Quarterly Report

2019 Q4

proximus

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- **Continued growth of main Domestic customer bases in a highly competitive setting.**
- **Stable fourth quarter Domestic revenue.**
- **Strong domestic cost control lowering underlying expenses by 2.1% in the last quarter of 2019.**
- **Stable fourth quarter underlying Domestic EBITDA of EUR 414 million. With BICS included, the Group underlying EBITDA ended 0.3% below the same period of 2018.**
- **Solid full-year 2019 FCF of EUR 504 million, acquisition impact excluded.**
- **Full-year 2019 financial performance ended within guidance.**
- **Stable total gross dividend of EUR 1.50 per share over the 2019 result.**

1 Highlights Q4 2019

- For its **Domestic operations**, Proximus **posted year-on-year stable underlying revenue of EUR 1,134 million in the fourth quarter 2019**. The improvement from prior quarters was driven by, amongst others, a strong ICT quarter, a higher revenue from Mobile joint-offer devices, and the launch of e-Press contributing to the Fixed services revenue as from December 2019.

- Proximus' **Domestic operations posted a direct margin of EUR 830 million, -1.1%** or EUR -9 million down on the previous year, including a EUR -6 million regulatory headwind. This brought the fourth-quarter Domestic direct margin as a percentage of revenue to 73.2%.

- In the last quarter of 2019 Proximus reduced its **Domestic expenses year-on-year by 2.1%**, achieved through further structural cost efficiencies. Within the mix, the Domestic non-workforce expenses ended 5.3% below those of the same period of 2018, and the Workforce expenses were down by 0.4%.

- Driven by its good cost control, Proximus posted a **stable underlying Domestic EBITDA of EUR 414 million** for the fourth quarter of 2019.

- **BICS posted a fourth-quarter 2019 EBITDA of EUR 40 million,** a year-on-year decrease of 2.0%, with an increase in Direct Margin more than offset by a rise in expenses. BICS' direct margin growth of 1.8% was fully driven by its non-Voice Direct margin, up by 12.4% from the prior year following a strong volume growth in A2P messaging, Telesign's Mobile identity business and in roaming.

- Therefore, in aggregate, the **Proximus Group fourth-quarter underlying EBITDA totaled EUR 453 million, -0.3% from the same period of 2018**. The underlying Group EBITDA margin improved by 0.4 p.p. to 31.2%.

- The Proximus Group recorded a **EUR 253 million provision in incidentals** (excluded from underlying EBITDA) for its Fit for Purpose transformation plan. In total, 1,347 FTEs subscribed to this plan on a voluntary basis.

- In line with its expectations, **Proximus invested a total amount of EUR 1,027 million in 2019**. This reflects the Group strategy to invest extensively in enhancing its networks and improving the overall customer experience. With Proximus' Fiber for Belgium project ramping up, it consumed a larger share of the yearly capex envelope. In addition, Proximus also invested extensively in its IT platforms, the ongoing multi-year modernization of its transport network, attractive content for its TV customers and a top-quality mobile network.

- Proximus posted **full-year 2019 FCF of EUR 498 million, or a normalized FCF of EUR 504 million**, excluding cash-out for acquisitions. This was fairly stable in relation to the comparable amount of EUR 501 million for 2018.

- The Board of Directors approved to propose to the Annual General Shareholder meeting of 15 April 2020 to return **over the result of 2019 a gross dividend of EUR 1.50 per share**, of which EUR 0.50 per share was paid in December 2019.

Proximus Group operational results:

+11,000 Convergent HH, total of 1,114,000

+10,000 Fixed Internet lines, total of 2,089,000

+7,000 TV-customers, total of 1,642,000

-39,000 Fixed Voice lines, total of 2,401,000

+23,000 Mobile Postpaid cards, total of 4,111,000

-26,000 Mobile Prepaid cards, total of 717,000

+102,000 M2M cards, total of 1,781,000

This resulted in an end-of-year market share of 45.9% for Fixed Internet, 38.7% for total Mobile (excl. M2M) and 37.4% for Digital TV.

Market situation

Proximus operates in a highly competitive **Consumer** market, with competitive intensity increasing during the typical year-end promotional period. The Fixed market has become more challenging with skinny offers addressing the market in a more segmented way (millennials, price seekers, …). The Fixed voice line base and usage continues to erode. Smartphones penetration and usage of data services continues to increase.

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

"Through sustained customer growth and continued strong focus on reducing our costs, we delivered full-year results in line with our guidance.

Guillaume Boutin
CEO Proximus Group

Supported by our appealing year-end campaign, we maintained a good customer momentum for Internet, TV and Mobile postpaid in the last quarter of 2019. Our segmentation strategy on the Proximus brand again proved successful in a very competitive market, with a growing number of Households signing up for converged offers, with especially the EPIC and Minimus packs having strong traction. By end-2019, over 60% of our Household customer base was convergent. In spite of an increasing number of skinny bundles offered on the market, we kept a strong position in the low-end segment through our Scarlet brand, with its attractive no-frills offering appealing to customers looking for the best prices.

Building on our ambition to become a truly digital-centric organization, addressing the digital needs of our customers and creating content-centric experiences, we launched My e-press with the newspapers Het Laatste Nieuws and Le Soir on 1 December 2019. At the same time, we are vigilant with regard to preserving competitive Mobile pricing, and announced an enrichment of our Mobile bundles as from 1 January 2020.
We maintained a strong position in an increasingly competitive Enterprise market. We achieved a further increase in our mobile base, despite high mobile pricing pressure. To remain successful, we continue to reinvent ourselves. Therefore, to unlock the digital potential of our enterprise customers, we launched Proximus Accelerators, a collaborative ecosystem of Proximus subsidiaries with highly specialized digital IT experts. They help companies in their digital transformation by creating fully integrated ICT support.

Our overall focus on digitalization also translates into a lower cost base for our Domestic operations, with, amongst others, a 20% decrease in calls towards our call centers. As a result, we delivered over the year 2019 a slightly growing Domestic EBITDA. For BICS, the solid progress in direct margin thanks to a strong volume growth in A2P messaging and TeleSign's mobile identity business, was offset by higher expenses to fuel the growth of TeleSign, and by the progressive insourcing by MTN, be it in a limited way so far. As we anticipated, the 2019 Group EBITDA therefore ended stable at + 0.3%.

With the agreement concluded with the majority of the Unions on the Fit for Purpose transformation plan, we can continue to build the future of Proximus, developing the right digital skills with specific programs for the reskilling and upskilling of our teams. The agreed-upon workforce reduction is managed through a specific process, starting with a voluntary leave plan for which 1,347 FTEs have signed up. A very limited number of involuntary leaves is expected at the end of the internal mobility and requalification process, which started early February. The period of uncertainty has not been easy for many of our employees. We now start a new chapter, working on the future of Proximus with positive energy and ambition.

We operate in a fast-changing market, with shifting customer expectations, fast technological progress, and growing competition. In view of the challenges we face, we are working hard on further defining our strategy going forward. I'm looking forward to sharing the outcome at our Capital Markets Day and Press event scheduled for 31 March 2020 in Brussels. At that time, we will also provide you with a view on our financial outlook and the shareholder return."

