

Quarterly Report

2020 Q1

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- **Good progress in convergent customers (+12,000) and mobile Postpaid base (+30,000); Internet and TV growth impacted by reduced installation capacity.**
- **Domestic underlying revenue -1.0% on the prior year, with direct margin -2.4%.**
- **Strong improvement in underlying domestic expenses, -4.9% year-on-year.**
- **Stable underlying Domestic EBITDA of EUR 428 million, +0.1% on the prior year.**
- **With BICS included, the underlying Group EBITDA ended +0.3% above the same period of 2019.**
- **Solid first quarter 2020 FCF of EUR 152 million.**
- **Full-year 2020 guidance reiterated.**

1 Highlights Q1 2020

- For its **Domestic operations**, Proximus posted **underlying revenue of EUR 1,086 million, -1.0%** below that of the prior year. The revenue was supported by the growth in Convergent offers, Mobile Joint Offers and ICT, as well as the contribution from e-Press. This was however more than offset by the continued Fixed Voice and Inbound erosion, the pricing pressure in Proximus' Enterprise segment, and some initial negative COVID-19-related effects.
- Proximus' **Domestic operations posted a direct margin of EUR 827 million, -2.4%** down on the previous year, including a EUR -5 million regulatory headwind. The Consumer direct margin showed only a limited decrease on the prior year, supported by e-Press, whereas the Enterprise direct margin reflects the decrease in high-margin revenue. Both customer segments showed some initial effects of the COVID-19-related travel bans. The Domestic direct margin as a percentage of revenue was 76.2% for the first quarter.
- In the first quarter of 2020 Proximus reduced its **Domestic expenses year-on-year by -4.9%**, largely resulting from the employees that left the company in the first quarter in the framework of the Early Leave Plan ahead of retirement and the Fit for Purpose plan. Furthermore, the company continued its structural cost efficiencies and posted a lower commercial spend compared to the first quarter of 2019. The indirect Domestic expenses were year-on-year down by -5.6%.
- Driven by the strong cost reduction in the first quarter of 2020, **Proximus posted for its Domestic operations a stable EBITDA of EUR 428 million, +0.1% on the prior year.** The Domestic EBITDA margin as percentage of revenue rose to 39.4%, up from 39.0% one year back.
- **BICS posted a first-quarter 2020 EBITDA of EUR 36 million**, up by 2.5% compared to the prior year. This resulted from a 0.5% positive Direct Margin, supported by a strong performance by TeleSign, and by lower expenses.
- Therefore, in aggregate, the **Proximus Group first-quarter underlying EBITDA totaled EUR 464 million, up 0.3% from the same period of 2019.** The underlying Group EBITDA margin improved by 0.6 p.p. to 33.3%.
- **Proximus invested a total amount of EUR 232 million** in the first three months of 2020. This was EUR 219 million for the comparable period of 2019, spectrum capex excluded, with the year-on-year increase driven by the timing of some content contract renewals.
- **Proximus posted a strong FCF of EUR 152 million for the first quarter of 2020**, compared to EUR 112 million for the first quarter of 2019, or EUR 143 million excluding cash-out for acquisitions. The first quarter of 2020 included about EUR 60 million of the anticipated 2020 cash-out related to the Fit for Purpose plan and was more than offset by less cash needed for capex and a favorable year-on-year evolution in Business working capital.

Proximus Group operational results:

+12,000 **Convergent** customers, total of 1,079,000

+1,000 **Fixed Internet** lines, total of 2,090,000

+1,000 **TV** customers, total of 1,641,000

-52,000 **Fixed Voice** lines, total of 2,349,000

+30,000 **Mobile Postpaid** cards, total of 4,133,000

-19,000 **Mobile Prepaid** cards, total of 698,000

+123,000 **M2M** cards, total of 1,910,000

Market situation

Proximus operates in a highly competitive **Consumer market**, with an increasing range of skinny offers addressing the Fixed market in a more segmented way (millennials, price seekers, ...). The Fixed voice line base continues to erode, no longer fitting the needs of an increasing number of customers. Smartphones penetration rises, supported by mobile Joint-Offers and usage of mobile data services continues to increase. Operators increase their Mobile Data bundles, while there is tendency to keep headline pricing stable.

The **Enterprise market** remains very competitive, translated into pricing pressure on IT infrastructure, Fixed Data services and Mobile. While legacy Fixed Telecom and IT Infrastructure services face an ongoing erosion, Fiber connectivity and Professional IT services represent growth opportunities.

// With most of Proximus' business showing a good level of resilience in these exceptional circumstances, along with our strong cost management, we realized stable EBITDA.

The COVID-19 pandemic has been a defining moment for the Telecom sector, underlining our societal responsibility and reinforcing our belief in Proximus' sense of purpose to open up a world of digital opportunities so people live better and work smarter. I'm proud of our ability to maintain high-quality networks. Thanks to our investment strategy we are coping well with the extraordinary boost in traffic.

Monitoring the needs of our customers, we have very recently carried out a large-scale upgrade of the Fixed Internet line profiles, providing upload speeds of up to 20 Mbps for the vast majority of our residential customers, and up to 30 Mbps for professional customers.

Right from the start of the COVID-19 crisis, our focus has been on safeguarding our employees' and customers' health and wellbeing. We have massively switched to homeworking where possible (more than 10,000 colleagues). We also decided, even before any government obligation, to close our shops on 16 March and limit our customer installations and repair. We are happy to see these measures paid off. We also launched proactive commercial gestures for our customers in times of confinement and contributed in a large way to support Belgian citizens and society in these difficult times.

The financial impact on our business has remained limited so far, with the effects only materializing during the second half of March. For our Domestic operations we closed the first quarter with revenue of -1.0% and a stable underlying EBITDA.

The Enterprise segment saw its legacy services further eroding, emphasizing the necessity of the major transformation we have set up for this segment in the coming years. In a competitive Consumer market, our convergence and segmentation strategy once more delivered valuable support, further growing our convergence customer base with 12,000 customers, showing a good performance on Mobile and a continued commercial dynamic on Internet and TV. The Mobile Postpaid customer grew strongly in the first quarter, benefitting from our revamped Mobile portfolio on 1 January 2020. Considering nearly 7,000 Internet customers could not be connected, due to the limited customer installations in the last two weeks of March, our Internet customer base would have known a net growth of around 8,000 customers for the first quarter of 2020.

It's clear we are not fully immune to the ongoing COVID crisis, and we expect the impact to become more apparent over the next quarter. The economic recovery remains uncertain and especially Roaming and ICT projects are exposed to further negative effects. While it's very difficult to have a clear view of what the overall impact will be, so far, there are no signs the financial effect would be worse than what we have anticipated, with the EBITDA effect largely being offset by a lower capex. We therefore reiterate our 2020 full-year guidance of underlying Group EBITDA minus Capex of EUR 780-800 million.

On 31 March, we announced our new #inspire2022 strategy with our goal to create the Belgian gigabit network of tomorrow with Fiber and 5G. We are the first operator in Belgium to have launched 5G, starting with 30 municipalities. We understand the 5G launch has raised questions amongst some citizens and mayors and have therefore increased our efforts to demystify aspects related to health and environment. We are in close contact with all concerned municipalities and with the Walloon region.

With our investment in the networks of the future, we anticipate the future needs of Belgian companies, cities and citizens. We will offer even more capacity, which will be essential in the connected society of tomorrow, already emphasized by the actual COVID-19 crisis.



Guillaume Boutin
CEO Proximus Group



2 Proximus Group financial review

2.1 Group financials

Table 1:
Underlying Group
P&L

(EUR million)	1st Quarter		
	2019	2020	% Change
Revenue ¹	1,415	1,393	-1.5%
Net Revenue	1,402	1,380	-1.6%
Other Operating Income	13	13	0.1%
Cost of Sales ²	-489	-487	-0.4%
Direct Margin	926	906	-2.1%
Direct Margin %	65.4%	65.0%	-0.4 p.p.
Expenses	-463	-442	-4.5%
EBITDA ³	463	464	0.3%
EBITDA Margin %	32.7%	33.3%	0.6 p.p.

¹ Corresponds to "Total Income" excluding Incidentals (see section 7 for the reported figures)

² Corresponds to "Cost of materials and charges to revenues" excluding Incidentals (see section 7 for the reported figures)

³ Corresponds to "Operating income before depreciation and amortization" excluding Incidentals (see section 7 for the reported figures)
See section 8.2 for incidental details

2.1.1 Underlying Group revenue

Q1 2020

For the **first quarter of 2020**, Proximus posted **Domestic underlying revenue of EUR 1,086 million** (tables 2 and 3), -1.0% below that of the prior year. The first quarter of 2020 benefitted from the successful selling of mobile Joint Offers, while it was negatively affected by the carry-over impact from the European regulation on tariffs for international calling and texting, ongoing inbound revenue loss and a limited initial effect of COVID-19 on Proximus' revenue. Part of this revenue impact resulted from Proximus' proactive commercial gestures for its customers in times of confinement. This included, among other things, an increase in the mobile data allowance free of charge, offering free calls from Fixed/Mobile to Fixed and expanding access to content. In addition, roaming revenues were negatively affected by virus-related travel bans, especially regarding non-EU zones.

Despite the COVID-19 headwinds and commercial gestures, the revenue from Proximus' Fixed Services was stable relative to the prior year, with higher revenue from Consumer Fixed Services compensating for the ongoing pressure in the Enterprise segment. The Consumer segment saw its Fixed Voice revenue erosion being compensated for by, among other things, the higher Internet and TV base from one year back, the positive impact from e-Press¹ and the implemented price indexation on 1 January 2020. Furthermore, Proximus' converged multi-Play offers gained further traction, leading to a year-on-year 3.2% revenue increase from convergent customers.

