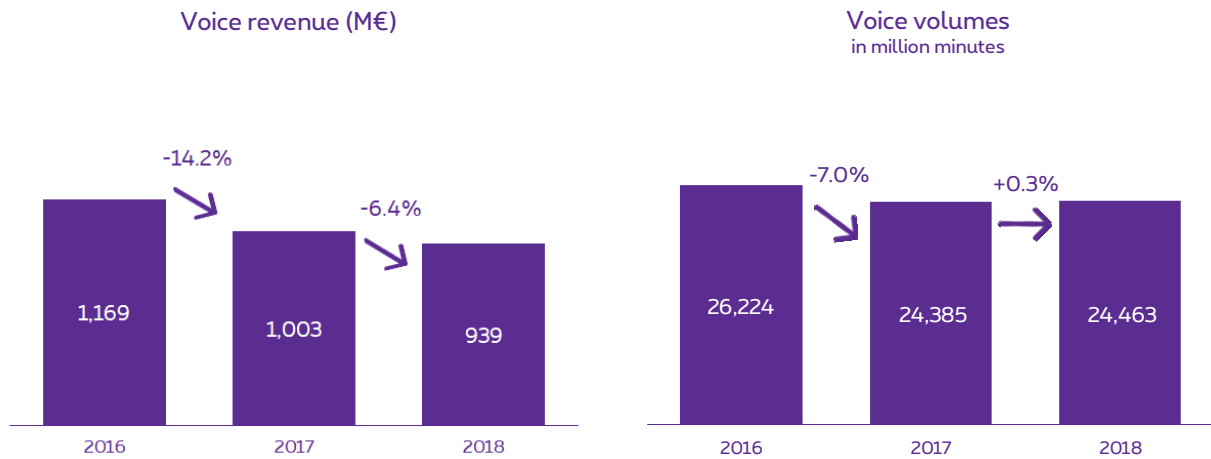


Non Voice



**TeleSign
accelerating
BICS' ambitions
in the
A2P market**

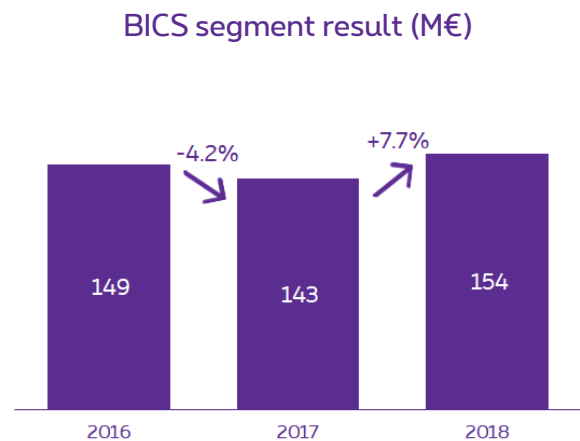
Voice



Segment result

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

In 2018, the segment margin as percentage of revenue progressed to 11.4%.



Definitions

A2P: Applications-to -person

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

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

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

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

Average Mobile data usage: we provide a split of 4G and blended (implying all networks – 2G, 3G and 4G).

The average usage in our report is calculated by dividing the total data usage of the last month of the quarter by the number of data users in the last month of the quarter.

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

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

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

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

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

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

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

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

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

Domestic: defined as the Proximus Group excluding BICS.

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

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

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

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

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

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

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

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

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

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

the last month. Postpaid customers paying a monthly subscription are per default active.

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

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

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

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

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. For subsidiaries, Workforce expenses include internal personnel expenses and pensions only.

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

Risk Management

Taking risks is inherent to doing business and successfully managing risks delivers return to Proximus stakeholders. Proximus believes that risk management is fundamental to corporate governance and the development of sustainable business.

The Group has adopted a risk philosophy that is aimed at maximizing business success and shareholder value by effectively balancing risk and reward. Effective risk management is a key success factor for realizing our objectives. The motivation of risk management is not only to safeguard the Group's

assets and financial strength but also to protect Proximus' reputation. A structured risk management process allows management to take risks in a controlled manner. Financial risk management objectives and policies are reported in Note 31 of the consolidated financial statements, published on the Proximus website. Risks related to important ongoing claims and judicial procedures are reported in Note 33 of these statements. The enterprise and financial reporting risks are detailed below, together with the related mitigating factors and control measures. Note that this is not intended to be an exhaustive analysis of all potential risks Proximus might be facing.

Enterprise-wide risks

Proximus' Enterprise Risk Management (ERM) is a structured and consistent framework for assessing, responding to and reporting on risks that could affect the achievement of Proximus' strategic development objectives. The Group's ERM covers the spectrum of business risks ("potential adverse events") and uncertainties that Proximus could encounter. It seeks to maximize value for shareholders by aligning risk management with the corporate strategy. It does so by assessing emerging risk (e.g. from regulation, new technologies on the market) and developing mitigating strategies in line with its risk tolerance.

Proximus ERM framework has been reviewed and updated in 2017 in order to be aligned with the market best practices. This risk assessment and evaluation takes place as an integral part of Proximus' annual strategic planning cycle. All

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

- Competitive market dynamics
- Businessmodel and servicing evolution
- Employee skills and motivation
- Customer experience
- Human Resource cost flexibility

Competitive market dynamics

Proximus' business is primarily focused on Belgium, a small country with a few large telecom players, among which Proximus is the incumbent. e.g. mobile data, security, IOT, smart mobility, API platforms), maturing (e.g. smartphones), saturated (e.g. Fixed Internet, postpaid mobile) or even declining (e.g. prepaid mobile, enterprise voice, fixed voice) markets.

The market is in constant evolution, with competitive dynamics (e.g. frequent new product launches, competitors entering new segments of the market) at play that might impact market value going forward. Specifically, the market structure could change significantly with the possible entry of a new mobile operator on the market, supported by favourable conditions set in the upcoming spectrum auction. Sector federation Agoria estimates that the possible arrival of a 4th mobile entrant could impact the total Mobile market in Belgium with a reduction of 6000-8000 jobs and a reduced sector contribution to the state of € 200 M – € 350 M.

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

As a result of its long-term strategy and continued network investments (Fiber, VDSL/Vectoring, 4G/4G+) Proximus has been consistently improving its multi-play value propositions by putting more customers on the latest technologies, keeping the lead in mobile innovation, structurally improving customer service, partnering with content and OTT players to offer a broad portfolio of content (Sports, Netflix, families & kids with e.g. Studio 100 agreement) , developing an omnichannel strategy and improving digital customer interfaces,...

Proximus has built up an advantageous and solid competitive position providing the company with other levers than just price, reducing the risk to churn and price disruption exposure.

Proximus also successfully launched a new mobile offer targeted at the millennial segment, Epic, with a specifically designed offer to meet the mobile needs of these customers.

Proximus is also responding through a convergent and bundled approach and by offering new services and opting for an aggregator model, putting at disposal the best content to its customers (e.g. Netflix).