2 Proximus Group financial review

2.1 Group financials

Table 1: Underlying Group P&L

(EUR million)	4th Quarter 2018	4th Quarter 2019	% Change	Year-to-date 2018	Year-to-date 2019	% Change
Revenue[1]	1,475	1,452	-1.6%	5,807	5,686	-2.1%
Net Revenue	1,460	1,440	-1.4%	5,764	5,638	-2.2%
Other Operating Income	15	12	-19.4%	43	48	11.3%
Cost of Sales[2]	-554	-539	-2.7%	-2,126	-2,014	-5.3%
Direct Margin	921	913	-0.9%	3,681	3,673	-0.2%
Direct Margin %	*62.4%*	*62.9%*	*0.4 p.p.*	*63.4%*	*64.6%*	*1.2 p.p.*
Expenses	-466	-459	-1.4%	-1,817	-1,802	-0.8%
EBITDA[3]	455	453	-0.3%	1,865	1,870	0.3%
EBITDA Margin %	*30.8%*	*31.2%*	*0.4 p.p.*	*32.1%*	*32.9%*	*0.8 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

Q4 2019

For the **fourth quarter of 2019**, Proximus posted **stable Domestic underlying revenue of EUR 1,134 million** (tables 2 and 3). The further sequential improvement from prior quarters was mainly driven by a strong ICT quarter, with Group ICT revenue up by 5.8%, totaling EUR 159 million for the fourth quarter. This included higher revenue from ICT product deals, and a continued favorable revenue evolution from high-value professional services, reflecting Proximus' focus on bringing digital transformation solutions for its professional customers.

In contrast to prior quarters, Proximus posted higher revenue from Terminals in the fourth quarter 2019, driven by high-end Mobile terminals sold with a Mobile subscription following Proximus' successful year-end campaign. However, the non-strategic re-selling of mobile terminals continued its anticipated declining trend.

Revenue from Telecom services totaled EUR 776 million, down by -1.9% or EUR -15 million, of which EUR -9 million through regulatory[1] effects. The **Fixed Services revenue decline was limited to -0.7%** for the last quarter of 2019. The eroding revenue from Fixed Voice was partly compensated for by, among other things, a growing Internet and TV base and the launch of e-Press on 1 December 2019. Proximus' multi-play offers gained further traction, with converged multi-Play HH/SO[2] increasing over the quarter by +11,000, reaching a total of 1,114,000 by end-2019.

For **Mobile Services**, **Proximus posted EUR 291 million in revenue, i.e. a -3.9% year-on-year decline**. Within the mix, revenue from Mobile Postpaid services was down by 3.0%. The year-on-year growth in Proximus' Postpaid customer base of +95,000 cards or +2.4%, could not fully compensate for the ongoing decline in low-margin Inbound revenue, the impact from the European regulation on

[1] Decrease in Fixed Termination rates and International calling/SMS. See section 2.2 Regulation

[2] See table 15 in section 3. Consumer.

tariffs for international calling and texting and an increasing Mobile price pressure in the Enterprise segment. Moreover, revenue from mobile Prepaid contracted further to total EUR 14 million for the last quarter of 2019, driven by a further eroding base.

Proximus' **Wholesale segment reported revenue of EUR 44 million** for the fourth quarter of 2019, a -12.0% or EUR -6 million decrease from one year ago. This has been largely driven by the negative revenue impact following the regulated lowering of Fixed Termination Rates since 1 January 2019.

Tango, the Telecom brand of Proximus Luxembourg SA, posted a stable fourth-quarter revenue of EUR 39 million, with the continued customer growth in an intense competitive market offset by Prepaid and reduced visitor roaming revenues.

Proximus' carrier services, **BICS**, **posted fourth-quarter revenue of EUR 317 million**, i.e. -7.0% 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 24.7% revenue increase in non-Voice products on the back of a strong volume growth, especially in A2P messages.

This brought the **Proximus Group** revenue for the last quarter of 2019 to EUR 1,452 million, -1.6% down from the prior year.

Table 2: Underlying Group Revenue by Segment

	4th Quarter			Year-to-date		
(EUR million)	2018	2019	% Change	2018	2019	% Change
Group Underlying by Segment	1,475	1,452	-1.6%	5,807	5,686	-2.1%
Domestic	1,134	1,134	0.1%	4,460	4,386	-1.7%
Consumer	735	732	-0.4%	2,903	2,845	-2.0%
Enterprise	364	372	2.3%	1,413	1,419	0.4%
Wholesale	51	44	-12.0%	201	182	-9.9%
Other (incl. eliminations)	-15	-14	7.8%	-57	-60	-5.9%
International Carrier Services (BICS)	341	317	-7.0%	1,347	1,301	-3.4%

YTD 2019

Over the **year 2019, the Proximus Group** posted revenue of **EUR 5,686 million**, -2.1% down from 2018. Within the mix, revenue from Proximus' Domestic operations totaled EUR 4,386 million, a year-on-year decrease of -1.7% or EUR -75 million, of which EUR -25 million is related to terminals. This was driven by the reduced reselling of devices at low margin. Excluding the total Terminals revenue, the domestic revenue ended -1.2% below that of the prior year. Furthermore, the regulatory impact on Fixed Termination and International calling/texting rates negatively affected the revenue by about EUR -31 million, excluding the unfavorable impact from the legislation on customer reminder fees. Furthermore, Proximus' revenue was pressured by the ongoing erosion of its Prepaid and Fixed Voice base, and by lower Mobile inbound revenue, which were not fully compensated for by the growth in Internet, TV, ICT and Advanced Business Services.

BICS posted revenue of EUR 1,301 million for 2019, -3.4% or EUR -46 million down from one year ago. 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 19.1% or EUR 78 million, driven by a solid 27.7% growth in messaging volumes, with TeleSign in particular achieving a strong increase in A2P[3] volumes. Revenue from Voice services continued its eroding trend, down year-on-year by -13.2%, with the benefit from slightly higher volumes (+0.8%) more than offset by a lower unit revenue as a consequence of lower termination rates, competition and a less favorable revenue destination mix. The impact of gradual insourcing by MTN came through slower than expected, with only a limited effect on BICS' 2019 financials.

[3] Application-to-Person

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 ARPUs 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.

	4th Quarter			Year-to-date		
(EUR million)	2018	2019	% Change	2018	2019	% Change
REVENUES	1,475	1,452	-1.6%	5,807	5,686	-2.1%
Domestic	1,134	1,134	0.1%	4,460	4,386	-1.7%
Other Operating Income	14	11	-26.3%	43	44	2.7%
Net Revenues	1,119	1,124	0.4%	4,417	4,341	-1.7%
Telecom	917	906	-1.2%	3,641	3,560	-2.2%
Services	792	776	-1.9%	3,188	3,137	-1.6%
From Fixed	489	486	-0.7%	1,968	1,945	-1.1%
From Mobile	302	291	-3.9%	1,220	1,191	-2.4%
Postpaid	285	277	-3.0%	1,143	1,129	-1.2%
Prepaid	17	14	-18.8%	77	62	-18.9%
Terminals	87	90	4.1%	307	283	-8.1%
Tango	39	39	0.7%	146	141	-3.5%
ICT	151	159	5.8%	548	567	3.5%
Advanced Business Services	5	11	134.6%	27	40	48.2%
Other Products	17	21	22.9%	72	66	-8.1%
Wholesale	50	44	-12.0%	201	181	-9.9%
Other segment (incl. elim)	-20	-17	15.1%	-71	-73	-2.1%
BICS Total Income	341	317	-7.0%	1,347	1,301	-3.4%
Costs of Sales	-554	-539	-2.7%	-2,126	-2,014	-5.3%
Segment Direct Margin	921	913	-0.9%	3,681	3,673	-0.2%
Direct Margin %	*62.4%*	*62.9%*	*0.4 p.p.*	*63.4%*	*64.6%*	*1.2 p.p.*

Table 4:

Group operationals per product

	Park			Net adds	
(in 000's)	Q4 '18	Q4 '19	% Change	Q4 '18	Q4 '19
Fixed Voice	2,550	2,401	-5.8%	-25	-39
Internet	2,057	2,089	1.5%	17	10
TV	1,620	1,642	1.4%	16	7
Mobile postpaid excl. M2M	4,016	4,111	2.4%	32	23
M2M	1,331	1,781	33.8%	54	102
Mobile prepaid	822	717	-12.8%	-36	-26