Mobile Services revenue was down by -4.4% year-on-year, with the acceleration from prior quarters in part the result of the e-Press revenue allocation². This especially impacted the Mobile Postpaid revenue, which was down by 3.9%. Moreover, the first quarter still included the above-mentioned negative regulation impact, a continued competitive price pressure in the Enterprise segment, and the COVID-19 headwind on roaming revenue. This could not be fully compensated for by the 12-month growth in Proximus' Postpaid customer base of +98,000 cards or +2.4%.

¹ Launched 1 December 2019

² Gross revenues e-Press are part of Fixed services (Internet), whereas the discount is, according to IFRS15 rules, allocated across all pack components including Mobile.

At Proximus Group level, the company posted a 1.6% positive revenue evolution for its ICT offering, mainly driven by professional services such as Security and hybrid Cloud solutions, keeping the focus of Proximus' B2B segment' on bringing digital transformation solutions for its professional customers.

The first-quarter revenue from terminals was up from the prior year, resulting from another successful quarter for the Consumer segment for Joint Offers, i.e. selling high-end Mobile terminals with a Mobile subscription. At the same time, the non-strategic re-selling of mobile terminals continued its anticipated declining trend.

Proximus' **Wholesale segment reported revenue of EUR 86 million** for the first quarter of 2020, a -5.6% or EUR -5 million decrease from one year ago. The improvement in the trend from prior quarters resulted from the lapping of the regulated lowering of Fixed Termination Rates since 1 January 2019. The remaining decline was largely due to the ongoing eroding trend in mobile Inbound³ revenue and lower visitor roaming revenue.

Tango, the Telecom brand of Proximus Luxembourg SA, posted revenue of EUR 34 million, of which EUR 28 million was in the Consumer segment, i.e. a stable result relative to the previous year, despite reduced visitor roaming revenues. The revenue performance was secured through continued customer growth in an intense competitive environment.

Proximus' carrier services, **BICS**, posted first-quarter revenue of EUR 308 million, i.e. -3.5% year-on-year. In line with the ongoing market trend, BICS' revenue mix continued to move from Voice to Data. The decline in Voice services revenue was not fully compensated for by the 22.7% revenue increase in non-Voice products, following strong TeleSign A2P volumes.

This brought the **Proximus Group** revenue for the first quarter of 2020 to EUR 1,393 million, -1.5% down from the prior year.

Table 2:
Underlying Group
Revenue by
Segment

(EUR million)	1st Quarter		
	2019	2020	% Change
Group Underlying by Segment	1,415	1,393	-1.5%
Domestic	1,096	1,086	-1.0%
Consumer	664	665	0.1%
Enterprise	351	343	-2.4%
Wholesale	92	86	-5.6%
Other (incl. eliminations)	-11	-9	19.6%
International Carrier Services (BICS)	319	308	-3.5%

³ Low-margin on Proximus Group level. As of 1 January 2020, the revenue from mobile inbound is reported within Proximus's Wholesale segment. See reporting changes in section 8.1.

Table 3:
Underlying Group Revenue by Product nature

NB: In line with Proximus' strategy, most products are sold through multi-play Packs. The Packs are sales arrangements with multiple deliverables. The revenue is allocated to the different services (fixed and mobile), based on their relative standalone selling prices, i.e. the amount for which the services could be sold separately. The revenue allocation by nature as reported in this report may be impacted by changes in the composition of multi-play offers, for example the launch of e-Press on 1 December 2019.

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

(EUR million)	1st Quarter		
	2019	2020	% Change
Group Revenues	1,415	1,393	-1.5%
Domestic Revenues	1,096	1,086	-1.0%
Other Operating Income	12	13	2.2%
Net Revenues	1,084	1,073	-1.0%
Telecom	843	837	-0.6%
Services	739	730	-1.3%
From Fixed	492	493	0.2%
From Mobile	247	236	-4.4%
Postpaid	235	226	-3.9%
Prepaid	12	10	-15.0%
Terminals	68	74	8.2%
Tango	35	34	-3.9%
ICT	139	142	1.6%
Advanced Business Services	10	10	3.6%
Other Products	16	12	-25.9%
Wholesale	91	86	-5.6%
Other segment (incl. elim)	-15	-14	7.4%
BICS Revenues	319	308	-3.5%
Costs of Sales	-489	-487	-0.4%
Group Direct Margin	926	906	-2.1%
Direct Margin %	65.4%	65.0%	-0.4 p.p.

Table 4:
Group operational per product

(in 000's)	Park			Net adds	
	Q1 '19	Q1 '20	% Change	Q1 '19	Q1 '20
Fixed Voice	2,513	2,349	-6.5%	-37	-52
Internet	2,065	2,090	1.2%	8	1
TV	1,626	1,641	0.9%	7	1
Mobile postpaid excl. M2M	4,035	4,133	2.4%	24	30
M2M	1,438	1,910	32.9%	102	123
Mobile prepaid	783	698	-10.9%	-39	-19

Group operational cover Proximus (Consumer and Enterprise), Scarlet, Tango and Wholesale.

2.1.2 Underlying Group direct margin

Table 5: Underlying Group direct margin by Segment

(EUR million)	1st Quarter		
	2019	2020	% Change
Group Underlying by Segment	926	906	-2.1%
Domestic	847	827	-2.4%
Consumer	514	511	-0.5%
Enterprise	241	231	-4.1%
Wholesale	84	79	-5.5%
Other (incl. eliminations)	8	5	-34.2%
International Carrier Services (BICS)	79	79	0.5%

Q1 2020 The **first-quarter 2020** underlying direct margin of the **Proximus Group totaled EUR 906 million**. Within the mix, **Domestic operations posted a direct margin of EUR 827 million**, -2.4% or EUR -20 million down on the previous year, including a EUR -5 million loss of margin following the regulated international calling/texting rates applicable since 15 May 2019. The steeper decline versus prior quarters was for a large part situated in the Enterprise segment, following its lower high-margin revenue. The Consumer Direct margin showed a limited decrease of -0.5% on the prior year. For both customer segments the margin from Mobile was impacted by the COVID-19-related travel bans, leading to a decrease in Roaming traffic, especially affecting non-EU roaming. The Wholesale direct margin was down by -5.5%, mainly resulting from lower inbound margin, while the regulatory effect on Fixed Termination Rates annualized on 1 January 2020. The Domestic direct margin as a percentage of revenue was 76.2% for the first quarter.

For the first quarter of 2020, **BICS posted a direct margin of EUR 79 million, up 0.5%** compared to the prior year, with the first quarter 2020 not negatively impacted yet by COVID-19. While the progressive insourcing by MTN somewhat affected the first-quarter margin, this was offset by a strong performance by TeleSign, especially in the authentication business. The direct margin as a percentage of revenue improved by 1.0 p.p. from the prior year to reach 25.7% in the first quarter of 2020.

2.1.3 Underlying Group expenses⁴

Table 6: Underlying Group expenses

(EUR million)	1st Quarter		
	2019	2020	% Change
Group Underlying	463	442	-4.5%
Workforce expenses	300	284	-5.6%
Non Workforce expenses	162	158	-2.5%
Domestic Underlying	419	399	-4.9%
Workforce expenses	276	258	-6.4%
Non Workforce expenses	144	141	-1.9%
BICS Underlying	44	43	-1.2%
Workforce expenses	25	26	3.2%
Non Workforce expenses	19	18	-7.0%

Q1 2020 Proximus' Group underlying operating expenses for the first quarter 2020 were down by -4.5%, totalling EUR 442 million. This resulted from a -4.9% decrease in the operating expenses of Proximus' Domestic operations on a higher comparable base, and a year-on-year decrease of -1.2% of BICS expenses.

Proximus' Domestic expenses, totalling EUR 399 million for the first quarter of 2020, were positively impacted by a lower headcount following the employees that left the company in the first quarter in the framework of the Early Leave Plan ahead of retirement and of the Fit for Purpose plan. End-March 2020, Proximus' Domestic operations employed 10,582 FTEs, with the year-on-year decrease of 1,723 FTEs being the major driver for the -6.4% decrease in Domestic workforce expenses in the first quarter. As a result of the company's efforts to reduce its overall cost base, and lower commercial spend compared to the first quarter of 2019, the non-workforce expenses were down by -1.9%.

The addressable base for the company's cost reduction ambitions are the indirect expenses of Proximus' Domestic operations. This is the Domestic cost base excluding the billable ICT workforce expenses in the B2B segment, seeing the company's growth ambitions in this area. For the first quarter 2020 the indirect⁵ Domestic expenses were year-on-year down by -5.6%.

⁴ Before D&A; excluding Cost of Sales; excluding incidentals.

⁵ Domestic expenses excluding Enterprise ICT billable workforce expenses

2.1.4 Group EBITDA - reported and underlying

(EUR million)	1st Quarter		
	2019	2020	% Change
Group reported EBITDA	477	495	3.8%
Lease depreciations	-21	-20	nr
Lease interest	0	-1	nr
Incidentals	7	-11	nr
Group Underlying EBITDA	463	464	0.3%
Domestic	428	428	0.1%
BICS	35	36	2.5%

Table 7:

From reported to underlying EBITDA

Q1 2020 Underlying Group EBITDA

Proximus posted for the first quarter of 2020 a **Domestic EBITDA of EUR 428 million, up 0.1% on the prior year**, with the strong reduction in expenses offsetting the pressure on its direct margin. The Domestic EBITDA margin as percentage of revenue rose to 39.4%, up from 39.0% one year back.