The price-sensitive segment, which has continued to rise in 2018 as more consumers seek 'no frills' offers at a lower price, is successfully addressed via its subsidiary Scarlet. The latter offers attractively priced mobile and triple-play products.

In the corporate large-company market, the scattered competitive landscape drives price competition, which might further impact revenue and margins. Here also, Proximus intends to respond to increasing competition by strengthening its voice-data-IT convergence strategy, leveraging unmatched sales reach, broad portfolio and expertise. Proximus has developed specific solutions to accompany our customers in the transition to both local and cloud-based communication services, and leveraging our various assets to offer simple, reliable and technologically advanced solutions to meet their communication needs.

Furthermore, Proximus also seeks to answer new customer business needs through solutions combining core assets with innovation like IoT, Cloud, Security and big data, which will help preserving the value.

The wholesale telecoms market has registered a further decline in volumes with a flattening pricing decrease in legacy communications (voice, P2P SMS) while being under the continuous and increased pressure from VoIP communications (WhatsApp, iMessage, Skype, etc.). Although in 2018 BICS has registered high-volume growth in LTE signalling, IPX, Capacity or 2G/3G roaming, there is a fierce competition in growing markets, mostly due to the decline of traditional communications, the technology evolution and huge pressure on tariffs and termination rates.

On traditional voice services BICS has managed to maintain its volumes in line with last year's results and to further strengthen its market share in voice transport.

While the traditional wholesale business is highly volatile and commoditized, BICS has maintained its position in the global communications market as one of the top international voice carriers and providers of mobile data services, thereby transporting about 25% of the world's roaming traffic.

Last year BICS has acquired TeleSign, a leading US-based CPaaS (communication platform as a service)

company founded on security, to accelerate its diversification strategy into new market segments and further consolidate its presence in the Americas.

During 2018, this proved to be the right diversification strategy as TeleSign managed to more than double its own EBIDTA while competing with players that follow a different financial logic (high revenue growth but negative cash flows).

Business model and servicing evolution

Proximus' business model and financial performance have been and will be impacted by (disruptive) technologies, such as SD-WAN, 5G and OTT (over-the-top) services. Proximus' response to new technologies and market developments and its ability to introduce new competitive products or services, meaningful to its customers, will be essential to its performance and profitability in the long run.

For ultra-broadband fibre-based connectivity, Proximus operates a local marketing approach, joining forces of our sales and the one of technical forces and of local partners for its fibre deployment project.

Proximus also continues to develop capabilities to support business customers in their digital transformation with its industry-tailored support and convergent products combining connectivity, hybrid cloud and managed security solutions. Proximus continuously explores ways to diversify revenues streams outside the classical connectivity business. Examples include our rapidly growing IoT business (including adjacent services) and our smart mobility services (via B-Mobile subsidiary among others). In those adjacent domains Proximus explores new partnership models and considers inorganic growth paths.

Employee skills and motivation

In the digital era, knowledge workers are a competitive asset if they have the right skills and mind-set. Proximus could face a shortage of skilled resources in very specific domains like security, digital front-ends, data science, agile IT,... This shortage could hamper the realization of our #shift to digital and customer-centric strategy and delay some of our ambitions in innovation. Besides, there is a need for upgraded skills in customer-facing and in other functions to become digital oriented.

This is why the company is putting so much attention on training programs, internal mobility, hiring of young graduates from relevant fields and employer branding.

In this matter, it is also essential for Proximus to adapt her way of working to the needs and requirements of the new generation – “the millennials” - and manage all talents within an inclusive multigenerational environment.

Considering the imperative to align skills vs. customer & business needs, Proximus has taken the necessary steps to identify which skills are critical to face tomorrow's challenges and to know, develop and share each other's talents to have the right talent at the right place. Proximus also continues investing in leadership, collaborative work environment, digitalization, development to stimulate a company culture that nurtures a growth mindset, new ways of working, and our five company values being digital mindset, customer centricity, accountability, collaboration and agility.

Customer experience

For Proximus, delivering a superior customer experience is a core strategic mission – but also an ongoing risk domain, considering:

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

Proximus is committed to meet its brand Promise 'Always close' by transforming into a digital first service provider while delivering superior customer experience: a consistent and intuitive experience across interactions, high quality and stable network, easy-to-use products and services, a good recommendation index and low effort on all interactions in all customer journeys.

Proximus' strategy holds a key focus on 'customer experience' which is materialized through key transformational initiatives like end-to-end journey evolution and Voice of the Customers and business as usual activities. With these, we ambition to:

- ensure products & services are designed to match customer expectations before launching
- maximize usage satisfaction of products and services with focus on in-home and in-office experience

- design or redesign end-to-end customer journeys, ensuring a personalized and effortless interaction with the Proximus brand
- create and maintain a continuous dialogue with our customers to engage with them and evolve towards a real customer centric company
- react more quickly when we did not deliver a first-time right experience or even proactively address an issue before customer notices it

A few examples of what has already been achieved:

- massive upgrading of customers to latest technology
- 'Happy House' visits to improve in-home experience
- 'Safety nets' for customers at risk via 360° multiskilled transversal teams
- Multi-objective calls and e-mails to proactively address customers at risks
- Improvement of our digital channels & tools: 'MyProximus' app redesign, new 'Home optimizer' app, etc.
- Launch of the new WiFi-booster to improve WiFi coverage in home
- Re-design of customer journeys

Human resource cost flexibility

Even though Proximus is back on the path of growth since 2015, strong competition, the impact of regulation and fast market evolution require to further reduce costs in order to remain competitive and preserve EBITDA. A significant part of Proximus' expenses is still driven by the cost of the workforce

(whether internal or outsourced, expensed or capitalized). Expressed as a ratio of turnover, Proximus total cost of workforce still lies well above the average of international peers and main competitors, even if progress is steadily made over the past years.

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

At Proximus Group level, about one in four employees is statutory. The application of HR rules as defined during successive Collective Agreements is quite strict and doesn't allow as high flexibility as competition. This restricts Proximus' ability to improve efficiency and increase flexibility to levels comparable to those of its competitors.

In 2018 the next wave of the voluntary early leave plan that was agreed by the unions in 2016 has left the company.

But in the future, major efforts will be needed to increase organizational flexibility and agility.

That's why we intend to accelerate our transformation in the next three years, to become an increasingly digital company, agile and efficient organization.

Operational risks

Operational risk relates to risks arising from systems, processes, people and external events that affect the operation of Proximus businesses. It includes product life cycle and execution; product safety and performance; information management, data protection and cyber security; business continuity; supply chain; and other risks, including human resources and reputation. Depending on the nature of the risk involved and the particular business or function affected, Proximus is using a wide variety of risk mitigation strategies, including adverse scenario stress tests, back up/business continuity plans, business process reviews, and insurance. Proximus' operational risk measurement and management relies on the AMA (Advanced Measurement Approach) methodology. A dedicated "as-if" adverse scenario risk register has been developed in order to make stress tests relevant.