Group operationals 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)	4th Quarter 2018	4th Quarter 2019	% Change	Year-to-date 2018	Year-to-date 2019	% Change
Group Underlying by Segment	921	913	-0.9%	3,681	3,673	-0.2%
Domestic	839	830	-1.1%	3,364	3,348	-0.5%
Consumer	550	547	-0.6%	2,219	2,209	-0.4%
Enterprise	244	244	0.0%	959	973	1.4%
Wholesale	41	36	-11.9%	165	146	-11.7%
Other (incl. eliminations)	5	3	-29.5%	21	20	-3.0%
International Carrier Services (BICS)	81	83	1.8%	317	325	2.4%

Q4 2019

The **fourth-quarter 2019** underlying direct margin of the **Proximus Group totaled EUR 913 million**. Within the mix, **Domestic operations posted direct margin of EUR 830 million**, -1.1% or EUR -9 million down on the previous year, including EUR -6 million from regulatory impacts. This entails lowered Fixed Termination Rates, with the negative impact posted in the Wholesale segment partially offset in the Consumer and Enterprise segments; and regulated international calling/texting rates applicable since 15 May 2019. The Domestic direct margin as a percentage of revenue was 73.2% for the fourth quarter.

For the last quarter of 2019, **BICS posted a direct margin of EUR 83 million, up by 1.8%**, with only a limited impact from the progressive insourcing by MTN due to a timing shift. BICS' direct margin growth was fully driven by the non-Voice Direct margin, which was up by 12.4% from the prior year following a strong volume growth in A2P messaging, Telesign's mobile identity business and roaming. BICS' Direct margin as a percentage of revenue improved by 2.2 p.p. from the prior year to reach 26.1% in the fourth quarter of 2019.

YTD 2019

Over the **full-year 2019** the **Proximus Group Direct margin totaled EUR 3,673 million**, remaining stable (-0.2%) compared to 2018. With **EUR 3,348 million, Proximus' Domestic direct margin ended -0.5% or EUR -16 million below that of 2018**. The year-on-year variance was impacted by a EUR -18 million negative effect from the regulatory measures (excluding the margin loss following the reminder fee legislation). The regulatory headwind was offset by the positive effect of Proximus' customer growth and higher margin achieved in ICT and Advanced Business Services, including the benefit from acquired companies.

The direct margin of **BICS increased by 2.4%** year-on-year to total EUR 325 million for 2019. This was driven by BICS' non-Voice services direct margin which benefitted from the BICS-TeleSign combination, with growing SMS A2P messaging volumes, Telesign's mobile identity business and the realization of direct cost synergies. This was only in a limited way offset by the impact of the gradual insourcing by MTN, with the effect coming through slower than expected.

2.1.3 Underlying Group expenses[4]

Table 6: Underlying Group expenses

(EUR million)	4th Quarter 2018	4th Quarter 2019	4th Quarter % Change	Year-to-date 2018	Year-to-date 2019	Year-to-date % Change
Group Underlying	466	459	-1.4%	1,817	1,802	-0.8%
Workforce expenses	305	305	0.0%	1,199	1,199	0.0%
Non Workforce expenses	161	155	-4.0%	618	603	-2.4%
Domestic Underlying	425	416	-2.1%	1,653	1,630	-1.4%
Workforce expenses	281	280	-0.4%	1,108	1,099	-0.8%
Non Workforce expenses	144	136	-5.3%	545	531	-2.5%
BICS Underlying	41	43	5.7%	164	172	5.2%
Workforce expenses	23	25	4.8%	91	100	10.2%
Non Workforce expenses	17	18	6.8%	73	72	-1.0%

Q4 2019

Proximus' Group underlying operating expenses for the fourth quarter 2019 were **down by -1.4%, totalling EUR 459 million,** in spite of a 5.7% increase for BICS, driven by TeleSign workforce expenses following the additional hirings to support its growth.

Proximus achieved further structural cost efficiencies, with especially the customer contact centers benefitting from digitalization. This led to a **2.1% decrease in operating expenses for its Domestic operations**, totaling EUR 416 million for the last quarter of 2019. Within the mix, Domestic non-workforce expenses ended 5.3% below those of the same period of 2018, with a total of EUR 136 million. Workforce expenses totaled EUR 280 million, i.e.-0.4%, with the benefit from a lower headcount partially offset by a higher negative year-on-year impact from HR-related provisions.

YTD 2019

Over the **full-year 2019**, the **Proximus Group's expenses decreased by -0.8% to EUR 1,802 million**. Proximus continued to keep a strong focus on structurally improving its Domestic cost base, by means of efficiency and digitalization. As a result, the **Domestic expenses were down by -1.4% or EUR -23 million to reach EUR 1,630 million**. Proximus' cost reduction efforts more than offset the acquisition-related costs, higher ICT-driven costs to support its growth, and wage inflation. Within the mix, the Domestic non-workforce costs were down by 2.5% while workforce expenses were down by 0.8%.

End-2019, the Proximus Group employed an internal workforce of 12,931 FTEs, of which 12,143 FTEs corresponded to the total Domestic headcount. Over the year 2019, the Domestic headcount decreased by 516 FTEs, mainly driven by the ongoing "voluntary early leave before retirement"program, retirement and other natural outflow, partially offset by acquisitions in the ICT domain and hirings in business-critical functions. BICS increased its internal headcount by 62 FTEs, including some additional hiring in TeleSign to support its growth. **BICS' full-year 2019 expenses totaled EUR 172 million, a 5.2% increase.**

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

2.1.4 Group EBITDA - reported and underlying

Table 7:

From reported to underlying EBITDA

(EUR million)	4th Quarter 2018	4th Quarter 2019	% Change	Year-to-date 2018	Year-to-date 2019	% Change
Group reported EBITDA	442	224	nr	1,794	1,676	nr
Lease depreciations	nr	-18	nr	nr	-82	nr
Lease interest	nr	-1	nr	nr	-2	nr
Incidentals	13	247	nr	70	278	nr
Group Underlying EBITDA	455	453	-0.3%	1,865	1,870	0.3%
Domestic	414	414	-0.2%	1,711	1,718	0.4%
BICS	41	40	-2.0%	154	153	-0.5%

Q4 2019

Underlying Group EBITDA

Driven by its good cost control, **Proximus posted a stable Domestic EBITDA of EUR 414 million**. **BICS posted a fourth-quarter 2019 EBITDA of EUR 40 million**, a year-on-year decrease of 2.0%, with its higher Direct Margin offset by a rise in expenses. Therefore, in aggregate, the **Proximus Group**'s fourth-quarter underlying **EBITDA totaled EUR 453 million, -0.3%** from the same period of 2018.

YTD 2019

For the full-year 2019, the **Proximus Group underlying EBITDA totaled EUR 1,870 million, 0.3% above that of the prior year.** This includes **0.4% progress for its Domestic operations**, which posted EUR 1,718 million in EBITDA. With a more efficient cost structure, the Domestic EBITDA margin improved to 39.2%, up from 38.4% for 2018.

BICS closed 2019 with its Segment result totaling EUR 153 million, 0.5% below that of the prior year. This resulted from an increased cost base to support its growth areas, and, with the effect being delayed, a minor impact of the gradual insourcing by MTN. BICS' segment margin as percent of revenue for 2019 was 11.7%, up 0.3 p.p. from the previous year.