BICS' EBITDA for the first quarter of 2020 totaled EUR 36 million, up by 2.5% compared to the prior year, with the increase in direct margin reinforced by lower expenses. The EBITDA margin as a percentage of revenue further progressed to a solid 11.7%, +0.7 p.p.

Q1 2020 Total Reported Group EBITDA

In the first quarter of 2020, the Proximus Group recorded EUR 11 million positive EBITDA incidentals, mainly related to Tax on Pylons accrual reversals following the evolutions in jurisprudence.

With incidentals included and operating lease expenses excluded, the **Proximus Group's reported EBITDA totaled EUR 495 million for the first quarter of 2020**. This was EUR 477 million for 2019 (see section 8 for an overview of the incidentals).

2.1.5 Net income

Depreciation and amortization

Net finance cost

Tax expenses

Net income (Group share)

Q1 2020

The first-quarter 2020 **depreciation and amortization amounted to EUR 258 million** (EUR 278 million including lease depreciation), compared to EUR 255 million, excluding lease depreciation, for 2019. This was mainly due to an increasing asset base over the years.

The **net finance cost totaled EUR 8 million for the first quarter 2020, including lease interests**, down from EUR 11 million for 2019, and included a EUR 4 million positive impact from a reassessment of tax on pylons accruals, following a favorable court decision (see section 7).

The tax expenses amounted to EUR 49 million in the first quarter 2020, representing an **effective tax rate of 23.75%**. The difference with the Belgian statutory tax rate of 25% results from the application of general principles of Belgian tax law such as the patent income deduction and other R&D incentives.

The **net income (Group share) totaled EUR 153, in the first quarter of 2020** versus EUR 134 million the prior year. The increase resulted mainly from higher incidentals posted in the first quarter of 2020.

Table 8:
From Group
EBITDA to
net income

(EUR million)	1st Quarter		
	2019	2020	% Change
Group reported EBITDA	477	495	3.8%
Depreciation and amortization	-255	-258	1.4%
Lease depreciation	-21	-20	-7.3%
Operating income (EBIT)	201	217	8.0%
Net finance costs (including lease interest)	-11	-8	-27.6%
Share of loss on associates	0	-1	n.r.
Income before taxes	189	208	9.8%
Tax expense	-52	-49	-4.4%
Net income	138	158	15.1%
Non-controlling interests	3	6	72.4%
Net income (Group share)	134	153	13.7%

2.1.6 Investments

Proximus invested a total amount of EUR 232 million in the first three months of 2020. This was EUR 219 million for the comparable period of 2019, spectrum capex excluded, with the year-on-year increase driven by the timing of some content contract renewals.

Proximus continues its Fiber for Belgium project, deploying its future-proof network now for the inhabitants of 13 cities and municipalities. End-March 2020, Proximus passed 307,000 homes and businesses with Fiber. As announced at the Capital Markets Day end-March 2020, Proximus is planning to further accelerate its roll-out as of next year.

Since mid-March, COVID-19-related measures have slowed down field operations, with Fiber construction activities put on hold and overall customer installations limited to urgent interventions only.

2.1.7 Cash flows

Table 9:
Cash flows

(EUR million)	1st Quarter		
	2019	2020	% Change
Cash flows from operating activities	465	429	-7.8%
Cash paid for Capex (*)	-299	-258	-13.8%
Cash flows used and provided in other investing activities	-30	1	>100%
Cash flow before financing activities	135	172	27.0%
Lease payments	-23	-20	-15.5%
Free cash flow	112	152	35.9%
Cash flows used and provided in financing activities other than lease payments	-131	-162	23.4%
Exchange rate impact	0	1	>100%
Net increase/(decrease) of cash and cash equivalents	-19	-9	-52.1%

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

Proximus posted a strong FCF of EUR 152 million for the first quarter of 2020. This compares to EUR 112 million for the first quarter of 2019, or EUR 143 million excluding net cash-out for acquisitions⁶. The first quarter 2020 included about EUR 60 million of the anticipated cash-out related to the Fit for Purpose plan and

⁶ Non-controlling interest in Be-Mobile Group

was more than offset by less cash needed for capex and a favorable year-on-year evolution in Business working capital.

2.1.8 Balance sheet and shareholders' equity

Compared to year-end 2019, the goodwill increased by EUR 4 million to EUR 2,481 million, mainly as a consequence of the conversion difference on the TeleSign goodwill.

Tangible and intangible fixed assets amount to EUR 4,182 million and decreased with EUR 25 million as the depreciation and amortization charge of the year is higher than the amount of investments.

The shareholders' equity increased from EUR 2,856 million end of December 2019 to EUR 3,007 million. This mainly results from the net income Group Share (EUR 153 million).

End-March 2020, Proximus' outstanding long-term debt (excluding lease liabilities) amounted to EUR 2,361 million, and its adjusted net financial position to EUR -2,038 million.

	As of 31 December	As of 31 March
(EUR million)	2019	2020
Investments, Cash and cash equivalents	327	317
Derivatives	5	6
Assets	332	323
Non-current liabilities (*)	-2,603	-2,600
Current liabilities (*)	-220	-64
Liabilities	-2,824	-2,664
Net financial position (*)	-2,492	-2,341
of which Leasing liabilities	-307	-303
Adjusted net financial position (**)	-2,185	-2,038

(*) Including derivatives and leasing liabilities
(**) The adjusted financial position excludes leasing liabilities

2.2 Regulation

	1st Quarter
(YoY variance in EUR million)	2020
Revenue	-5
International calling	-5
Direct Margin	-5
International calling	-5

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

In the context of the EU Telecom review adopted end-2018 which entered into force on 20 December 2018, the European legislators adopted a regulation inserting caps on intra-EU call and SMS prices (calls and texts to another EU country). The new caps took effect on 15 May 2019 for Consumers at 19 eurocents/minute for calls

and 6 eurocents/text. Proximus estimates the 2020 impact on revenue and on margin to be about EUR -7 million.

Cable and broadband regulation and pricing

On 7 April 2020, the Belgian regulators notified their draft decisions on the cable wholesale pricing to the European Commission. The Telenet prices increased versus the previous draft that was presented in July 2019. The new prices allow tiering and the draft decision states the need to preserve incentives for fiber. The European Commission has one month to provide its comments, after which the regulators can adopt the final decision (most likely still in the second quarter of 2020).

The BIPT assessment of the wholesale FTTH rental pricing is still pending. A consultation on the pricing is expected in the second quarter of 2020.

Spectrum

The multi-band spectrum auction (which should include the renewal of the existing 2G/3G spectrum licenses (900MHz, 1800MHz and 2100MHz) as well as the granting of new 5G spectrum (700MHz, 1400MHz and 3500MHz) is still on hold. The timing and the final conditions of the future auction remain uncertain.

In order to allow operators to deploy 5G within the timeframe foreseen by the European Commission, the BIPT has taken several interim initiatives.

The BIPT proceeded with the allocation of spectrum in the 3600-3800MHz band on a temporary basis. Following the application process, five candidates have been retained (Cegeka, Entropia, Proximus, Telenet and Orange Belgium). Each candidate should receive 40MHz (total band is 200MHz). The final allocation is expected at the beginning of June. The temporary licenses will remain valid until the auction of the full 3400-3800MHz band can be organized. Given the importance of 5G to build a digital Belgium, Proximus welcomes the BIPT's initiative related to temporary licenses, which seeks ways to break the current deadlock around the spectrum. However, a prompt decision on the definitive allocation of the spectrum in the framework of an auction remains a necessity.

Concerning the current 2G (900MHz and 1800MHz) and 3G (2100MHz) licenses which will expire in March 2021, the BIPT proposes to foresee the possibility to extend these licenses by six-month periods until the future multi-band auction is finalized and the new rights are attributed. This would be urgently needed to ensure service continuity and can, according to the BIPT, be treated by the government in current affairs.

On 20 February 2020, and following a request introduced by Citymesh, the BIPT launched a call for application for the auctioning of the unsold block of 15MHz duplex in the 2.6 GHz band (band originally used for 4G but can be used for 5G in the future as well). Initially it was foreseen to auction this block of unsold spectrum in the future multiband auction. Existing mobile operators (Proximus, Orange Belgium and Telenet) are excluded from the auction because their current holdings in this band exceed the spectrum cap of 20 MHz duplex. Due to the COVID-19 crisis, the deadline for the introduction of applications has been postponed to 15 May 2020.

Mobile access sharing agreement

Proximus and Orange Belgium will keep on developing the mobile access network of the future, as interim measures come to an end. Beginning of January, the Belgian Competition Authority, in the procedure initiated by Telenet requesting interim measures, gave the telecom regulator until 16 March 2020 to further examine the sharing agreement. The Belgian Competition Authority confirmed that these interim measures came to an end. This allows the two operators to further implement the cooperation agreement and the joint venture in charge of the mobile access network operations has been subsequently established and operational since 1 April 2020.

2.3 2020 Outlook

Proximus reiterates its full-year 2020 outlook of EUR 780-800 million underlying Group EBITDA minus CAPEX, as was announced at the Capital Markets Day on 31 March 2020.

The full-year outlook does include the company's best estimate for the COVID-19 impact on its revenue and operations and considers that impacts on the Group EBITDA would be compensated by capex adjustments.