First, Proximus will continue to adapt and simplify the organizational structure in order to evolve towards a high-performance organization and as such transforming the way we work.

Besides, different initiatives (drastic simplification and/or automation of Proximus' products, services, processes and systems) would optimize and safeguard the balance between workforce and workload (both in numbers and competencies). The objective would be to adapt workforce cost and HR rules to Proximus future needs, to remain competitive and be able to evolve with customers' needs.

With this respect, discussions with unions are aimed to on one hand adapt workforce to workload and on the other hand simplify the current social model, to enhance functional & geographical mobility, increase HR flexibility and further optimize in- and outsourcing balance. This would improve our productivity, flexibility and agility on the market.

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

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

- Resilience & business continuity
- Legacy network infrastructure
- Security (confidentiality, integrity, availability)
- Sourcing & supply chain reliability
- Data protection & privacy

Business Continuity

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

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

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

- identify and prevent risks where possible
- prepare for risks that we can't control

- respond and recover if an incident or crisis occurs

Per critical product & services, relevant Maximum Tolerable Period of Disruption (MTPOD) have been defined in line with the sales business unit's requirements.

Proximus is closely following the international standards best practices guidelines. The level of preparedness (relevant KPIs and score cards) is submitted annually to the Audit & Compliance Committee.

In case of a major adverse event, Proximus has put in place and is continuously testing a crisis management process called PERT (Proximus Emergency Response Team).

Cyber Security

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

of Proximus and its customers' data are also at risk. We are taking the necessary actions & investments to mitigate those risks by employing a number of measures, including employee training, monitoring testing, and maintenance of protective systems and contingency plans.

Legacy network infrastructure

The systems need to talk to each other over a connected information highway that can deliver information at high speed and without distortion. There is no doubt that in the coming years there will be a continuing demand for ever-increasing quantities of data at ever-increasing speeds. There is a widely held belief that the increased use of wireless and fiber optic technology will render copper wire obsolete.

The problems with services over copper are speed, reliability and value for money. All too often, legacy systems are costly to operate and maintain.

Copper has been around for decades and has far out-lived any guarantee period. Outages on the lines will

become more frequent.

Considering those elements, Proximus was in 2004 the first operator in Europe to start building a national Fiber to the home network. And today, Proximus is among the world's top five operators for the proportion of Fiber in its VDSL network with over 21,000 kilometres of optical fiber connecting its street cabinets.

In the last 2 years, Proximus has accelerated the roll-out of Fiber on its fixed network thanks to its 'Fiber for Belgium' € 3 Bio investment plan over 10 years.

The initiatives from utility players, such as Fluvius, to invest in a parallel Fiber network, risk to have an impact on the business case of the Proximus Fiber investments.

Sourcing & Supply chain

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

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

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

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

Data protection & privacy

Data protection laws exist to strike a balance between the rights of individuals to privacy and the ability of organizations to use data for business purposes. Keeping personal data confidential, private, safe and secure is for Proximus a top priority.

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

In 2018, Proximus continued its GDPR implementation project started in 2017. Our objective was to ensure compliance with GDPR without disruptions to Proximus data flow and business operations. More than 150 persons were directly involved in the project and approximately 500 others were involved in surveys, questionnaires, assessments, etc.

Being committed to protect personal data and privacy, we took a series of actions such as appointing a Data Protection Officer (DPO), development of a structure for consent management, security screening and corrective measures for our IT applications.

We also implemented a Privacy Control Framework to provide assurance on the fact that personal data is managed as intended, is accurate, protected by default and by design and that our organization is compliant with applicable laws and regulations and able to demonstrate this.

GDPR implementation will remain on the agenda for 2019. We aim to optimize our internal processes to allow an efficient privacy by design/default approach. Proximus will further extend the privacy settings within the MyProximus app and website to allow our customers to efficiently choose how Proximus can use their personal data.

Risk Management & Compliance Committee

In 2018, the Risk Management & Compliance Committee (RMC) has held 4 sessions. The related decisions have been reported to EXCO & the Audit & Compliance Committee. RMC meetings give opportunity to review files where decisions have to be taken by finding the balance between risk taking and cost in line with the Group risk appetite.

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

The RMC objectives are: 1. To oversee the company's most critical enterprise & operational risks and how management is monitoring and mitigating those risks. 2. To enhance pending/open internal Audit action points remaining open for more than 6 months.

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

Internal Audit

Proximus internal audit function is – in line with the European best practices requirements – an integral part of the Internal Risk Management and Control System and provides assurance to the Audit and Compliance Committee concerning the “in control status” of the Proximus Group segments/units/ entities and processes. Internal Audit provides to both the Audit and Compliance Committee and Proximus Management analyses, appraisals, recommendations, counsel, and information:

1. Therefore, internal audit objectives using the COSO and other professional standards are to ensure: 1. The effectiveness & adequacy of internal controls.
2. The operational effectiveness (doing it right) and/or efficiency (doing it well).

3. The compliance with laws, regulations and policies.
4. The reliability & the accuracy of the information provided.

Internal Audit helps Proximus to accomplish those objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. Internal Audit conducts its activities in a manner based on a continuous evaluation of perceived business risks, and has full and unrestricted access to all activities, documents/records, properties and staff. The Chief Auditor has a reporting line to the Chairman of the audit Committee. Quarterly Audit activity reports are submitted and discussed with the Audit and Compliance Committee.

Financial reporting risks

In the area of financial reporting, in addition to the general enterprise risks also impacting the financial reporting (e.g. personnel), the major risks identified

include: new transactions and evolving accounting standards, changes in tax law and regulations and the financial statement closing process.

New transactions and evolving accounting standards

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

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

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

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

Changes in tax law and regulations

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

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

Financial statement closing process

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

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

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

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

Internal control system

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

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

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

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

Proximus considers the timely delivery to all its internal and external stakeholders of complete, reliable and relevant financial information in conformity with International Financial Reporting Standards (IFRS) and with other additional Belgian disclosure requirements as an essential element of management and governance.

Therefore, Proximus has organized its internal control and risk management systems over its financial reporting in order to ensure this objective is met.

Control environment

Organization of internal control

In accordance with the bylaws, Proximus has an Audit & Compliance Committee (A&CC) (see caption 'Independence and expertise in the accounting and audit domain of at least one member of the Audit and Compliance Committee'). Its role is to assist and advise the Board of Directors in its oversight on (i) the financial reporting process, (ii) the efficiency of the systems for internal control and risk management of Proximus, (iii) the Proximus' internal audit function and its efficiency, (iv) the quality, integrity and legal control of the Proximus statutory and

the consolidated financial statements, including the follow up of questions and recommendations made by the auditors, (v) the relationship with the Group's auditors and the assessment and monitoring of the independence of the auditors, (vi) Proximus compliance with legal and regulatory requirements, (vii) the compliance within the organization with the Proximus' Code of Conduct and the Dealing Code.