Q4 2019

Total Reported Group EBITDA

In the fourth quarter of 2019, the Proximus Group recorded EUR 247 million in negative EBITDA incidentals. **This includes a EUR 253 million provision for the Fit for Purpose transformation plan.** (See section 2.3 for more information on the Fit for Purpose plan.) Moreover, following the application of IFRS 16, the reported EBITDA of the fourth quarter 2019 no longer includes operating lease expenses for a total amount of EUR 19 million. With incidentals included and operating lease expenses excluded, the **Proximus Group's reported EBITDA totaled EUR 224 million for the fourth quarter 2019**. This was EUR 442 million for 2018 (see section 8 for an overview of the incidentals).

YTD 2019

Incidentals included, and operating lease excluded, the **Proximus Group reported EBITDA of EUR 1,676 million for the year 2019,** whereas this was EUR 1,794 million for the year before.
In 2019, the Proximus Group recorded EUR -278 million net EBITDA incidentals, compared to EUR -70 million for 2018. The 2019 incidentals included mainly expenses recorded in the framework of the Fit for Purpose transformation plan (see above) and the early leave plan ahead of retirement. The lease depreciation and interest for 2019 totaled EUR 84 million. As from 2019, following the application of IFRS 16, these expenses are excluded from the reported EBITDA.

2.1.5 Net income

YTD 2019

Depreciation and amortization

The fourth-quarter 2019 **depreciation and amortization equaled EUR 262 million, bringing the total for 2019 to EUR 1,038 million** (EUR 1,120 million including lease depreciation), compared to EUR 1,016 million, excluding lease depreciation, for 2018. This was mainly due to an increased asset base following the higher investment level in recent years and from acquired companies.

Net finance cost

The full-year 2019 **net finance cost totaled EUR 47 million including lease interests,** down 15.9% from 2018, which included an additional interest expense on the reassessed tax on pylon liability, while 2019 benefitted from positive remeasure-ments to fair value of financial instruments and a private bond at a beneficial interest rate.

Tax expenses

The 2019 tax expenses amount to EUR 116 million, representing an **effective tax rate of 22.80%**. The difference with the Belgian statutory tax rate of 29.58% results from the application of general principles of Belgian tax law such as the patent income deduction and other R&D incentives. The year-on-year decrease results also from the Fit for Purpose restructuring cost lowering the income tax base.

Net income (Group share)

The 2019 full-year net income (Group share) totaled EUR 373, i.e. a 26.6% decrease from the prior year. This resulted mainly from the Fit for Purpose transformation cost, recorded as incidental, and a higher amount of depreciation and amortization (excluding lease depreciation). This was partially offset by a slightly positive underlying EBITDA, lower net finance costs and less income taxes.

Table 8:

From Group EBITDA to net income

	4th Quarter			Year-to-date		
	2018	2019	% Change	2018	2019	% Change
(EUR million)	IAS 17	IFRS 16		IAS 17	IFRS 16	
Group reported EBITDA	442	224	-49.3%	1,794	1,676	-6.6%
Depreciation and amortization	-253	-262	3.6%	-1,016	-1,038	2.2%
Lease depreciation	n.a.	-18	n.a.	n.a.	-82	n.a.
Operating income (EBIT)	189	-56	<-100%	778	556	-28.5%
Net finance costs (including lease interest)	-11	-9	-16.6%	-56	-47	-15.9%
Share of loss on associates	0	0	n.r.	-1	-1	-31.9%
Income before taxes	177	-65	<-100%	721	508	-29.5%
Tax expense	-46	41	>100%	-191	-116	-39.2%
Net income	131	-24	<-100%	530	392	-26.0%
Non-controlling interests	6	5	-15.8%	22	19	-12.5%
Net income (Group share)	125	-29	<-100%	508	373	-26.6%

2.1.6 Investments

The level of Capex reflects the Group strategy to invest extensively in enhancing its networks and improving the overall customer experience. In line with its expectations, **Proximus invested a total amount of EUR 1,027 million in 2019**, stable relative to the EUR 1,019 million invested in 2018. With Proximus' Fiber for Belgium project ramping up, it consumed a larger share of the yearly capex envelope. The deployment of this future-proof network kicked off early 2017, and by end-2019, inhabitants of 13 cities were being connected to Fiber. Proximus also invested extensively in its IT platforms, the ongoing multi-year modernization of its transport network, and attractive content for its TV customers. To deal with an ongoing steep increase in mobile data traffic, Proximus also invests to ensure a top-quality mobile network for its mobile customers.

2.1.7 Cash flows

Table 9:

Cash flows

(EUR million)	4th Quarter 2018 IAS 17	4th Quarter 2019 IFRS 16	% Change	Year-to-date 2018 IAS 17	Year-to-date 2019 IFRS 16	% Change
Cash flows from operating activities	359	286	-20,4%	1.558	1.655	6,2%
Cash paid for Capex (*)	-285	-298	4,5%	-1.099	-1.091	-0,8%
Cash flows used and provided in other investing activities	28	44	57,3%	-8	12	>100%
Cash flow before financing activities	**102**	**32**	**-68,8%**	**451**	**576**	**27,8%**
Lease payments	n.a.	-15	n.a.	n.a.	-78	n.a.
Free cash flow	**102**	**17**	**-83,7%**	**451**	**498**	**10,5%**
Cash flows used and provided in financing activities other than lease payments	6	-36	<-100%	-444	-515	16,0%
Exchange rate impact	0	-1	<-100%	0	0	-21,0%
Net increase/(decrease) of cash and cash equivalents	**107**	**-21**	**<-100%**	**7**	**-17**	**<-100%**

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

After a strong third-quarter FCF, including some positive tax payment timing effects, Proximus' **fourth-quarter 2019 FCF was EUR 17 million**, compared to an exceptionally strong fourth quarter of 2018. This brought the full-year 2019 FCF to EUR 498 million. **Excluding cash-out for acquisitions, the normalized FCF was EUR 504 million, fairly stable** relative to the EUR 501 million for 2018 (adjusted for EUR 51 million acquisition cash-out). The higher cash needed for Business working capital[5] (very good performance in 2018), payments done in the 2016 Early Leave before Retirement restructuring plan, and less proceeds from building sales, was offset by lower cash-out for income tax and interests, less cash needed for Capex and a positive evolution in underlying EBITDA.

2.1.8 Balance sheet and shareholders' equity

Compared to year-end 2018, the goodwill increased by EUR 7 million mainly as a consequence of the purchase price allocation of Mediamobile and the conversion difference on the TeleSign goodwill.

Tangible and intangible fixed assets amount to EUR 4,207 million and remain in line with last year as the amount of investments and the impact of purchase price allocation on intangible assets more or less equals the depreciation and amortization charge of the year.

The shareholders' equity decreased from EUR 3,005 million end-December 2018 to EUR 2,856 million end of December 2019 mainly as the payment of dividends (EUR 486 million) was higher than the net income (Group Share) of EUR 373 million.

The initial application of IFRS 16 did not impact the equity since the Group decided to apply the simplified transition approach (see Section 7).

As a result of a detailed and formal communication in 2019 to the employees impacted by the Fit for Purpose transformation plan, and as the termination benefits for these employees are not conditional to future service, Proximus accrued the entire net amount of EUR 253 million in the fourth quarter of 2019. (see section 2.3)

End-December 2019, Proximus' outstanding long-term debt (excluding lease liabilities) amounted to EUR 2,361 million, and its adjusted net financial position to EUR -2,185 million.

[5] Accounts payable, Accounts receivable and Inventory.