Table 12:
Outlook

Guidance metric (EUR million)	FY19 Actuals	FY20 Guidance	YTD20 Actuals
EBITDA - CAPEX	844	780-800	233
Group underlying EBITDA	1,870	-	464
Capex (excluding Spectrum & football rights)	1,027	-	232

Proximus reiterates its intention to return over the result of 2020, 2021 and 2022 an annual gross dividend of EUR 1.2 per share, to be considered as a floor.

3 Consumer

- Stable first quarter revenue of EUR 665 million, including early signs of COVID-19 related impacts.
- Convergent revenue up by 3.2%, driven by the uptake of Minimus and EPIC Combo; convergence rate progressing to 58.2% and ARPC + 1.1%.
- 1.9% higher revenue from Fixed Services, supported by Internet and TV revenue, including the benefit from e-Press and the 1 January 2020 price indexation.
- Solid Mobile postpaid net adds, Internet and TV impacted by COVID-19 company measures.
- Direct margin of EUR 511 million, -0.5% YoY.

3.1 Consumer revenue

Stable first quarter revenue, YoY +0.1%.

For the first quarter of 2020, **Proximus posted a total revenue of EUR 665 million for its Consumer segment, or +0.1% year-on-year** (see tables 13-14). The revenue was rather stable, supported by a continued growth in convergence revenue, a price indexation, e-Press and successful selling of mobile Joint Offers, mainly benefitting terminals revenue. This was offset by a negative trend on offers including fixed voice, and the negative regulation effect on International calling/SMS. Furthermore, some initial COVID-19-related effects negatively impacted the revenue.

Mobile Joint-Offer supporting the first quarter revenue.

The Consumer first-quarter revenue was supported by the continued sales of high-end Mobile terminals with a Mobile subscription, among other things in extension of Proximus' year-end campaign. The success of Mobile Joint Offers especially drives short-term revenue growth in Terminals, with a consequent negative impact on Mobile Services revenue spread over the contract. For the first quarter of 2020, the Joint Offer revenue reported in Terminals was up year-on-year by EUR 8 million, more than offsetting the continued decrease in non-strategic reselling of devices.

Revamped mobile offer leading to +18,000 Postpaid net adds in Q1. International calling and lower out of bundle impacting ARPU.

For the first quarter of 2020, Proximus' Consumer segment posted **EUR 165 million in Mobile Services revenue, -5.2% below that of the prior year**. Revenue from **Postpaid mobile services revenue was down by -4.5%**, mainly driven by a -6.4% decrease in Postpaid ARPU to EUR 18.5, in part compensated for by the year-on-year enlarged Mobile postpaid customer base. The Mobile Postpaid ARPU was impacted by three elements in fairly equal way: first the International calling/texting regulation, second the lower out-of-bundle revenue following Proximus' revamped mobile offer since 1 January 2020 with enlarged data bundles and further reinforced by Proximus' COVID-19 customer gesture temporarily increasing all mobile bundles by 10 GB free of charge, and third by accounting allocation rules for Mobile Joint Offer revenue as explained above, the allocation of revenue of Mobile subscriptions in a Pack and the allocation of e-Press, as of 1 December 2019 offered in Proximus' Internet packs. Moreover, the first quarter of 2020 showed a limited initial impact from lower roaming revenue in consequence of the COVID-19 travel ban.

Over the first 3 months of 2020, Proximus added 18,000 Postpaid cards despite COVID-19, leading to a total base of 2,797,000⁷ SIM cards by end-March 2020, up by +2.3% from the prior year. The Mobile offer revamp, and to some extent a COVID-19 effect, led to a better Postpaid churn level of 13.0%, down -3.7 p.p. on the prior year. Whereas Proximus achieved a good acquisition level in Postpaid, the Prepaid base decreased further by a net -18,000 Prepaid cards in the first quarter of 2020, an improvement on the -37,000 for the same period in 2019. This led to a total of 668,000 Prepaid cards, with an ARPU of EUR 5.0, down by EUR -0.3 year-on-year following the erosion in usage.

⁷ Excluding M2M cards

Increasing Fixed services revenue. TV and Internet compensating for Fixed Voice erosion.

Despite the intensifying competition, **the Consumer segment posted 1.9% higher revenue from Fixed Services, totaling EUR 389 million** for the first quarter of 2020. The erosion in revenue from Fixed Voice lines, was compensated for by higher year-on-year Internet and TV revenue, supported by e-Press and the 1 January 2020 price indexation.

In view of the safety of its customers and employees, Proximus decided mid-March to proactively close all of its shops and limit its customer installation operations to urgent interventions only. This significantly impacted the activation of new customers, more than offsetting lower churn, resulting in Proximus' Internet and TV customer base for the Consumer segment remaining at the level of end-2019, i.e. 1,921,000 Internet and 1,631,000 TV subscribers. Excluding the above-mentioned COVID-19-related measures, the level of net adds would have been close to last year's level.

Tuttimus, Minimus and EPIC combo driving +3.2% Convergent revenue.

Of the EUR 665 million Consumer revenue in the first quarter of 2020, **EUR 552 million was X-Play service revenue** generated by Proximus' Customers/Small Offices base. The customer-driven **X-Play revenue remained stable year-on-year**, with, within the mix, a continued growth in revenue from convergent customers⁸, +3.2% compared with the prior year. The convergence revenue benefitted from the progress in 3-Play convergent offers, driven by the uptake of Minimus and EPIC Combo. Over the first 3 months of 2020, the 4-Play customer base slightly decreased due to a shrinking base of legacy 4-Play offers, more than offsetting the growth in the Tuttimus base.

End-March 2020, Proximus counted 1,079,000 convergent customers, thereby increasing its convergence rate to 58.2% on the total of Multi-Play customers, +2.4 p.p. on the prior year. The positive convergence trend was offset by lower year-on-year Mobile-only revenue, -3.5%, and the ongoing erosion in Fixed-only revenue (-3.9%).

The successful upselling strategy led to a year-on-year improvement in average number of RGU, up 0.8% to 2.61, and supported the average revenue per customer (ARPC), up by 1.1% to EUR 58.7, in spite of the impact from the International calling regulation and COVID-19 on the mobile component.

3.2 Consumer direct margin

For the first quarter of 2020, the Consumer segment posted a **direct margin of EUR 511 million, -0.5%** in relation to the comparable period of 2019. This included an initial negative COVID-19 impact, the impact of the Mobile portfolio revamp, International calling/SMS regulation, and a continued decrease in reminder and reconnection fees following improved customer operations. This offset the benefits from the 1 January 2020 price indexation, e-Press and ongoing cost improvements following digital adoption, notably on commissions.

The direct margin as a percentage of revenue was 76.9% for the first quarter, slightly below the 77.4% of the year before.

⁸ A convergent customer subscribes to at least one Fixed and Mobile Proximus offer.

Table 13:
Consumer
revenue by
nature and
direct margin

(EUR million)	1st Quarter		
	2019	2020	% Change
Revenue	664	665	0.1%
Other Operating Income	6	5	-13.6%
Net Revenue	658	660	0.2%
<i>Of Which X-Play Revenue</i>	552	552	0.0%
Service Revenue	556	554	-0.3%
From Fixed	382	389	1.9%
From Mobile	174	165	-5.2%
Postpaid	162	155	-4.5%
Prepaid	12	10	-15.0%
Terminals (fixed and mobile)	54	60	11.5%
<i>Of which revenue from joint offer devices (IFRS15 impact) *</i>	17	25	44.6%
Tango	28	28	0.4%
ICT	8	8	-2.5%
Other Products	12	10	-21.4%
Costs of sales	-150	-154	2.3%
Direct Margin	514	511	-0.5%
<i>Direct Margin %</i>	<i>77.4%</i>	<i>76.9%</i>	<i>-0.5 p.p.</i>

Estimated revenue from joint offer devices, before 2019 recognized as service revenue.

NOTE - In order to reconcile X-play revenues with Product net revenues, terminal sales, Tango, Prepaid, Fixed & Mobile other revenues and some smaller items need to be added.