The A&CC meets at least once every quarter.

Ethics

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

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

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

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

Policies and procedures

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

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

Roles & responsibilities

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

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

The team of the Corporate Accounting department assumes this accounting responsibility for the mother company Proximus and the major Belgian companies.

They also provide the support to the other affiliates. For this centralized support, the organization is structured according to the major (financial) processes. These major processes include capital expenditures and assets, inventories, contracts in progress & revenue recognition, financial accounting, operational expenditures, provisions & litigations, payroll, post-employment benefits and taxes.

This centralized support, organized around specific processes and IFRS standards, allows for in depth accounting expertise and ensures compliance with group guidelines.

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

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

Skills & expertise

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

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

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

Risk analysis

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

Risk mitigating factors and control measures

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

Information and communication

Financial reporting IT systems

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

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

Effective Internal communication

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

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

Reporting and validation of the financial results

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

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

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

Supervision and assessment of internal control

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

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

Evolution in research and development activities

Enabling a better digital life

We enable a better digital life by building a future-proof infrastructure with high-quality networks and digital platforms, as well as through innovative solutions and services that address societal challenges. We believe in open innovation and co-create in digital ecosystems with the academic world, start-ups and scale-ups.

We pay particular attention to developing a safer digital society. We provide cybersecurity solutions and services to our residential, enterprise and public customers and build trust in digital through data privacy and awareness initiatives. We are also a proud founding partner of the Cybersecurity Coalition.

Future-proof digital infrastructure

The success of Belgium's digital future depends on future-proof connectivity.

Being connected is part of every person's and every company's daily life. At home, at work and on the go. That's why we massively deploy future-proof infrastructure.

Since 2014, Proximus has been investing around €1 billion annually in its telecom infrastructure and fixed and mobile networks.

This makes us the biggest investor in digital infrastructure in Belgium.

We are investing €3 billion over 10 years to accelerate the roll-out of Fiber, connecting a majority of businesses and bringing Fiber to all centers of cities and communes. And with the further deployment of 4.5G we are preparing the road to 5G in 2020.

Our networks enable people and companies to access the opportunities of the digital world. As the main national player in telecom, our engagement is to ensure that every citizen has access to high-quality fixed and mobile connectivity, no matter where they live or where they go.

KPI	Result 2018	Result 2017
4G indoor coverage (1)	99.5% (2)	98.1%
4G outdoor coverage (3)	99.9%	99.8%
Fixed Internet: 30Mbps coverage	92% (4)	86%
Combined Average VDSL & ADSL speed	72.6 Mbps	68 Mbps
Vectoring coverage in Belgium	88.6%	83%

[1] The indoor coverage refers to the coverage of 4G inside of buildings.

[2] The 2018 figure is based on a Q4 measurement campaign performed by an external agency Commsquare . (from 07/11 to 28/11/2018 in the main cities and on the main roads).

[3] The outdoor coverage refers to the coverage of 4G outside of buildings 15/02/2019

[4] This includes copper & fiber homes passed 15/02/2019

Fixed network

Fiber enables low-latency and stable high-speed connectivity, today reaching up to 1Gbps up- and download speeds, and tomorrow even up to 10Gbps, making its roll-out one of our key investments for a digital economy and society. Today we commercially offer a download speed of up to 220Mbps, which can be boosted to 400Mbps.

In 2018, we were rolling out fiber in nine Belgian cities (an increase of two compared with the end of 2017), bringing our fiber roll out to cruising speed thanks to our industrialization efforts.

For business customers, we proactively roll-out fiber in zones with high business densities, like industrial zones and business parks and offer on-demand fiber connectivity to any business customer who requests it. Our coverage within the business and corporate market segments also saw a strong increase. By the end of 2018, 48% of companies (compared to 17% in 2017) located in industrial zones could benefit from fiber.

In 2019, we have planned to double our fiber footprint and start deployment in seven new cities.

And we will finalize the deployment in industrial zonings as we reach our targeted coverage.

Mobile network

To meet growing demand for connectivity on the go, Proximus continued to extend the coverage of its 4G network, reaching 99.9% outdoor and 99.5% indoor at the end of 2018. We are also investing in 4.5G and performed a successful 5G field trial in Haasrode (Leuven). Deploying 5G along with Fiber will allow us to provide

In parallel to the deployment, we will especially focus on digitizing our activities and optimizing the experience we deliver our customers, from the first contact they have with Fiber up to the after-sales service. Our ambition is to increase the level of proactivity in our servicing approach in order to further delight our customers.

While we believe Fiber to be the network of the future, Proximus continues to maintain and upgrade the copper infrastructure to ensure a high-quality customer experience for all.

In 2018, we further increased the speed with the continued roll-out of vectoring technology reaching 88,6% coverage and by migrating customers from ADSL to VDSL (+30k customers in 2018) offering higher speed and improved stability.

In 2019, we will continue to expand VDSL coverage by installing new VDSL remote optical cabinets and continuing migration to VDSL. In addition, we will optimize Wi-Fi performance thanks to new tooling and continue testing and developing the next generation of copper technologies – Ultra Vectoring – enabling us to significantly increase the network speed for customers.

consumers with a stable high-speed network both inside and outside their home.

In 2019, we plan to further explore 5G capabilities and continue extending 4,5G to offer an excellent experience to our customers.

White zones

While white and rural zones are less economically attractive, we aim to connect everyone everywhere by using new technologies and co-investing with public authorities. The main Belgian operators each promised to invest €20 million over three years (from 2017 to 2019) in Wallonia to improve the coverage of these zones.

In 2016 the BIPT identified 39 municipalities as white zones. At the end of 2018, 38 out of the 39 municipalities had a 4G (outdoor) mobile coverage of more than 99% of the population, and 32 out of 39 municipalities had a fixed broadband coverage of at least 30 Mbps for more than 60% of the households.

We have worked for several years with Tessares, a UCL spin-off, on innovative solutions to connect remote areas. Also, more recently, we have been testing microwave ROP technology, connecting VDSL street cabinets through wireless microwave technology. For example, in 2018, we launched a promising pilot in Felenne.

We continue to deploy new ROPs to offer high-speed fixed broadband services and digital TV with High Definition quality. Our aim is to offer outdoor 4G mobile coverage to the entire population of the defined white zones and we will continue launching innovative projects to further improve fixed and mobile network quality.

Digital innovation

Open innovation and supporting new ecosystems are key to unleashing the digital future. We partner with universities, start-ups, scale-ups and other key players that drive innovation in Belgium, working amongst others on security and IoT solutions such as smart energy, smart mobility,

smart logistics and smart health. Together, we not only create more impact and address societal and environmental challenges, we also open up a new world of digital opportunities that improve the lives and work of people.

KPI	Result 2018	Result 2017
Active M2M cards	1.3Mio	1.2 Mio
ICT revenues (national + international)	561 Mio	509.2 Mio
Number of projects with universities/education institutes	39	N.A.