Table 10: Net financial position

(EUR million)	As of 31 December 2018 IAS 17	As per 1 January 2019 IFRS 16	As of 31 December 2019
Investments, Cash and cash equivalents	344	344	327
Derivatives	5	5	5
Assets	349	349	332
Non-current liabilities (*)	-2,263	-2,475	-2,603
Current liabilities (*)	-234	-297	-220
Liabilities	-2,497	-2,772	-2,824
Net financial position (*)	-2,148	-2,423	-2,492
of which Leasing liabilities	-5	-280	-307
Adjusted financial position (**)	-2,143	-2,143	-2,185

(*) Including derivatives and leasing liabilities

2.2 Regulation

Table 11: Regulation impact

(YoY variance in EUR million)	4th Quarter 2019	Year-to-date 2019
Revenue	-9	-31
Fixed termination Rate	-5	-19
International calling	-5	-11
Direct Margin	-6	-18
Fixed termination Rate	-2	-6
International calling	-5	-11

Fixed Termination Rates (FTRs)

On 23 November 2018, the BIPT defined new Fixed Termination Rates (FTRs) at 0.116 eurocent/min (from 0.709 eurocent for regional and 0.909 eurocent for national previously) based on a pure "Long Run Incremental Cost (LRIC)" model. The FTRs have been applicable since 1 January 2019. For the full-year 2019, the new FTR has reduced revenue by EUR -19 million and the margin by EUR -6 million.

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. This negatively impacted the 2019 revenue and direct margin by EUR 11 million. Proximus estimates the remaining 2020 impact on revenue and on margin to be about EUR -7 million.

Cable and broadband regulation and pricing

The Belgian regulators' decisions of 29 June 2018 on the review of the broadband and TV market analysis have outlined the regulation of Proximus' fiber network and the cable networks. In terms of pricing, the regulators imposed a "fair pricing". In this context, on 5 July 2019, the BIPT issued a consultation on future prices for wholesale cable access based on their cost modelling exercise. The BIPT proposes a price structure that allows for tiering and a small margin of 5%-10% on the prices for Internet services over 200 Mbps in order to encourage investment. The consultation ran until 6 September 2019. In our view, not all cost elements were taken into account and we therefore consider the currently proposed wholesale cable prices as being too low. A final decision is expected in the second quarter of 2020. In terms of Proximus' access to the cable networks, the decision of June 2018 allows a limited wholesale access for Proximus in geographical areas without an own next-generation broadband access network. 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 as well.

After the decision in 2018 regarding the broadband market (i.e. FTTH and cable), the BIPT also published on 17 December 2019 its final decision regarding the so-called professional wholesale market (i.e. the wholesale market for the provision of high-quality access such as leased lines and high-capacity connectivity services). The BIPT largely maintains the existing obligations regarding access to leased lines and ethernet connectivity, with the addition of national collection (one access point) and access to "passive" infrastructure (ducts). For the various wholesale services, Proximus will have to apply a fair pricing (similar pricing principle as imposed for FTTH in the broadband market in 2018). The BIPT foresees a softer regulation (i.e. no price regulation on access to active elements) in 121 access areas (of the approx. 600 access areas in total) where several alternative infrastructures are already present. The list of areas will be reviewed annually. The decision entered into force on 1 February 2020.

Spectrum

The draft legislations defining the conditions for the renewal of the existing 2G/3G spectrum licenses (900MHz, 1800MHz and 2100MHz) as well as for the granting of new 5G spectrum (700MHz, 1400MHz and 3500MHz) and unsold spectrum in the 2100MHz and 2600MHz bands, have not been approved yet. Therefore, the timing and the final conditions of the auctions remain uncertain.

In the meantime, the BIPT has consulted the market on additional legislative proposals to prepare the upcoming auction. The BIPT proposes, amongst others, the possibility to extend the current 2G/3G authorizations by 6-month periods beyond the expiry date of 15 March 2021 and a new higher unique fee for the 3400-3800MHz band (from EUR 43 million to EUR 181.7 million for the whole band). The BIPT has also proposed the granting of temporary licenses in the 3.5GHz band to enable initial 5G roll-out awaiting the finalization of the multiband auction process. Applications (incl. detailed deployment plan) must be sent by 28 February 2020. Given the importance of 5G to build a digital Belgium, we welcome 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.

Mobile access sharing agreement

On 22 November 2019, Proximus and Orange Belgium signed the agreement to establish their mobile access network sharing collaboration. The aim of such an agreement is to enable both companies to meet the increasing customer demand for mobile network quality and deeper indoor coverage. It will also allow a faster and more comprehensive 5G roll-out in Belgium. The objective is to bring relevant benefits for end-users, enterprises and society in general while preserving a sound and effective competitive environment. Telenet, which contests the agreement, lodged a complaint with the Belgian Competition Authority and made a request for preliminary measures. On 8 January 2020, the Belgian Competition Authority, whilst acknowledging the benefits of the agreement, decided to suspend the agreement during 2 months, giving Orange Belgium and Proximus the time to have discussions with the telecommunications regulator. In the meantime, several preparatory actions can still be taken. Passed this time, unless the prosecutors of the Belgian Competition Authority would take a new initiative, the suspension takes an end. A decision on the merits, if any, may take several years.

2.3 Fit for Purpose transformation plan (FFP)

In January 2019, Proximus announced the need for a transformation plan, involving, amongst others, a reduction of the number of employees in line with the workload reduction mainly linked to digitalization. The 'Fit for Purpose (FFP)' transformation plan was approved by a majority of the Trade Unions on 9 December 2019.

The content of the transformation plan

The transformation plan consists of four parts to improve the company's productivity, flexibility and agility on the market.

1. A **workforce reduction plan** in the domains impacted by digitalization, automation and changing market conditions.
2. A **simplification of HR rules** related to functional mobility and flexible HR sourcing strategies.
3. **New working conditions** for employees hired as of 1 January 2020.
4. A **significant sustained increase of reskilling and upskilling efforts**, to meet today's and tomorrow's needs in terms of skills transformation.

Outcome of the workforce reduction part of the FFP transformation plan

The agreed-upon workforce reduction will be managed through a specific process, starting with a voluntary leave plan, with a majority of employees leaving by 1 March 2020. All other departures are to take place before year-end 2020.

In total, 1,347 FTEs subscribed to the FFP transformation plan on a voluntary basis, consisting of a mix of civil servants and contractual employees. A very limited number of involuntary leaves is expected at the end of the internal mobility and requalification process, which started early February.

As a reminder, on 1 January 2020, a last wave of about 375 FTEs from the previous Early Leave Plan before retirement, left the company.

Financial implications

Incidentals and related cash outflows

The costs related to the FFP transformation plan are accounted for as incidental costs, with all concerned future payments accrued in the fourth quarter of 2019.

The net FFP cost amounts to EUR 253 million, with the total termination benefits of EUR 288 million being partly offset by the resulting positive impacts on complementary pensions (EUR 29 million), other post-employment benefits (EUR 6 million) and sickness days provisions (EUR 6 million). Other FFP-related costs for training, set-up, dismissals, etc. (EUR 6 million) have been recognized as incurred over the year.

	2019
Cost for termination benefits	**288**
Complementary pensions	-29
Other post-employment benefits	-6
Sickness days	-6
Total FFP termination related costs	**248**
Other FFP costs	6
FFP transformation plan costs (incidentals)	**253**

The **timing of cash outflows for termination benefits** depends on the date of actual departure, with EUR 151 million cash-out expected for 2020.

The above results in the following financials:

(EUR million)	2019	2020	2021	2022	> 2022
FFP transformation plan costs (incidentals)	253				
Cash out impacts related to cost for termination benefits	0	-151	-33	-26	-79

<u>EBITDA savings</u>

As anticipated in Proximus' announced cost reduction plan, the lower Domestic headcount going forward will be mainly reflected in a decrease in workforce expenses, and to a lesser degree, in lower capitalized manpower.

Most of the gross financial benefits of the FFP plan will be realized as from March 2020.

2.4 2019 Outlook achieved

Proximus reported full-year 2019 financial results in line with its guidance.