Table 14:
Consumer
operational
by nature

	1st Quarter		
	2019	2020	% Change
Park (000's)			
Fixed voice lines	1,940	1,818	-6.3%
Broadband lines	1,901	1,921	1.1%
TV unique customers	1,617	1,631	0.8%
Mobile postpaid cards excl. M2M	2,734	2,797	2.3%
M2M	4	4	-13.3%
Mobile prepaid cards	735	668	-9.2%
Net adds (000's)			
Fixed voice lines	-28	-40	
Broadband lines	8	0	
TV unique customers	7	0	
Mobile postpaid cards excl. M2M	0	18	
M2M	0	1	
Mobile prepaid cards	-37	-18	
ARPC - all Plays (EUR)	58.1	58.7	1.1%
ARPU (EUR)			
Mobile postpaid	19.8	18.5	-6.4%
Mobile prepaid	5.4	5.0	-6.3%
Annualized churn rate			
Mobile postpaid	16.7%	13.0%	-3.7 p.p.
Mobile prepaid	34.6%	38.9%	4.3 p.p.
Average Mobile data usage/user/month (Mb)	2,877	3,930	36.6%

Table 15:
Consumer
X-Play view

	1st Quarter		
	2019	2020	% Change
Revenues x - play (EUR million)	552	552	0.0%
Fixed-only	177	170	-3.9%
Mobile-only	71	69	-3.5%
Convergent	303	312	3.2%
4-Play	215	218	1.3%
3-Play	159	163	2.0%
Convergent	72	78	8.9%
Fixed	88	85	-3.6%
2-Play	68	67	-1.9%
Convergent	17	17	2.4%
Fixed	52	50	-3.3%
1-Play	109	104	-4.3%
1P Fixed Voice	22	19	-15.5%
1P internet	15	17	8.8%
1P Mobile	71	69	-3.5%
Customers per Play - Total (000's)	3,157	3,127	-0.9%
4-Play	710	713	0.4%
3-Play	755	761	0.8%
Convergent	246	280	13.7%
Fixed	508	480	-5.5%
2-Play	395	381	-3.7%
Convergent	81	86	6.4%
Fixed	314	294	-6.3%
1-Play	1,298	1,274	-1.9%
1P Fixed Voice	268	228	-15.0%
1P internet	163	179	9.7%
1P Mobile	867	867	0.0%
ARPC x - play (in EUR)	58.1	58.7	1.1%
4-Play	101.2	101.5	0.3%
3-Play	70.3	71.4	1.6%
Convergent	97.5	94.7	-2.8%
Fixed	57.2	58.1	1.6%
2-Play	57.4	58.5	1.9%
Convergent	68.1	65.8	-3.3%
Fixed	54.7	56.4	3.1%
1-Play	27.8	27.2	-2.0%
1P Fixed Voice	27.3	27.2	-0.4%
1P internet	31.4	31.2	-0.7%
1P Mobile	27.3	26.5	-3.1%
Average #RGUs per Customer - Total	2.59	2.61	0.8%
4-Play	4.77	4.78	0.3%
3-Play	3.25	3.26	0.2%
Convergent	3.72	3.67	-1.4%
Fixed	3.03	3.02	-0.1%
2-Play	2.15	2.15	0.0%
Convergent	2.47	2.44	-1.4%
Fixed	2.07	2.06	-0.1%
1-Play	1.15	1.15	-0.1%
1P Fixed Voice	1.06	1.05	-0.3%
1P internet	1.00	1.00	0.0%
1P Mobile	1.21	1.21	-0.1%
Annualized full churn rate (Customer) - Total	16.2%	14.4%	-1.8 p.p.
4-Play	4.5%	4.9%	0.4 p.p.
3-Play	13.1%	12.1%	-1.0 p.p.
2-Play	16.2%	14.7%	-1.5 p.p.
1-Play	24.5%	21.1%	-3.4 p.p.
Convergent Customers - Total (000's) *	1,037	1,079	4.0%
% Convergent Customers - Total *	55.8%	58.2%	2.4 p.p.
4-Play	100.0%	100.0%	0.0 p.p.
3-Play	32.7%	36.8%	4.2 p.p.
2-Play	20.6%	22.7%	2.2 p.p.

* (i.e. % of Customers having Mobile + Fixed component)

4 Enterprise

- Q1 2020 revenue -2.4% YoY, Fixed Voice erosion and Mobile pressure more than offsetting ICT growth.
- First quarter showing early signs of COVID-19 impacts, slightly affecting Mobile and Fixed services.
- Growing mobile customers base, net +8,000 cards, while competitive price pressure and COVID-19 travel restrictions reduces ARPU.
- ICT revenue +1.8% YoY, mainly on a continued favorable evolution in professional services.
- Q1 2020 direct margin of EUR 231 million, -4.1% YoY, following the loss of high-margin revenue.

4.1 Enterprise revenue

First quarter revenue -2.4%.

For the first quarter of 2020, **Proximus' Enterprise segment posted total revenue⁹ of EUR 343 million, a -2.4% or EUR -8 million decrease** on the same period of the prior year.

ICT revenue up by 1.8%.

The Enterprise segment reported a **1.8% revenue increase in ICT**, reaching **EUR 134 million of revenue** for the first quarter of 2020. The year-on-year growth was mainly driven by professional services such as Security and hybrid Cloud solutions. Proximus' specialized ICT companies continued to provide support by bringing digital transformation solutions for professional customers and as such, they also help to secure core connectivity services. Especially the launch end-November 2019 of Proximus Accelerators, a collaborative partnership bringing together the wide-ranging expertise of Proximus and its branches in the ICT field, steers the strategic focus on ICT services rather than low-margin ICT products.

Stable Advanced Business Services revenue.

Proximus' Enterprise segment posted **stable revenue from Advanced Business Services**, EUR 10 million for the first quarter of 2020. This contains Proximus' convergent solutions, and Smart mobility revenue from Be-Mobile¹⁰, for the first quarter fully organic.

Decrease in Fixed Telecom Services revenue mainly due to Fixed Voice erosion.

Fixed Telecom Services revenue of EUR 104 million was -5.4% lower year-on-year, mainly driven by the ongoing erosion of Fixed Voice revenue. The **Fixed Voice** park continued its declining trend, eroding by -12,000 lines in the first quarter of 2020, up from a -10,000 loss for the same period in 2019. This brought the Fixed Voice base to 489,000, i.e. a year-on-year line loss of -8.0%. The Fixed Voice ARPU eroded by -1.8% to EUR 29.7, with the limited price indexation of 1 January 2020 not compensating for the ongoing decrease in traffic per line and higher penetration of unlimited call options. In addition, the first quarter included a limited net negative effect from Proximus' COVID-19 commercial gesture, offering customers free national traffic since 13 March 2020.

Revenue growth Fiber-based Data Connectivity, eroding legacy services.

The Enterprise revenue from **Fixed Data services totaled EUR 60 million, down -2.3%** on the prior year. The growing Fiber park for Business customers, supporting Proximus' Explore solutions, was more than offset by the ongoing legacy outphasing and more attractive customer pricing in a competitive market.

⁹ See section 8.1 for reporting changes.

¹⁰ As from November 2019, the inorganic contribution from Mediamobile in Be-Mobile has annualized.

Stable Internet customer base, ARPU lower.

Revenue from Internet was a touch below that of the comparable period of 2019. In a competitive setting, Proximus' Enterprise Internet park remained stable in the first quarter, amounting to 132,000 lines end-March 2020, i.e. +0.9% from one year ago, with an ARPU of EUR 43.4, -1.8% year-on-year.

Mobile Services revenue impacted by ARPU pressure. Growing customer base in highly competitive market.

For the first quarter of 2020, the Enterprise segment posted **Mobile Services revenue of EUR 71 million**, a -2.5% decrease from the same period in 2019, with the growth in the mobile base no longer offsetting the mobile price pressure. Moreover, the first quarter of 2020 included lower roaming revenue following the COVID-19 travel bans. Overall, this led to a -5.8% decrease in ARPU, reaching EUR 21.2. Over the past three months, the Enterprise segment achieved a strong net growth in its mobile base, up by +8,000 Mobile cards to a total of 1,072,000 cards, M2M excluded (+2.3% from the prior year), in spite of the first-quarter churn level rising to 12.0%, with the sequential increase mainly driven by deactivations, and to a lesser extent by port-out to competition.

+122,000 M2M cards activated, maintaining pole position.

The Enterprise segment posted another **strong increase in M2M** for the first quarter of 2020, with an additional 122,000 M2M cards activated. This was mainly related to the Smart metering¹¹ project with Fluvius, in addition to an ongoing growth in regular M2M cards. This brought the total number of M2M cards to 1,900,000 at end-March 2020, or a 33% increase from the prior year.

4.2 Enterprise direct margin¹²

The first-quarter 2020 direct margin totaled EUR 231 million, down -4.1% on the comparable base of 2019, following the loss of high-margin revenue. This resulted in a direct margin as a percentage of revenue for the first quarter of 67.4%, 1.2 p.p. below that of the prior year.

¹¹ As announced on 8 May 2018, Proximus launched its NB-IoT network for the connection of the digital meters of Fluvius. Commissioned by IBM and Sagemcom, Proximus will connect 1.3 million digital meters for gas and electricity, which Fluvius intends to roll out in Flanders by the end of 2022.

¹² Note that headcount costs related to ICT-services which are charged to Enterprise customers are included in the Operational expenses reported on Group level.

Table 16: Enterprise revenue by nature and direct margin

(EUR million)	1st Quarter		
	2019	2020	% Change
Revenue	351	343	-2.4%
Other Operating Income	2	2	9.1%
Net Revenue	350	341	-2.4%
Telecom Revenue	205	195	-4.8%
Service Revenue	183	175	-4.2%
Fixed Services	110	104	-5.4%
Voice	49	44	-9.4%
Data	62	60	-2.3%
Mobile Services	73	71	-2.5%
Terminals (fixed and mobile)	14	14	-4.2%
Tango	7	6	-20.1%
ICT	132	134	1.8%
Advanced Business Services	10	10	3.6%
Other Products	3	2	-42.1%
Costs of Sales	-110	-112	1.3%
Direct Margin	241	231	-4.1%
<i>Direct Margin %</i>	68.6%	67.4%	-1.2 p.p.