Academic partnerships

If we want to succeed in tomorrow's digital economy, we need open innovation. That's why we collaborate with major universities and their talent hubs.

It's a win-win partnership: we gain access to innovative designs and perspectives from academics, and they gain access to our infrastructure and resources to scale up their ideas. Together, we'll shape our future.

Proximus has worked with universities for many years and this collaboration has gradually intensified.

In 2018, we contributed to many hackathons and tech events: the "Citizen of Wallonia" hackathon hosted by UMons, the "Dramco Ghent" event with KUL, the "Antwerp Chainport" hackathon with UA, the "Mons Hack Arena" event with UMons, the "Wallonia Futurocité" seminar, and many more.

Proximus supports academic research by providing relevant business input to ensure that research programs stay closely aligned to business demand. In addition, we can provide access to resources and infrastructure.

We have research projects at ULB/UCL, KUL, and VUB where Proximus participates in the Advisory Boards that steer these research projects. Proximus also actively participates in funded RD&I projects with universities, such as with KUL and ULB.

In 2017, Proximus and UGent announced their intention to jointly create research projects in the telecom and ICT fields and to cooperate on doctoral research and theses. We are currently working with UGent on several projects, such as studying exposure to air pollution using data from our mobile network, or making a predictive analysis of criminal offences, again using our mobile network.

Support start-up and scale-up communities

Belgium has a huge network of young companies, start-ups and scale-ups. We want to be a motor of innovation and a catalyst of new Belgian companies.

InPost

InPost, launched in 2017 to facilitate collaboration with start-ups, is a portal where start-ups can quickly measure their value propositions against Proximus' business challenges to find a strategic fit. In these "calls-for-innovation", start-ups compete for selection to further co-create with Proximus. In 2018, we focused on the speech-to-text challenges of dialectal languages.

Co.Station

Proximus has been a shareholder of Co.Station since 2017. Co.Station is a Belgian community that unites some 1,500 entrepreneurs, start-ups, scale-ups, corporates, investors and influencers.

Besides Brussels and Ghent, an additional location opened in Charleroi. Co.Station was granted the

Furthermore, we envisage cooperating even more closely on aligning training courses with the fast-evolving labor market and bringing the corporate and university worlds closer together.

In 2018, we launched the TalentHub in Ghent with seven pilot projects, recently expanded to all R&D flagged projects within Proximus. Here, we encourage collaboration between our employees and innovation communities such as universities and start-ups.

We also signed a strategic partnership with IMEC in 2018 on societal challenges such as Smart Cities and Artificial Intelligence.

In 2019, we want to rethink our strategic approach and structure and refine our collaboration with the education and academic ecosystem.

By sharing our know-how, resources and infrastructure in collaborative partnerships, we can increase innovation and grow our digital economy.

Through our IMEC partnership, the iStart start-up portfolio has been scanned to map Proximus' business challenges. Selected candidates will pitch their solutions in front of the Proximus team.

Going forward, we intend to involve and join forces with Belgian corporates from other industries in our calls-for-innovation.

management of Antwerp's IoT House, The Beacon, in 2018.

We supported various events around IoT, GDPR, Blockchain, and social innovation, all aimed at a wide entrepreneurial community in Brussels, Ghent, and Charleroi. We have also supported

+90 start-ups and scale-ups representing +500 workers as Co.Station residents.

FinTech

Belgium has an important ecosystem of FinTech start-ups and companies that we are proud to support.

Proximus is a founding partner of B-Hive, a European FinTech platform promoting collaborative innovation between major banks, insurers and market infrastructure to develop innovative solutions for financial markets.

Microsoft Innovation Center

In 2017, Proximus joined the Microsoft Innovation Center (MIC) Belgium, a public-private partnership with the Walloon Region and Microsoft, as a structural partner.

MIC focuses on entrepreneurship through coaching sessions and networking works closely with the developer community to enhance technical skills, organize events, provide training and certifications, and provides access to the latest IT hardware. The objective is to encourage the adoption of new technologies such as IoT, Data and AR/VR that will facilitate the next wave of innovation and to accompany enterprises in their digital transformation. The IoT Lab – a first joint step taken in 2018 – provides an environment to prepare for the digital future in the spirit of open innovation.

Local innovation support

MIC, B-Hive and Co.Station are our three main innovation partnerships, but we also support ad hoc initiatives to foster agility and speed in innovation.

In 2019 we will include our customers in the Co.Station community.

In 2018, we worked with them on the organization of a series of events around blockchain that reached the entire Belgian FinTech scene. We will continue our efforts notably by facilitating start-ups' access to blockchain technology.

We invested in early-stage FinTech start-up in Luxembourg and also envision expanding our FinTech activities via our affiliate Telindus.

In 2018, jointly with MIC, we also promoted digital innovation. A great example is the launch of the new "Hack in the Woods" festival of code, bringing together developers and professionals around societal goals.

2019 will be a pivotal year for the Microsoft Innovation Center with the launch of new initiatives, bringing more cutting-edge technologies such as AI and Machine Learning to enterprises.

MIC's mission to inspire, educate and foster digital entrepreneurship will also extend to an ecosystem of business partners and humanitarian organizations, fully in line with Proximus' commitment to open up a world of digital opportunities to all actors of society.

In the future, we will continue advancing on the road of open innovation.

Innovations addressing societal challenges

In our in-house innovation center, we transform technologies such as IoT, Cloud or Big Data into impactful solutions for smart homes and buildings, smart retail, smart logistics, smart energy, smart mobility, smart industries, smart cities, etc.

Think of a digital future in which Belgium leads the way!

Proximus is Belgium's leading connectivity provider with more than 1.3 million connections over our different networks within the Internet of Things (IoT) ecosystem. We have secured this

position by providing the best technology for each use case and by creating an ecosystem of more than 250 solution providers who combine our assets with their specific solutions thus covering every industry.

Our ambition is to be the partner of choice for enterprises, guiding them in their digital transformation and co-creating smart solutions together. We aim to show that every small change to digital can lead to higher value creation.

Some examples:

Smart Industry

To become more efficient, Bombardier had to optimize the movement of materials between

sites across Europe. This is now possible thanks to a smart solution connecting racks in each location.

Smart Utilities

To enable new digitally-driven services, Fluvius will connect more than 800,000 gas and

electricity meters in Flanders in the coming five years using our IoT networks.

Smart Retail

Using Proximus Analytics, shopping malls collect data on attendance and location attractiveness.

Smart Logistics

Some of our logistics sites are managed in collaboration with H.Essers. On those sites, we need real-time positioning (within a precision range of 1m) of our trailers to optimize yard

management processes. By connecting each trailer to the parking spot, H.Essers managed to increase visibility, eliminate useless search time and optimize onsite routing.