Table 12: Outlook

Guidance metric	FY18 Actuals	FY19 Guidance	FY19 Q1 Revised Guidance	YTD Actuals
Domestic underlying **revenue**	**€4,460m**	**nearly stable**		
Domestic underlying **revenue excluding terminals**	**€4,153m**		**nearly stable**	**-1.2%**
Group underlying **EBITDA**	**€1,865m**	**stable**	**stable**	**0.3%**
Capex (excluding Spectrum)	**€1,019m**	**stable**	**stable**	**€1,027M**

In view of the scheduled Capital Market Day on 31 March 2020, during which the company strategy over the next years will be explained, the forward-looking financial guidance and shareholder return will be addressed at that point.

2.5 Shareholder return over the result of 2019

On 20 February 2020, the **Board of Directors approved to propose to the Annual General Shareholder meeting of 15 April 2020 to return over the result of 2019 a gross dividend of EUR 1.50 per share**, of which EUR 0.50 interim dividend per share was paid in December 2019.

After approval by the Annual Shareholder Meeting, the normal dividend of EUR 1.00 per share will be paid on 24 April 2020, with record date on 23 April 2020 and ex-dividend date on 22 April 2020.

This brings the total declared dividend over the result of 2019 to EUR 486 million.

3 Consumer

- Good year-end campaign keeping positive momentum in customer growth.
- In spite of competitive pressures, Internet base +9,000 subscribers, TV +7,000 and Mobile postpaid +14,000.
- Further upselling to convergent offers: 60.3% convergence rate, +2.0 p.p. YoY.
- ARPH up YoY by +0.7% to EUR 66.2, driven by a growing 4-Play/3-Play base.
- Direct margin -0.6% YoY, impacted by the uptake of high-end joint-offers and regulation.

3.1 Consumer revenue

Revenue variance sequentially improved to -0.4%.

For the last quarter of 2019, Proximus posted **a total revenue of EUR 732 million for its Consumer segment, or -0.4% year-on-year**, a further sequential improvement (see tables 13-14). Whereas the mobile revenue remained impacted by the EU regulation on international calling and texting, the revenue variance was supported by the launch of e-Press on 1 December, and revenue from high-end Mobile terminals sold with a Mobile subscription following Proximus' successful year-end campaign. In contrast, the non-strategic re-selling of mobile terminals continued its declining trend. Furthermore, with Proximus having launched its revamped customer loyalty program Enjoy!, the prior program 'Premium Club' was ended, resulting in a one-off beneficial provision reversal in 'Other' revenue[6].

Postpaid base +14,000 in Q4. International calling and inbound impacting ARPU.

For the fourth quarter of 2019, Proximus' Consumer segment posted **EUR 213 million in Mobile Services revenue**, -4.1% below that of the prior year. Revenue from **Postpaid mobile service revenue** was down by -2.9%, mainly driven by the impact of the International calling/texting regulation and an increasing loss of (low margin) inbound revenue. Furthermore, the revenue from Mobile was impacted by the launch of e-Press, as of 1 December 2019 offered in Proximus' Internet packs[7]. The resulting decrease in Postpaid ARPU by of -4.8% to EUR 24.0 was in part compensated for by the year-on-year enlarged Mobile postpaid customer base, driving a solid increase in subscription revenue. Amidst a competitive year-end promotional period, Proximus' Consumer segment grew its Mobile postpaid base by a net 14,000 in the fourth quarter. In this dynamic market, the Postpaid churn level reached 16.2%, slightly up by 0.3 p.p. on the prior year. By end-2019, the Consumer Postpaid customer base represented 2,780,000[8] SIM cards, up by +1.7% from the prior year.

Whereas Proximus managed to maintain a good acquisition level in Postpaid, the Prepaid base decreased by a net 25,000 Prepaid cards, impacted by Scarlet discontinuing its Prepaid offer since end-November. By year-end 2019, the Prepaid base for the Consumer segment totaled 686,000 cards, with an ARPU of EUR 6.6, down by EUR -0.6 year-on-year following the erosion in usage and inbound.

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

In spite of the intensifying competition, the Consumer segment posted stable revenue from Fixed Services, totaling EUR 379 million for the fourth quarter of 2019. The ongoing erosion from Fixed Voice lines (-30,000 in the fourth quarter), was compensated for by growing Internet and TV revenue and the launch of e-Press on 1 December 2019. Proximus continued to grow its Internet and TV customer bases, respectively by +9,000 and +7,000 respectively over the last quarter. By end-2019,

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[6] Reversing the accrued negative revenue related to expired loyalty points.

[7] 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

[8] Excluding M2M cards

Proximus' Consumer segment counted a total of 1,922,000 Internet subscribers and 1,632,000 TV subscribers.

Tuttimus, Minimus and EPIC combo driving +2.3% Convergent revenue.

Of the EUR 732 million Consumer revenue in the fourth quarter of 2019, **EUR 585 million was X-Play service revenue** generated by Proximus' Households/Small Offices (HH/SO) base. The **X-Play revenue remained stable year-on-year**, with, within the mix, a continued growth for revenue from convergent HH/SO[9] , +2.3% compared with the prior year. The convergence revenue benefitted from the year-on-year progress in 4-Play offers and especially from growing 3-Play convergent offers, driven by the uptake of EPIC Combo and Minimus. End-2019, Proximus counted 1,114,000 convergent HH/ SO, thereby pushing its convergence rate to 60.3% on the total multi-play HH/SO, + 2.0 p.p. on the prior year. The positive convergence trend was offset by somewhat lower year-on-year Mobile-only revenue, -0.9%, and the ongoing erosion in Fixed-only revenue (-4.4%).

The successful upselling strategy led to a year-on-year improvement in RGU, up 0.7% to 2.79, and in ARPH, up by 0.7% to EUR 66.2, in spite of the impact from the International calling regulation and inbound erosion on the mobile component.

3.2 Consumer direct margin

For the fourth quarter of 2019, the Consumer segment posted a **direct margin of EUR 547 million, -0.6% in relation to the comparable period of 2018,** impacted by the uptake of high-end joint offers and the ongoing pressure in Fixed Voice and Prepaid. This was partially offset by the benefit from cost improvements following digital adoption, notably on commissions, and from the larger subscriber base for TV and Internet. The direct margin as a percentage of revenue was 74.7% for the fourth quarter, stable relative to the 74.8% of the year before.

[9] A convergent HH/SO subscribes to at least one Fixed and Mobile Proximus offer.

Table 13:

Consumer revenue by nature and direct margin

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

(EUR million)	4th Quarter			Year-to-date		
	2018	2019	% Change	2018	2019	% Change
Revenue	735	732	-0.4%	2,903	2,845	-2.0%
Other Operating Income	7	6	-20.8%	23	25	7.6%
Net Revenue	727	726	-0.2%	2,880	2,820	-2.1%
Of Which X-Play Revenue	*585*	*585*	*0.0%*	*2,348*	*2,356*	*0.3%*
Service Revenue	601	592	-1.5%	2,422	2,390	-1.3%
From Fixed	379	379	0.0%	1,519	1,515	-0.3%
From Mobile	222	213	-4.1%	904	875	-3.1%
Postpaid	205	199	-2.9%	827	813	-1.7%
Prepaid	17	14	-18.8%	77	62	-18.9%
Terminals (fixed and mobile)	73	75	3.2%	251	229	-9.1%
*Of which revenue from joint offer devices (IFRS15 impact) **	*23*	*31*	*32.2%*	*69*	*84*	*20.5%*
Tango	31	32	3.3%	116	116	0.5%
ICT	7	8	3.6%	29	30	2.2%
Other Products	14	19	28.5%	61	56	-9.0%
Costs of sales	-185	-185	0.2%	-684	-636	-7.0%
Segment Direct Margin	550	547	-0.6%	2,219	2,209	-0.4%
Direct Margin %	*74.8%*	*74.7%*	*-0.2 p.p.*	*76.5%*	*77.7%*	*1.2 p.p.*