Table 17: Enterprise operational

	1st Quarter		
	2019	2020	% Change
Park (000's)			
Fixed voice lines	531	489	-8.0%
Broadband lines	131	132	0.9%
Mobile postpaid cards excl. M2M	1,048	1,072	2.3%
M2M cards	1,427	1,900	33.1%
Net adds (000's)			
Fixed voice lines	-10	-12	
Broadband lines	0	0	
Mobile postpaid cards excl. M2M	19	8	
M2M cards	101	122	
ARPU (EUR)			
Fixed voice	30.2	29.7	-1.8%
Boadband	44.2	43.4	-1.8%
Mobile postpaid	22.5	21.2	-5.8%
Annualized mobile postpaid churn rate	10.8%	12.0%	1.2 p.p.
Average Mobile data usage/user/month (Mb)	2,085	2,366	13.5%

5 Wholesale

Table 18: Wholesale revenue and direct margin

(EUR million)	1st Quarter		
	2019	2020	% Change
Revenue	92	86	-5.6%
Net Revenue	91	86	-5.6%
Other Operating Income	0	0	-48.4%
Costs of Sales	-8	-7	-6.6%
Direct Margin	84	79	-5.5%
Direct Margin %	91.4%	91.5%	0.1 p.p.

Declining mobile inbound & wholesale roaming revenues impacting revenue and direct margin.

For the first quarter of 2020, Proximus' **Wholesale segment reported revenue of EUR 86 million, -5.6% lower than in 2019**. The year-on-year trend improved from prior quarters following annualization of the Fixed Termination Rates regulation. The remaining decline reflects the ongoing erosion in mobile inbound¹³ revenues and, for the first quarter of 2020, lower wholesale roaming revenues, following lowered wholesale roaming rates. The decline in mobile inbound and wholesale roaming revenue was reinforced by COVID-19 effects.

The **direct margin for the first quarter of 2020 totaled EUR 79 million, a -5.5% decline** compared with the prior year, following the revenue trend.

¹³ See section 8.1 for reporting changes

6 BICS (International Carrier Services)

- Strong volume increase in SMS A2P and roaming in the first quarter of 2020.
- Impact from insourcing by MTN accelerates in Q1 2020.
- Direct margin of EUR 79 million, up by 0.5% YoY.
- Ebitda of EUR 36 million, up by 2.5% YoY.
- Ebitda margin progressed to a solid 11.7%.

6.1 BICS revenue

For the first quarter of 2020, BICS posted a -3.5% decline in its revenue, totaling EUR 308 million. In line with the ongoing market trend, BICS' revenue mix continued to move from Voice to Data. Revenue from non-Voice products was up by 22.7% reaching EUR 128 million, driven by increasing messaging revenue. The overall volume of messages increased in the first quarter of 2020 following strong TeleSign A2P volumes.

Revenue from Voice services continued its declining trend, with revenue down year-on-year by -16.3% for the first quarter of 2020. The sequential Voice revenue deterioration results mainly from lower volumes, accentuated by lower unit revenue due to lower termination rates, a less favorable destination mix and, especially, increased competition. Furthermore, the anticipated progressive insourcing by MTN of the transport and management of its traffic within the Middle East and African regions accelerated in the first quarter of 2020.

6.2 BICS direct margin

For the first quarter of 2020, BICS posted a direct margin of EUR 79 million, up 0.5% compared to the prior year, with the first quarter of 2020 not negatively impacted yet by COVID-19.

While the progressive insourcing by MTN somewhat impacted the first-quarter margin, this was more than compensated for by a strong performance by TeleSign, especially in the authentication business. This drove a strong 9.5% direct margin growth in non-Voice services. In contrast, the margin from Voice was down by -11.1% as a result of the revenue decline.

The direct margin as a percentage of revenue improved by 1.0 p.p. from the prior year to reach 25.7% in the first quarter of 2020.

6.3 BICS EBITDA

BICS' EBITDA for the first quarter of 2020 totaled EUR 36 million, up by 2.5% compared to the prior year, with the increase in Direct Margin reinforced by lower expenses. The EBITDA margin as a percentage of revenue further progressed to a solid 11.7%, +0.7 p.p.

Table 19:
BICS P&L

(EUR million)	1st Quarter		
	2019	2020	% Change
Revenue	319	308	-3.5%
Net Revenue	318	307	-3.4%
Other Operating Income	1	0	-45.8%
Costs of Sales	-240	-228	-4.8%
Direct Margin	79	79	0.5%
<i>Direct Margin %</i>	<i>24.7%</i>	<i>25.7%</i>	<i>1.0 p.p.</i>
Expenses	-44	-43	-1.2%
Workforce Expenses	-25	-26	3.2%
Non Workforce Expenses	-19	-18	-7.0%
EBITDA	35	36	2.5%
<i>Contribution Margin</i>	<i>11.0%</i>	<i>11.7%</i>	<i>0.7 p.p.</i>

Table 20:
BICS revenue
by nature

(EUR million)	1st Quarter		
	2019	2020	% Change
Total revenue	319	308	-3.5%
Voice	214	179	-16.3%
Non-Voice	104	128	22.7%

Table 21:
BICS direct
margin by
nature

(EUR million)	1st Quarter		
	2019	2020	% Change
Total direct margin	79	79	0.5%
Voice	34	31	-11.1%
Non-Voice	44	49	9.5%

7 Consolidated Financial Statements

The condensed consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted for use in the European Union. They have not been subject to a review by the independent auditor.

7.1 Accounting policies

The accounting policies and methods of the Group used as of 2020 are consistent with those applied in the 31 December 2019 consolidated financial statements, with the exception that the Group applied the new standards, interpretations and revisions that became mandatory for the Group on 1 January 2020. These have only a limited impact.

7.2 Judgments and estimates

The Group does not make any significant judgments and estimates other than those mentioned under note 2 in the 31 December 2019 consolidated financial statements, and other than those mentioned below in this report.

7.3 Significant events or transactions in 2020

Tax on pylons:

Evolutions in jurisprudence in the first quarter 2020 led the Group to reassess the liabilities related to Taxes on Pylons. This resulted in a positive impact of EUR 16 million in operating income (and more particularly as “incidental”, see section 8.2.) and a positive impact of EUR 4 million in net finance cost.

Fit for Purpose transformation plan (FFP)

Following the call for voluntary leaves in the Fit for Purpose (FFP) transformation plan, employees in the majority of impacted domains have chosen to voluntarily leave the company. In the context, 1347 FTEs are leaving Proximus, with the majority having left in the first quarter of 2020.

Income taxes

On 11 January 2016, the European Commission announced its decision to consider Belgian tax rulings granted to multinationals with regard to “Excess Profit” as illegal state aid. BICS has applied such tax ruling for the period 2010-2014. BICS has paid the deemed aid recovery assessments. Furthermore, both BICS and the Belgian State filed an appeal against the decision of the European Commission before the European Court. The EU General Court ruled in its decision of 14 February 2019 in favor of the Belgian State against the European Commission based on the argument that there is no “state aid scheme”. The European Commission filed an appeal against the aforementioned decision with the European Court of Justice (ECJ) on 24 April 2019. In addition, on 16 September 2019, the European Commission opened a separate in-depth investigation into 39 individual excess profit rulings, including the excess profit rulings obtained by BICS. Management assesses that the position as recognized in the financial statements still reflects the best estimate of the probable outcome.

7.4 Consolidated income statement

(EUR million)	2019	2020	% Change
Net revenue	1,402	1,380	-1.6%
Other operating income	15	13	-13.2%
Total income	1,417	1,393	-1.7%
Costs of materials and services related to revenue	-488	-486	-0.4%
Workforce expenses	-310	-287	-7.3%
Non workforce expenses	-142	-125	-12.3%
Total operating expenses before depreciation & amortization	-940	-898	-4.4%
Operating income before depreciation & amortization	477	495	3.8%
Depreciation and amortization (excluding lease depreciation)	-255	-258	1.4%
Lease depreciation	-21	-20	-7.3%
Operating income	201	217	8.0%
Finance income	3	1	-75.4%
Finance costs	-14	-8	-39.2%
Lease interest	0	-1	26.5%
Net finance costs	-11	-8	-27.6%
Share of loss on associates	0	-1	>100%
Income before taxes	189	208	9.8%
Tax expense	-52	-49	-4.4%
Net Income	138	158	15.1%
Attributable to:			
Equity holders of the parent (Group share)	134	153	13.7%
Non-controlling interests	3	6	72.4%
Basic earnings per share	0.42	0.47	13.6%
Diluted earnings per share	0.42	0.47	13.6%
Weighted average number of outstanding shares	322,668,522	322,919,556	0.1%
Weighted average number of outstanding shares for diluted earnings per share	322,737,502	322,934,552	0.1%

7.5 Consolidated statements of other comprehensive income

(EUR million)	2019	2020
	IFRS 16	IFRS 16
Net income	138	158
Other comprehensive income:		
Items that may be reclassified to profit and loss:		
Exchange differences on translation of foreign operations	4	6
Other	0	-1
Total before related tax effects	4	5
Total of items that may be reclassified to profit and loss, net of related tax effects	4	5
Items that will not be reclassified to profit and loss:		
Change in shareholders' agreements	-6	0
Total before related tax effects	-6	0
Total of items that will not be reclassified to profit and loss, net of related tax effects	-6	0
Total comprehensive income	136	163
Attributable to:		
Equity holders of the parent	131	155
Non-controlling interests	5	8