Smart Buildings

Smart Building solutions offer tremendous opportunities in terms of energy efficiency, waste management and occupancy. In this area, we embed intelligence into new buildings in domains such as hospitality, workspace optimization, energy and floor efficiency and safety and security.

We collaborated with IPARC (International Platform for Art Research & Conservation, SME of the year in 2018) on the integration of new

technologies in art conservation. The IoT solution we developed, Smart Care, monitors the environmental conditions of artworks.

In 2018, we also started developing a solution stack to support smart venues to offer a more complete customer experience. A first example is the renovation of the entire Tour & Taxis site in Brussels, with event halls, offices, living units, shopping zones, and more, integrated into one customer journey.

Smart Energy

In partnership with GoodPlanet Belgium we use LoRA sensors in schools to poll the behaviour of children and raise awareness in relation to sustainability. In 2018 we visited the first 15 schools. Secondly, we encourage schools to start to upload consumption data regarding electricity, gas, fuel, transport, waste, etc. The schools can

check the evolution and compare consumption patterns with other schools.

With GoodPlanet, we have set goals to reach and install our sensors in more than 400 schools in 2019.

Smart Cities

In 2018, we refined our strategy for smart cities, as vital contributors to a better quality of life for Belgian citizens. Via our affiliate Be-Mobile, we tackle traffic congestion and parking challenges. In recent years, we have also delivered ANPR surveillance cameras to many cities. In the future, our ambition is to engage directly with citizens to co-design their city, in collaboration with city

administrations. We are already doing this in Louvain-La-Neuve at the Living Live Lab and in Antwerp with IMEC in the City of Things project. These initiatives allow local citizens to connect with city officials to voice their needs, address traffic congestion, security and waste management.

Smart mobility

Mobility is an important driver in the economic, environmental and overall well-being evolution of a country. There is still plenty of room for improvement in Belgium and neighboring countries.

Our affiliate Be-Mobile, one of the leading Smart Mobility companies, is already facilitating this. A key element of Be-Mobile's solutions is creating ecosystems that connect all stakeholders such as commuters, governments, road operators, automotive and fleet owners.

In 2018, Be-Mobile tested and implemented C-ITS solutions to influence traffic lights based on traffic conditions and to inform drivers and road operators of approaching vehicles such as ambulances to improve road safety. Additionally, Be-Mobile was able to enlarge the coverage of its mobile mobility payment solution to 58 cities and communes, facilitating payments for parking or public transport.

Furthermore, Be-Mobile developed an inter-modal route planner for the city of Antwerp to encourage a modal shift by helping commuters optimize their journeys. Finally, Be-Mobile grew its heavy vehicle road user charging or tolling business and is helping policy makers to analyze a Belgian road user charging solution for passenger cars, which is believed to be a crucial step towards effective mobility management and achieving a better balance between mobility capacity and demand.

Digital trust

Today's digital world offers many opportunities but also new types of threat. Trust is a prerequisite for people and company to embrace the many opportunities of digital and enable the digital future. As a leading digital company, we are actively involved in driving digital awareness initiatives.

Cybersecurity is at the core of our business. We continuously develop solutions to anticipate possible threats and make sure our infrastructure and processes are more secure. We give our customers the means to protect themselves and

Be-Mobile also grew its business internationally by acquiring Mediamobile in 2018. Mediamobile specializes in providing real-time traffic information for the navigation systems used in cars. This acquisition strengthens Be-Mobile's position in the automotive industry and increases the coverage of its traffic management services in France, Germany, the Nordics and Poland, where Mediamobile is active today.

educate our stakeholders on the value and how-to of cybersecurity through training and partnerships.

As a major ICT player, we handle huge quantities of personal data and we ensure its privacy, confidentiality and security. We apply strict policies, make significant investments in the training of all employees and lead by example when it comes to data safety.

KPI	Result 2018	Result 2017
International certifications related to privacy and cybersecurity	6	6

The Proximus CSIRT is the central incident response team of the Proximus Group. Its mission is to provide information and assistance to reduce the risks of cybersecurity incidents as well as respond effectively to such incidents when they occur.

Cyber safe

We place cybersecurity at the core of our business: we make important investments to secure our infrastructure and protect it against attacks. We also offer our clients solutions to

protect themselves and continuously train our employees, so they are up-to-date with the latest security practices.

Within our company

We aim to be the frontrunner in how we protect and transform our company in the face of today's and tomorrow's cyber challenges. We see cybersecurity as an enabler of digital transformation.

Over the last four years, Proximus has invested €43 million in our Corporate Cyber Security Program with the aim of making our company more cyber resilient and to offer best-in-class secured services and networks to our customers.

Our corporate Cyber Security Incident Response Team (CSIRT) continuously monitors security alerts and coordinates the response to cyber threats. In 2018, our CSIRT handled 2,087 incidents (versus 2,204 in 2017). No incident had a major business impact. Proximus CSIRT is internationally recognized as the only certified team in Belgium through the Trusted Introducer and is part of the European platform ETIS and global community FIRST.

For our customers

We offer our customers best-in-class security solutions and expertise. Our partnership with Norton offers residential customers a multi-device security solution at a reduced price. We supply a vast range of security services to companies: analysis and diagnostics, monitoring and surveillance, reporting and interventions.

In addition, we offer solutions to protect companies' data, networks and servers.

Our Security Operations Center monitors more than 2,000 million events daily, alerting customers in case of incidents. This number is increasing because the number of events and customers keep growing. Since 2016, we have been offering "CSIRT as-a-service", leveraging our internal expertise to help our customers solve incidents. Privileged account management, controlling access to IT systems and data are becoming crucial given the rise in cloud

In 2017, Proximus successfully overcame the global cyberattacks WannaCry and NotPetya thanks to the prevention measures and the fast detection and response.

We are the proud holder of ISO certifications in data security and privacy. To date, we have five ISO 27001 certifications, covering our data centers (housing and hosting), our Security Operations Center, the enterprise Explore network and "Work Place As-a-Service" solutions.

In 2019 and beyond, we want to raise cybersecurity efforts to an even higher level. We will continue investing in our Cyber Security Corporate Program over the next three years, further strengthening our capabilities and sustaining our ISO 27001 and Trusted Introducer certifications.

applications and privacy regulations. We also successfully launched this solution internally and with key enterprise customers in 2018.

Our affiliate, Telindus Luxembourg, is an expert in cybersecurity. Telindus Luxembourg completed its existing range of cybersecurity services with a Cyber Security & Intelligence Operation Center (CSIOC) for the detection and management of cyber incidents. In recognition of its multi-domain expertise and determination to innovate, Telindus received the award for Best Security Partner of the year 2018 at IT One in Luxembourg.

In 2019, we will further expand our cybersecurity solutions for the professional market. Our ambition for the coming three years is to maintain leadership and grow at market pace. Recently acquired companies Davinsi Labs, Umbrio and ION-IP will help us achieve this.