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 operationals by nature

	4th Quarter			Year-to-date		
	2018	2019	% Change	2018	2019	% Change
Park (000's)						
Fixed voice lines	1,969	1,858	-5.6%	1,969	1,858	-5.6%
Broadband lines	1,894	1,922	1.5%	1,894	1,922	1.5%
TV unique customers	1,611	1,632	1.3%	1,611	1,632	1.3%
Mobile postpaid cards excl. M2M	2,733	2,780	1.7%	2,733	2,780	1.7%
M2M	4	3	-23.7%	4	3	-23.7%
Mobile prepaid cards	772	686	-11.1%	772	686	-11.1%
Net adds (000's)						
Fixed voice lines	-17	-30		-68	-110	
Broadband lines	17	9		47	28	
TV unique customers	16	7		50	21	
Mobile postpaid cards excl. M2M	24	14		85	47	
M2M	0	0		1	-1	
Mobile prepaid cards	-34	-25		-130	-86	
ARPH - all Plays (EUR)	65.8	66.2	0.7%	65.9	66.6	1.1%
ARPU (EUR)						
Mobile blended	21.1	20.5	-3.2%	21.4	21.0	-1.8%
Mobile postpaid	25.2	24.0	-4.8%	25.7	24.6	-4.0%
Mobile prepaid	7.2	6.6	-8.6%	7.6	7.2	-6.0%
Annualized churn rate (blended)	20.3%	21.4%	1.1 p.p.	20.2%	20.4%	0.0 p.p.
Mobile postpaid	15.9%	16.2%	0.3 p.p.	15.8%	15.6%	-0.2 p.p.
Mobile prepaid	33.7%	39.3%	5.6 p.p.	32.9%	36.6%	3.6 p.p.
Average Mobile data usage user/month (Mb)	2,569	3,271	27.4%	na	na	na

NB: The definition of the average mobile data usage/user (Mb) has been adapted, taking into account both national and roaming usage of Postpaid Voice cards. The comparable base was restated.

Table 15:

Consumer X-Play view

	4th Quarter			Year-to-date		
	2018	2019	% Change	2018	2019	% Change
Revenues x - play (EUR million)	585	585	0.0%	2,348	2,356	0.3%
Fixed-only	167	160	-4.4%	683	650	-4.8%
Mobile-only	77	76	-0.9%	312	312	0.0%
Convergent	341	348	2.3%	1,352	1,393	3.0%
4-Play	241	245	1.7%	948	986	4.0%
3-Play	162	162	0.0%	659	649	-1.6%
Convergent	80	83	4.1%	325	328	1.0%
Fixed	82	79	-4.0%	334	320	-4.2%
2-Play	68	66	-2.6%	280	269	-3.9%
Convergent	19	20	1.9%	79	79	-0.1%
Fixed	49	47	-4.4%	201	190	-5.4%
1-Play	113	111	-2.3%	460	452	-1.8%
1P Fixed Voice	22	19	-15.1%	94	80	-14.7%
1P internet	14	15	10.2%	54	60	10.3%
1P Mobile	77	76	-0.9%	312	312	0.0%
HH/SO per Play - Total (000's)	2,956	2,932	-0.8%	2,956	2,932	-0.8%
4-Play	731	743	1.6%	731	743	1.6%
3-Play	733	732	-0.2%	733	732	-0.2%
Convergent	256	277	8.2%	256	277	8.2%
Fixed	477	455	-4.7%	477	455	-4.7%
2-Play	387	374	-3.2%	387	374	-3.2%
Convergent	91	94	3.3%	91	94	3.3%
Fixed	295	280	-5.2%	295	280	-5.2%
1-Play	1,105	1,083	-2.0%	1,105	1,083	-2.0%
1P Fixed Voice	268	229	-14.5%	268	229	-14.5%
1P internet	151	167	10.4%	151	167	10.4%
1P Mobile	686	687	0.1%	686	687	0.1%
ARPH x - play (in EUR)	65.8	66.2	0.7%	65.9	66.6	1.1%
4-Play	110.7	110.2	-0.5%	111.4	111.1	-0.3%
3-Play	73.3	73.7	0.5%	74.1	73.9	-0.3%
Convergent	104.6	101.9	-2.5%	105.7	103.7	-1.9%
Fixed	56.8	57.0	0.3%	57.5	57.0	-0.7%
2-Play	58.5	58.9	0.8%	58.7	58.9	0.3%
Convergent	71.4	70.5	-1.2%	71.8	71.4	-0.5%
Fixed	54.5	55.0	1.0%	54.8	54.9	0.3%
1-Play	33.9	33.8	-0.4%	34.2	34.4	0.7%
1P Fixed Voice	27.2	26.9	-0.9%	27.2	27.0	-0.8%
1P internet	31.3	31.2	-0.4%	31.1	31.4	1.0%
1P Mobile	37.2	36.8	-1.2%	37.8	37.8	0.1%
Average #RGUs per HH/SO - Total	2.77	2.79	0.7%	2.77	2.79	0.7%
4-Play	4.89	4.89	0.1%	4.89	4.89	0.1%
3-Play	3.31	3.31	-0.1%	3.31	3.31	-0.1%
Convergent	3.79	3.73	-1.5%	3.79	3.73	-1.5%
Fixed	3.06	3.05	-0.2%	3.06	3.05	-0.2%
2-Play	2.19	2.18	-0.2%	2.19	2.18	-0.2%
Convergent	2.51	2.48	-1.1%	2.51	2.48	-1.1%
Fixed	2.08	2.08	-0.3%	2.08	2.08	-0.3%
1-Play	1.22	1.22	-0.6%	1.22	1.22	-0.6%
1P Fixed Voice	1.06	1.06	-0.4%	1.06	1.06	-0.4%
1P internet	1.00	1.00	0.0%	1.00	1.00	0.0%
1P Mobile	1.34	1.33	-1.0%	1.34	1.33	-1.0%
Annualized full churn rate (HH/SO) - Total	14.3%	14.9%	0.6 p.p.	13.6%	14.4%	0.8 p.p.
4-Play	3.6%	4.6%	1.0 p.p.	3.4%	4.2%	0.8 p.p.
3-Play	10.9%	12.4%	1.6 p.p.	10.5%	11.8%	1.3 p.p.
2-Play	12.6%	14.0%	1.4 p.p.	12.7%	13.9%	1.2 p.p.
1-Play	24.0%	23.7%	-0.3 p.p.	22.3%	23.2%	0.9 p.p.
% Convergent HH/SO - Total *	58.3%	60.3%	2.0 p.p.	58.3%	60.3%	2.0 p.p.
4-Play	100.0%	100.0%	0.0 p.p.	100.0%	100.0%	0.0 p.p.
3-Play	34.9%	37.8%	2.9 p.p.	34.9%	37.8%	2.9 p.p.
2-Play	23.6%	25.2%	1.6 p.p.	23.6%	25.2%	1.6 p.p.

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

4 Enterprise

- Solid Q4 2019 revenue, +2.3% YoY on higher revenue from ICT and Advanced business services.
- ICT delivering strong revenue quarter, +5.9% YoY, mainly on ICT product deals and a continued favorable evolution in high-value professional services.
- Growing mobile customers base, net +5,000 cards, while competitive price pressure reduces ARPU further.
- Stable fourth quarter Direct margin of EUR 244 million.

4.1 Enterprise revenue

Fourth quarter revenue +2.3%.