7.6 Consolidated balance sheet

(EUR million)	As of 31 December	As of 31 March
	2019	2020
ASSETS		
Non-current assets	7,160	7,131
Goodwill	2,477	2,481
Intangible assets with finite useful life	1,080	1,088
Property, plant and equipment	3,127	3,094
Right-of-use asset	307	303
Lease receivable	6	5
Contract costs	113	112
Investments in associates	2	1
Equity investments	0	1
Deferred income tax assets	16	14
Other non-current assets	31	32
Current assets	1,818	1,860
Inventories	133	138
Trade receivables	985	997
Lease receivable	3	0
Contract assets	97	101
Current tax assets	139	139
Other current assets	134	166
Investments	3	3
Cash and cash equivalents	323	314
TOTAL ASSETS	8,978	8,991
LIABILITIES AND EQUITY		
Equity	2,998	3,157
Shareholders' equity	2,856	3,007
Issued capital	1,000	1,000
Reserves	-500	-501
Retained earnings	2,356	2,508
Non-Controlling interests	142	150
Non-Current liabilities	3,616	3,599
Interest-bearing liabilities	2,360	2,361
Lease liabilities	243	239
Liability for pensions, other post-employment benefits and termination benefits	639	631
Provisions	137	138
Deferred income tax liabilities	110	112
Other non-current payables	127	118
Current liabilities	2,363	2,235
Interest-bearing liabilities	157	1
Lease liabilities	64	63
Liability for pensions, other post-employment benefits and termination benefits	225	109
Trade payables	1,284	1,295
Contract liabilities	116	130
Tax payables	28	74
Other current payables	490	564
TOTAL LIABILITIES AND EQUITY	8,978	8,991

7.7 Consolidated cash flow statement

(EUR million)	2019	2020	Change
Cash flow from operating activities			
Net income	138	158	15.1%
Adjustments for:			
Depreciation and amortization	276	278	0.7%
Increase/(decrease) of provisions	2	1	-53.6%
Deferred tax expense	0	3	>100%
Loss from investments accounted for using the equity method	0	1	>100%
Gain on disposal of property, plant and equipment	-1	-1	>100%
Operating cash flow before working capital changes	416	440	5.9%
Decrease/(increase) in inventories	-14	-6	-61.2%
Decrease/(increase) in trade receivables	-26	-16	-38.7%
Decrease/(increase) in contract costs	1	1	-27.9%
Decrease/(increase) in contract asset	0	-4	<-100%
Decrease/(increase) in other current assets	-35	-30	-13.4%
(Decrease)/increase in trade payables	3	33	>100%
(Decrease)/increase in contract liability	20	15	-25.5%
(Decrease)/increase in income tax payables	47	45	-3.6%
(Decrease)/increase in other current payables	58	12	-79.7%
(Decrease)/increase in net liability for pensions, other post-employment benefits and termination benefits	-9	-61	>100%
(Decrease)/increase in other non-current payables and provisions	3	0	<-100%
(Decrease)/increase in working capital, net of acquisitions and disposals of subsidiaries	49	-12	<-100%
Net cash flow provided by operating activities (1)	465	429	-7.8%
Cash flow from investing activities			
Cash paid for acquisitions of intangible assets and property, plant and equipment	-299	-258	-13.8%
Cash paid for acquisition of consolidated companies, net of cash acquired	-37	0	<-100%
Cash received for sales of consolidated companies, net of cash disposed of	7	0	<-100%
Cash received from sales of intangible assets and property, plant and equipment	0	2	>100%
Net cash used in investing activities	-329	-256	-22.1%
Cash flow before financing activities	135	172	27.0%
Lease payments	-23	-20	-15.5%
Free cash flow (2)	112	152	35.9%
Cash flow from financing activities other than lease payments			
Dividends paid to shareholders	-1	0	-75.3%
Net sale of treasury shares	2	-4	<-100%
Cash received from cash flow hedge instrument related to long term debt	0	-1	<-100%
Issuance of long term debt	100	0	<-100%
Issuance/(repayment) of short term debt	-232	-156	-32.6%
Cash flows used in financing activities other than lease payments	-131	-162	23.4%
Exchange rate impact	0	1	>100%
Net increase/(decrease) of cash and cash equivalents	-19	-9	-52.1%
Cash and cash equivalents at 1 January	340	323	-4.9%
Cash and cash equivalents at the end of the period	321	314	-2.1%
(1) Net cash flow from operating activities includes the following cash movements :			
Interest paid	-13	-13	
Interest received	0	0	
Income taxes paid	-5	-1	
(2) Free cash flow: cash flow before financing activities and after lease payments			

7.8 Consolidated statements of changes in equity

(EUR million)	Issued capital	Treasury shares	Restricted reserve	Equity instruments and hedge reserve	Other remeasurement reserve	Foreign currency translation	Stock Compensation	Retained Earnings	Shareholders' Equity	Non-controlling interests	Total Equity
Balance at January 1, 2019	1,000	-427	100	6	-155	3	4	2,474	3,005	148	3,153
Total comprehensive income	0	0	0	-6	0	2	0	134	131	5	136
Business combination	0	0	0	0	0	0	0	-2	-2	2	0
Stock options											
Exercise of stock options	0	2	0	0	0	0	0	0	2	0	2
Total transactions with equity holders	0	2	0	0	0	0	0	-1	0	2	2
Balance at 31 March 2019	1,000	-425	100	0	-155	5	4	2,607	3,136	155	3,290
Balance per 1 January 2020	1,000	-421	100	6	-194	5	4	2,356	2,856	142	2,998
Total comprehensive income	0	0	0	-1	0	4	0	153	155	8	163
Treasury shares											
Sale of treasury shares	0	-4	0	0	0	0	0	-1	-5	0	-5
Stock options											
Exercise of stock options	0	0	0	0	0	0	0	0	0	0	0
Total transactions with equity holders	0	-3	0	0	0	0	0	-1	-4	0	-4
Balance at 31 March 2020	1,000	-424	100	5	-194	9	3	2,508	3,007	150	3,157

7.9 Segment reporting

See reconciliation of reported and underlying figures in section 8.2

(EUR million)	Group Proximus				31 March 2020					
	Reported (IFRS 16)	Lease depreciation and interest	Incidental	Underlying	Underlying by segment					
					BICS	Domestic (Group excl. BICS)	Consumer	Enterprise	Wholesale	Others
Net revenue	1,380	0	0	1,380	307	1,073	660	341	86	-14
Other revenues	13	0	0	13	0	13	5	2	0	5
Total income	1,393	0	0	1,393	308	1,086	665	343	86	-9
Costs of materials and services related to revenue	-486	-1	0	-487	-228	-259	-154	-112	-7	14
Direct margin	907	-1	0	906	79	827	511	231	79	5
Workforce expenses	-287	0	4	-284	-26	-258				
Non workforce expenses	-125	-19	-14	-158	-18	-141				
Total other operating expenses	-412	-19	-11	-442	-43	-399				
Operating income before depreciation & amortization	495	-20	-11	464	36	428				
Depreciation and amortization	-278									
Operating income	217									
Net finance costs	-8									
Share of loss on associates	-1									
Income before taxes	208									
Tax expense	-49									
Net income	158									
Attributable to:										
Equity holders of the parent (Group share)	153									
Non-controlling interests	6									

(EUR million)	Group Proximus				31 March 2019					
	Reported (IFRS 16)	Lease depreciation and interest	Incidental	Underlying	Underlying by segment					
					BICS	Domestic (Group excl. BICS)	Consumer	Enterprise	Wholesale	Others
Net revenue	1,402	0	0	1,402	318	1,084	658	350	91	-15
Other revenues	15	0	-2	13	1	12	6	2	0	4
Total income	1,417	0	-2	1,415	319	1,096	664	351	92	-11
Costs of materials and services related to revenue	-488	-1	0	-489	-240	-249	-150	-110	-8	19
Direct margin	929	-1	-2	926	79	847	514	241	84	8
Workforce expenses	-310	0	9	-300	-25	-276				
Non workforce expenses	-142	-20	0	-162	-19	-144				
Total other operating expenses	-452	-20	9	-463	-44	-419				
Operating income before depreciation & amortization	477	-22	7	463	35	428				
Depreciation and amortization	-276									
Operating income	201									
Net finance costs	-11									
Share of loss on associates	0									
Income before taxes	189									
Tax expense	-52									
Net income	138									
Attributable to:										
Equity holders of the parent (Group share)	134									
Non-controlling interests	3									

7.10 Disaggregation of revenue

As of 31 March 2020							
(EUR million)	Group	BICS	Domestic (Group excl. BICS)	Consumer	Enterprise	Wholesale	Others
Net revenue (underlying)	1,380	307	1,073	660	341	86	-14
Net revenue (incidentals)	0	0	0	0	0	0	0
Net revenue (reported)	1,380	307	1,073	660	341	86	-14
Other operating income (underlying)	13	0	13	5	2	0	5
Other operating income (incidentals)	0	0	0	0	0	0	0
Other operating income (reported)	13	0	13	5	2	0	5
Total income (underlying)	1,393	308	1,086	665	343	86	-9
Total income (incidentals)	0	0	0	0	0	0	0
Total income (reported)	1,393	308	1,086	665	343	86	-9

7.11 Group financing activities related to interest-bearing liabilities

(EUR million)	As of 31 December 2019	Cash flows	Non-cash changes	As of 31 March 2020
Long-term				
Unsubordinated debentures	1,953	0	0	1,954
Credit institutions	402	0	0	402
Derivatives held for trading	5	0	0	5
Current portion of amounts payable > one year				
Credit institutions held to maturity	1	0	0	1
Other financial debts				
Other loans	156	-156	0	0
Total liabilities from financing activities excluding lease liabilities	2,517	-156	1	2,362
Lease liabilities current and non current	307	-20	16	303
Total liabilities from financing activities including lease liabilities	2,824	-176	17	2,664