For everyone

We are one of the partners behind BE-Alert, a 24/7 public warning system for the Belgian authorities. BE-Alert can broadcast news and information in the event of a crisis via SMS, fixed voice, email and social media.

With threats coming from many different places in this globalized digital world, we continued our engagement with NATO's Cyber Defense teams in 2018 and also participated in working groups with international law enforcement agencies to get first-hand information on the modus operandi of cyber criminals.

Cybersecurity education

For Belgium to become a digital leader, citizens need to have trust in digital. We want people to enjoy the online world and know how to behave safely when using it.

Educating our employees

Keeping the cyber environment safe starts from the inside, which is why we continuously educate our employees on responsible behavior to protect company information and customer data.

Each year we organize a Security Week for our employees. In addition, we organize dedicated training, awareness sessions and phishing exercises. In 2018, we tested 27,743 employees and contractors of the Proximus Group through two "real-life" phishing campaigns, which were inspired by real incidents. In addition, we gave them advice on how to detect such suspicious e-mails. Furthermore, we launched two educational videos on the topics of phishing and information classification.

The 2018 Security Week, organized for the fifth consecutive year, reached 1,237 employees and offered a vast awareness program including new digital ways of working, physical security, privacy and GDPR, our customer security solutions,

Additionally, we are actively exchanging information about observed threats and attacks on a national and European level via the ETIS platform.

In 2019, we will continue expanding our collaboration network through active participation in the Cyber Security Coalition and its operational focus groups, through close collaboration with the Center for Cyber Security Belgium (CCB), with other European telecom operators via the ETIS platform, with global companies through the World Economic Forum's Center for Cybersecurity, with the European Cybercrime Center of Europol and finally through new and existing partnerships, such as with NATO.

We help them by sharing our security knowledge and educating them on the value and how-to of cybersecurity.

phishing detection and prevention, and child safety online in collaboration with Child Focus. For the first time in 2018, we organized an internal "capture the flag" contest - an online game where employees could test their cyber skills through hands-on exercises.

During Cyber Security Month in October, we transposed the national awareness campaign about cyber hygiene "boost your digital health" to our employees. Articles on our intranet reached no fewer than 4,590 readers.

We also want to offer employees the opportunity to develop careers in cybersecurity through an extensive one-year training course on cybersecurity, after which participants are cyber experts and receive the necessary certificates to start a new job in this field. In 2018, 15 employees followed this training. The training will be organized again in 2019.

Educating the business world & society

We also educate and raise awareness among companies, organizations and the general public.

For our customers

We organize the biannual Proximus Cyber Security Convention, where we bring customers up to speed on the latest trends.

Our Proximus Corporate University (PCU) also provided security education programs for

customers in 2018, including Network Security Explored, Hacking and Intrusion Detection, HEXID Assault, Wireshark, DaVinci labs, Blockchain and Security Awareness, reaching 75 companies (47 from the public sector).

For Belgian citizens

We are a founder and steering member of the national Cyber Security Coalition, a non-profit organization aiming to raise cybersecurity capabilities in Belgium through experience sharing, awareness raising, policy recommendations and cross-sector operational collaboration.

In 2018, five one-day information and networking events were organized around secure application development, regulatory frameworks such as the European Directive “Network and Information Security” and GDPR, cloud security, cyber talent and innovation. In addition to awareness raising, privacy, NIS and CSIRT-SOC focus groups, three new operational focus groups addressing cloud security, cryptography and enterprise security architecture were launched in 2018.

We have a specific project aimed at primary school children. Twice a year - in February on the International Safer Internet Day and in October during the Safer Internet Day - our employees (trained by our partner Child Focus) educate children on how to use the Internet safely (10,259 children in 212 schools in 2018, vs 11,330 children in 229 schools in 2017).

In 2018, Child Focus reviewed its pedagogical approach in order to improve the impact of the program in coming years.

Drawing from the real-life experiences of the children, the latter will discover in workshops how to behave when surfing on the internet and interacting on social media.

In 2018, Proximus handled 72 requests from law enforcement authorities to block access to websites.

Proximus is also constantly looking for new ways to prevent child pornography on its hosting infrastructure. In order to protect our customers from fraud, like phishing via fake Proximus websites, the Proximus CSIRT is closely monitoring any attempts to attack our customers - and is usually able to take down phishing websites in a matter of hours after the attacks were launched.

To reach undergraduates, in 2018 we organized for the second consecutive year a full-day “capture the flag” contest for 33 students following the new cross-university master’s in cybersecurity (regrouping the ULB, UCL, U-Namur and the Royal Military School). We also welcomed students from HOWEST during our Security Week.

Finally, we believe in lifelong learning, we collaborate with CyberWayFinder, offering women who want to change career paths the opportunity to join the cybersecurity world. Through this collaboration, we offer on-the-job work experience in addition to the training they receive via the association. In 2018, we welcomed two women trainees in our cybersecurity teams. Although small, this type of initiative contributes

to reskilling employees and job seekers to be ready for the jobs of tomorrow.

In 2019, we want to extend the reach of our training programs and learning partnerships. For example, by extending our “capture the flag” business game to new schools and universities. Finally, via our Safer Internet Day, we want to reach 10,000 students in the coming year.

Ensuring data privacy

As a major ICT player, we are responsible for keeping our customers’ data safe and private. We have developed a privacy control framework to ensure personal data is processed in accordance with legislation and with the highest-grade security. The framework contains policies and procedures but also training and awareness initiatives.

We have also put in place infrastructure that spots data breaches to keep our network secure. Because we want to make sure data stays safe, always.

To ensure all our employees are aware of EU and Belgian privacy legislation, we organized dedicated GDPR training, reaching 93% of our workforce in 2018.

In 2018, Proximus continued its GDPR implementation project started in 2017. Our objective was to ensure compliance with GDPR without disruptions to Proximus data flow and business operations. More than 150 persons were directly involved in the project and approximately

500 others were involved in surveys, questionnaires, assessments, etc.

Being committed to protect personal data and privacy, we took a series of actions such as appointing a Data Protection Officer (DPO), developing a structure for consent management, security screening and corrective measures for our IT applications.

We also implemented a Privacy Control Framework to provide assurance on the fact that personal data is managed as intended, is accurate is protected by default and by design and that our organization is compliant with applicable laws and regulations and able to demonstrate this.

GDPR implementation will remain on the agenda for 2019. We aim to optimize our internal processes to allow an efficient privacy by design/default approach. Proximus will further extend the privacy settings within the MyProximus app and website to allow our customers to efficiently choose how Proximus can use their personal data.

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

Proximus has an Audit & Compliance Committee which consists of five non-executive directors, the majority of whom must be independent. In line with its charter, it is chaired by an independent director.

A majority of the members of the Audit & Compliance Committee have extensive expertise in accounting and audit. The Chairman of the Audit & Compliance Committee, Mr. Guido J.M.

Demuyneck, holds a degree in Applied Economics. Mrs. Catherine Vandenborre holds a degree in Business Economics as well as degrees in Tax and Financial Risk Management. Mr. Paul Van de Perre holds a Master's degree in Economics and several postgraduate degrees. The Chairman and the majority of the members exercised several board or executive mandates in large Belgian or international companies.

Diversity & Inclusion statement

In accordance with article 3 of the Law of 3 September 2017 on the disclosure of non-financial and diversity information by certain large companies and groups, Proximus' diversity policy, its purpose and results are described below.

The statement on other non-financial information is included in a separate report which is annexed to this Management Report.

Strategic orientation about diversity & inclusion

Proximus believes that a diverse workforce, through employees' unique capabilities, experiences and all other characteristics unrelated to someone's abilities, will help to reach a more diverse marketplace and will create sustainable business.

It is also important to reflect the diversity of our customers and markets in our workforce.

Therefore, Proximus has a Charter on diversity and equal rights, which applies to all employees of the Proximus Group.

With this policy Proximus wants to enable conditions, where these differences are recognized and respected, and where all employees are given equal opportunities.

For Proximus, diversity and equality mean:

- Treating all applicants and employees equally, based only on relevant competencies and objective criteria.
- Creating an open and welcoming work environment that encourages contributions from people of all backgrounds and experiences.
- Promoting a mind-set of respect and openness throughout all levels of the organisation and treating all employees fairly and equally.
- Demonstrating behaviour free from any form of racism, intolerance, discrimination, harassment or other attitude that could negatively affect the dignity of men and women at the workplace.
- Incorporating diversity in all aspects of the way we do business without any form of intolerance.

Within Proximus specific teams are in charge of monitoring the compliance with the Charter and of taking the correct measures in case of non-compliance.

Diversity & inclusion in our leadership and employees communities

Proximus is particularly conscious about the importance of diversity at all levels of the organisation and concentrates on recruiting employees with an inclusion and growth mindset. Once they are part of the company, we ensure that they are the best ambassadors of our company values by including a part on our inclusion program and philosophy in our welcome days as well as in all related trainings for team leaders, experts, trainees,...

While taking care of putting in place well-balanced and talented mixed teams, Proximus reinforces its capacity for innovation and fosters its learning culture, the satisfaction of its employees and their creativity towards the future challenges of a digital world.

With regards to gender diversity, this approach is also reflected in the female representation at the different levels of our company:

- 43% of the Board of Directors
- 25% of the Executive Committee
- 21% of the members of the Leadership Team
- 31% of all employees' population

Proximus Group also has a very diverse workforce in terms of culture with 58 nationalities.

Proximus supports internal and external diversity network activities and initiatives such as the AfroPean network (APN) and WinC (women network). We have a Diamond Sponsorship in the organisation "Women on Board". Our CEO participates in events regarding women at the top and signed the "Pledge", a European Business Leaders' commitment to Inclusion & Diversity. Proximus also ensures ad hoc presence to external events such as "Yes she can", "Digital4Her" and "She loves to code" in order to encourage young girls to choose for engineering studies and a technical career.

Creation of a culture that allows to reconcile activities during the different life phases

Proximus wants to create conditions to allow its personnel to reconcile the different aspects of their professional and private life during their different life phases by offering opportunities for internal job change and development opportunities, homeworking, part-time schedules, home child care, ... These measures allow our employees to work in a safe, inspiring and inclusive workplace with equal opportunities for everyone, allowing them to combine their personal and professional lives in order to be

optimally present and feel supported, motivated and engaged at work.

Proximus is founding partner of "Experience@Work". Thanks to this company, experienced talents from organisations can be deployed in other organisations which are looking for specific experience and/or talent.

Diversity as part of Proximus code of conduct

Proximus' mission consists in opening up a world of digital opportunities so people live better and work smarter. This also means that we have to earn and keep the trust of our customers, our employees, our suppliers, our shareholders, our partners and the company as a whole.

Successful business must go hand in hand with honest and ethical behaviour.

Each employee has a crucial role to play in this matter. This is the reason why the Code of Conduct is in place, representing our corporate culture and values.

This Code of Conduct reflects the fundamental principles and rules which are the foundations of our engagement to be a socially responsible company. The Code of Conduct applies to everyone: Board Directors, managers and all employees. Although the Code of Conduct cannot directly be imposed to our business partners, we seek to always work with partners respecting the same ethical standards.

Proximus expects its employees to respect the Code of Conduct and use it as a reference in their day-to-day way of working.

Human rights

People are entitled to be treated with respect, care and dignity. Proximus business practices can only be sustainable if we respect basic human rights and value diversity, cultural and other differences. Our Code of Conduct, values and

behaviour are inspired by fundamental principles such as those of the Universal Declaration of Human Rights, the European Convention on Human Rights and the United Nations Convention on the Rights of the Child.

Working conditions

Proximus is committed to creating working conditions which promote fair employment practices and where ethical conduct is recognized and valued. We maintain a professional workplace with an inclusive working environment, and we are committed to respecting Belgian legislation and the International Labour Organisation's (ILO) fundamental conventions.

Proximus recognizes and respects the right to freedom of association and the right to collective bargaining within national laws and regulations.

We will not contract child labour or any form of forced or compulsory labour as defined by ILO fundamental conventions. Moreover, we are opposed to discriminatory practices and do our utmost to promote equality, diversity and inclusion in all employment practices.

Our working environment standards are applied to every member of our diverse community and are exemplified by all managers, team leaders and employees who are expected to act as role models in this matter.

Other information

Rights, commitments and contingencies as of 31 December 2018

Disclosures related to rights, commitments and contingencies are reported in note 33 of the consolidated financial statements.

Use of financial instruments

Disclosures related to the use of financial instruments are reported in note 31 of the consolidated financial statements.

Circumstances which may considerably impact the development of the Group

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

Treasury shares

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

Capital management

The purpose of the Group's capital management is to maintain net financial debt and equity ratios that allow for security of liquidity at all times via flexible access to capital markets, in order to be able to finance strategic projects and to offer an attractive remuneration to shareholders.

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

Post-balance sheet events

Disclosures related to post-balance sheet events are reported in note 38 of the consolidated financial statements.

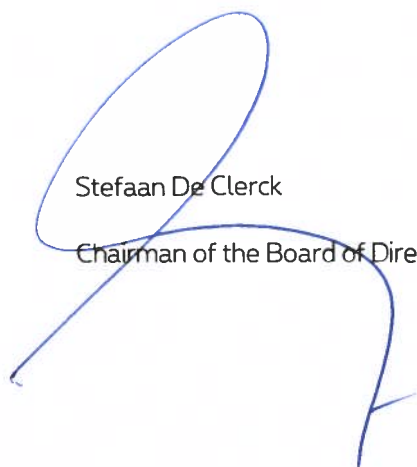
On behalf of the Board of Directors,

Brussels, 28 February 2019.



Dominique Leroy

Chief Executive Officer



Stefaan De Clerck

Chairman of the Board of Directors