7.12 Financial instruments

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

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

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

Fair Value and Fair Value Hierarchy

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

(EUR million)	As of 31 March 2020			
	Classification	Carrying amount	Fair value	Level
ASSETS				
Non-current assets				
Equity instruments	FVTOCI	1	1	
Other non-current assets				
Derivatives held for trading	FVTPL	6	6	Level 2
Other financial assets	Amortized cost	10	10	
Current assets				
Trade receivables	Amortized cost	997	997	
Interest bearing				
Other receivables	Amortized cost	8	8	
Non-interest bearing				
Other receivables	Amortized cost	3	3	
Investments	Amortized cost	3	3	
Cash and cash equivalents				
Cash at bank and in hand	Amortized cost	314	314	
LIABILITIES				
Non-current liabilities				
Interest-bearing liabilities				
Unsubordinated debentures not in a hedge relationship	Amortized cost	1,954	2,044	Level 2
Credit institutions	Amortized cost	402	401	Level 2
Derivatives held for trading	FVTPL	5	5	Level 2
Non-interest-bearing liabilities				
Other non-current payables	Amortized cost	118	118	
Current liabilities				
Interest-bearing liabilities, current portion				
Credit institutions	Amortized cost	1	1	
Trade payables	Amortized cost	1,295	1,295	
Other current payables				
Other debt	FVTPL	6	6	Level 3
Other amounts payable	Amortized cost	296	296	

FVTPL : fair value through profit and loss

FVTOCI : fair value through other comprehensive income

(EUR million)	As of 31 March 2019			
	Classification	Carrying amount	Fair value	Level
ASSETS				
Non-current assets				
Equity instruments	FVTOCI	1	1	
Other non-current assets				
Derivatives held for trading	FVTPL	6	6	Level 2
Other financial assets	Amortized cost	13	13	
Current assets				
Trade receivables	Amortized cost	1,070	1,070	
Interest bearing				
Other receivables	Amortized cost	5	5	
Non-interest bearing				
Other receivables	Amortized cost	24	24	
Investments	Amortized cost	4	4	
Cash and cash equivalents				
Short-term deposits	Amortized cost	38	38	
Cash at bank and in hand	Amortized cost	283	283	
LIABILITIES				
Non-current liabilities				
Interest-bearing liabilities				
Unsubordinated debentures not in a hedge relationship	Amortized cost	1,952	2,077	Level 2
Credit institutions	Amortized cost	403	403	Level 2
Derivatives held for trading	FVTPL	5	5	Level 2
Non-interest-bearing liabilities				
Other non-current payables	Amortized cost	129	129	
Current liabilities				
Interest-bearing liabilities, current portion				
Credit institutions	Amortized cost	1	1	
Interest-bearing liabilities				
Trade payables	Amortized cost	1,302	1,302	
Other current payables				
Other debt	FVTPL	14	14	Level 3
Other amounts payable	Amortized cost	287	287	

FVTPL : fair value through profit and loss

FVTOCI : fair value through other comprehensive income

Valuation technique

The Group holds financial instruments classified in Level 1, 2 and 3.

The valuation techniques for fair value measuring the Level 2 & 3 financial instruments are:

Other derivatives in Level 2

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

Unsubordinated debentures

The unsubordinated debentures are recognized at amortized costs.

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

Other debts in level 3

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

7.13 Contingent liabilities

Compared to the 2019 annual accounts, no change occurred in Q1 2020 in the contingent liabilities other than those mentioned below:

BICS received withholding tax assessments from the Indian tax authorities in relation to payments made by an Indian tax resident customer to BICS in the period 1 April 2007 to 31 March 2011. BICS filed appeals against the assessments for the period 1 April 2007 to 31 March 2010 with the competent Indian Courts opposing the view of the Indian tax authorities that Indian withholding taxes are due on the payments. Furthermore, BICS is opposing the assessments in relation to the periods from 1 April 2008 to 31 March 2010 on procedural grounds. BICS will file an appeal against the assessment for the period 1 April 2010 to 31 March 2011 on procedural grounds. The amount of the contingent liability including late payment interest should not exceed EUR 28 million. BICS has not paid the assessed amounts and has not recorded a tax provision. Management assesses that the position as recognized in these financial statements reflects the best estimate of the probable final outcome.

Proximus and Orange Belgium will keep on developing the mobile access network of the future, as interim measures come to an end. Beginning of January, the Belgian Competition Authority, in the procedure initiated by Telenet requesting interim measures, gave the telecom regulator until 16 March 2020 to further examine the sharing agreement. The Belgian Competition Authority confirmed that these interim measures came to an end. This allows the two operators to further implement the cooperation agreement.

7.14 Post balance sheet events

The Annual General Meeting of April 2020 approved the dividend distribution for the year 2019 which will impact the cash flow of the Group the second quarter 2020 for EUR 323 million.

7.15 Others

There has been no material change to the information disclosed in the 2019 annual consolidated financial statements in connection with related parties that would require disclosure under the Financial Reporting Framework.

8 Additional information

8.1 Reporting changes and remarks

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

As of January 2020, the below reporting changes have been implemented. The figures for 2019 have been restated accordingly.

- 1. From X-play household view to X-play customer view (consumer segment):**
 - Following the GDPR implementation, the Household concept started to lose some of its value given that some household data was no longer available. Therefore, Proximus decided to move from a Household to a Customer view. The Customer view is based on internally used customer identification numbers.
 - The number of Customers is larger compared to the number of Households reported previously. This is because in some cases one single Household has more than one customer identification number.
 - As a consequence, the Average Revenue per Customer (ARPC) is somewhat below the ARPH. The year-on-year trends are however very similar.

- 2. Mobile inbound revenue was reclassified from Consumer/Enterprise segments to the Wholesale segment:**
 - In order to be consistent with the Fixed inbound revenues, the Mobile inbound revenues were moved from the Consumer/Enterprise segment to the Wholesale segment.
 - This reclass is applicable for both the revenues and for the ARPU.

- 3. Other small reporting changes:**
 - Tango's Mobile card base is now split between "Mobile postpaid excl. M2M" and "M2M" cards.
 - A customer cleaning exercise in the Consumer segment resulted in some minor impacts on the 2019 year-end base:
 - Fixed Voice: -0.3k
 - Fixed Internet: -0.4k
 - Fixed TV: -1.4k
 - Mobile Postpaid excl. M2M: -0.8k

8.2 From Reported to Underlying

(EUR million)	GROUP Revenue		GROUP EBITDA	
	Q1 '19	Q1 '20	Q1 '19	Q1 '20
Reported	1,417	1,393	477	495
Lease Depreciations	0	0	-21	-20
Lease Interest	0	0	0	-1
Incidentals	-2	0	7	-11
Underlying	1,415	1,393	463	464
Incidentals	-2	0	7	-11
Early Leave Plan and Collective Agreement			5	1
Fit For Purpose Transformation Plan			1	2
M&A-related transaction costs			3	2
Change in M&A contingent consideration	-2		-2	
Pylon Tax provision update (re. past years)				-16

8.3 Definitions

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

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

Annualized full churn rate of X-play: a cancellation of a customer 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.

ARPC: Average underlying revenue per customer (including Small Offices).

ARPU: Average Revenue per Unit.

Average Mobile data usage: calculated by dividing the total data usage of the quarter by the number of data users of the quarter.

Broadband access channels: ADSL, VDSL and Fiber lines. For Consumer this also includes Scarlet.

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

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

Capex: this corresponds to the acquisitions of intangible assets and property, plant and equipment, excluding Right of Use assets (leasing).

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

Convergence rate: convergent customers/small offices take both Fixed and Mobile services of Proximus. The convergence rate refers to the percentage of convergent customers/small offices on the total of multi-play customers/small offices

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

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

Domestic: defined as the Proximus Group excluding BICS.

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

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

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

Fixed Services Revenue: total underlying revenue from Fixed services (Fixed Voice, Broadband and TV).

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

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

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

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

(**) 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 if the threshold was met in a previous quarter.

Mobile customers: refers to active Voice and Data cards, excluding free Data cards. Postpaid customers paying a monthly subscription are by default active. Prepaid customers are considered active when having made or received at least one call and/or sent or received at least one SMS message in the last three months. An M2M card is considered active if at least one Data connection has been made in the last month.

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 MVNOs but excludes M2M.

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

Net Financial Position: total interest-bearing debt (short and long term) minus cash and cash equivalents.

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

Other Operating Income: this relates to income from, for example, reimbursements from damages, employees, insurances, gain on disposal, etc.

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 customer with Fixed Internet and 2 Mobile Postpaid cards is considered as a 2-Play customer with 3 RGUs.

Reported Revenues: this corresponds to the TOTAL INCOME.

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

Underlying: refers to Revenue and EBITDA (Total Income and Operating Income before Depreciation and Amortization) adjusted for lease depreciations and interest as from 2019 and for incidentals in order to properly assess the ongoing business performance.

Wholesale: Proximus' unit addressing the telecom wholesale market including other telecom operators (incl. MVNOs) and ISPs.

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

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

8.4 Management statement

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

8.5 Financial calendar

(dates could be subject to change)

30 April 2020	Announcement of Q1 2020 results
13 July 2020	Start of quiet period ahead of Q2 2020 results
31 July 2020	Announcement of Q2 2020 results
12 October 2020	Start of quiet period ahead of Q3 2020 results
30 October 2020	Announcement of Q3 2020 results

8.6 Contact details

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8.7 Investor and Analyst Conference Call

Analyst conference call details

Proximus will host a conference call for investors and analysts on Thursday 30 April 2020.

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

Dial-in UK	+44 20 7194 3759
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Code	76147549#
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