For the fourth quarter of 2019, **Proximus' Enterprise segment posted total revenue of EUR 372 million, a 2.3% or EUR 8 million increase** on the same period of the prior year.

Strong ICT revenue, up by 5.9%.

The higher revenue resulted largely from a strong quarter for ICT. With the Enterprise segment reporting a **5.9% revenue increase in ICT**, it reached a **high revenue of EUR 152 million** for the last quarter of 2019. This mainly came from higher revenue from ICT product deals, and a continued favorable revenue evolution from high-value professional services. 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 domain of ICT, steers the strategic focus on ICT services rather than low-margin ICT products.

Advanced Business Services revenue + EUR 6 million.

Revenue from **Advanced Business Services progressed to EUR 11 million for the last quarter of 2019,** up on a low- comparable base of 2018. This contains Proximus' convergent solutions, and BeMobile's growing revenue from mobility services. The fourth quarter compared to a very low base following a one-off IFRS 15 adjustment in 2018 on automotive revenues. As from November, the inorganic contribution from Mediamobile in BeMobile is annualized.

Fixed Telecom Services revenue lower due to Fixed Voice erosion.

Fixed Telecom Services revenue of EUR 106 million was -3.4% lower year-on-year, driven by the continued erosion of Fixed Voice revenue. The Fixed Voice park continued its declining trend, eroding by 9,000 lines in the fourth quarter of 2019. This brought the Fixed Voice base to 500,000, i.e. a year-on-year line loss of -7.4%. The Fixed Voice ARPU eroded by -1.4% to EUR 29.5, with the decrease in traffic per line and a higher penetration of unlimited call options only partly compensated for by the limited price indexation of 1 January 2019.

Revenue growth Fiber-based Data Connectivity.

The Enterprise revenue from **Fixed Data services totaled EUR 62 million, +0.6%** on the prior year. The growing Fiber park for Business customers drove growth in Proximus' Explore solutions, partly offset by the ongoing outphasing and migration of legacy products (leased lines) in the context of simplification programs, which offer customers new solutions at attractive pricing.

Flattish Internet revenue on stable customer base.

Revenue from Internet remained flattish relative to the fourth quarter of 2018. In a competitive setting, Proximus' Enterprise Internet park remained stable at 132,000 lines (+0.3%) by end-2019, with an ARPU of EUR 43.7.

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

For the fourth quarter of 2019, the Enterprise segment posted **Mobile Services revenue of EUR 78 million**, a -3.2% decrease from the same period in 2018. The growth in the mobile base could no longer offset the mobile price pressure. Moreover, the fourth quarter included some unfavorable one-off elements, leading to a total decline of -7.0% in ARPU to EUR 23.2. Over the past three months, the Enterprise segment still achieved a net growth in its mobile base, up by +5,000 Mobile cards to reach a total of 1,063,000 cards, M2M excluded (+3.4% from the prior year). In a highly competitive mobile market, the fourth-quarter churn level of 11.2% remained somewhat above that of the prior year (+0.4 p.p.).

+102,000 M2M cards activated, maintaining pole position.

The Enterprise segment posted another **strong increase in M2M** for the fourth quarter of 2019 with an additional 102,000 M2M cards activated. This was mainly related to the Smart metering[10] project with Fluvius, in addition to an ongoing growth in regular M2M cards. This brought the total number of M2M cards to 1,778,000 at end-2019, or a 34% increase from the prior year.

4.2 Enterprise direct margin[11]

The higher revenue for the fourth quarter of 2019 led to a stable year-on-year direct margin of EUR 244 million. With the revenue growth mainly driven by ICT and Advanced Business Services, the product revenue mix changed. This resulted in a direct margin as a percentage of revenue for the fourth quarter of 65.5%, 1.5 p.p. below that of the prior year.

[10] 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.

[11] 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)	4th Quarter 2018	4th Quarter 2019	4th Quarter % Change	Year-to-date 2018	Year-to-date 2019	Year-to-date % Change
Revenue	364	372	2.3%	1,413	1,419	0.4%
Other Operating Income	2	2	-19.3%	5	6	24.8%
Net Revenue	362	371	2.4%	1,408	1,413	0.3%
Telecom Revenue	212	206	-2.7%	852	825	-3.1%
Service Revenue	190	184	-3.3%	765	747	-2.5%
Fixed Services	110	106	-3.4%	449	431	-4.1%
Voice	49	45	-8.4%	203	185	-8.7%
Data	61	62	0.6%	246	245	-0.4%
Mobile Services	80	78	-3.2%	316	316	-0.1%
Terminals (fixed and mobile)	14	15	9.2%	56	54	-3.6%
Tango	8	7	-9.6%	30	25	-18.9%
ICT	143	152	5.9%	519	537	3.6%
Advanced Business Services	5	11	134.6%	27	40	48.2%
Other Products	3	2	-9.2%	11	10	-2.7%
Costs of Sales	-120	-128	6.9%	-454	-447	-1.6%
Segment Direct Margin	244	244	0.0%	959	973	1.4%
Direct Margin %	*67.0%*	*65.5%*	*-1.5 p.p.*	*67.9%*	*68.5%*	*0.6 p.p.*

Table 17: Enterprise operationals

	4th Quarter 2018	4th Quarter 2019	4th Quarter % Change	Year-to-date 2018	Year-to-date 2019	Year-to-date % Change
Park (000's)						
Fixed voice lines	541	500	-7.4%	541	500	-7.4%
Broadband lines	131	132	0.3%	131	132	0.3%
Mobile postpaid cards excl. M2M	1,028	1,063	3.4%	1,028	1,063	3.4%
M2M cards	1,327	1,778	34.0%	1,327	1,778	34.0%
Net adds (000's)						
Fixed voice lines	-9	-9		-39	-40	
Broadband lines	-1	0		-4	0	
Mobile postpaid cards excl. M2M	7	5		40	35	
M2M cards	53	102		117	451	
ARPU (EUR)						
Fixed voice	29.9	29.5	-1.4%	30.2	29.7	-1.8%
Boadband	44.0	43.7	-0.7%	43.7	44.1	1.0%
Mobile postpaid	25.0	23.2	-7.0%	25.1	24.0	-4.4%
Annualized mobile postpaid churn rate	10.8%	11.2%	0.4 p.p.	9.6%	11.1%	1.5 p.p.
Average Mobile data usage user/month (Mb)	2,031	2,400	18.2%	na	na	na

NB: The definition of the average mobile data usage/user (Mb) has been adapted, taking into account both national and roaming usage of Postpaid Voice cards. The comparable base was restated.

5 Wholesale

Table 18: Wholesale revenue and direct margin

	4th Quarter			Year-to-date		
(EUR million)	2018	2019	% Change	2018	2019	% Change
Segment Revenue	51	44	-12.0%	201	182	-9.9%
Net Revenue	50	44	-12.0%	201	181	-9.9%
Other Operating Income	0	0	-2.9%	1	0	-2.8%
Costs of Sales	-9	-8	-12.3%	-36	-36	-1.7%
Segment Direct Margin	41	36	-11.9%	165	146	-11.7%
Direct Margin %	*81.5%*	*81.5%*	*0.1 p.p.*	*82.0%*	*80.4%*	*-1.6 p.p.*

Lowered regulated FTR rates impacting revenue and direct margin.

For the fourth quarter of 2019, Proximus' Wholesale segment reported **revenue of EUR 44 million, -12.0% lower than in 2018**. This mainly reflects the impact of regulation, with reduced Fixed Termination Rates since 1 January 2019.

Furthermore, within the mix, wholesale roaming revenue was up on the back of higher traffic volumes, offsetting the impact from lowered roaming wholesale rates, negotiated in the Group's interest. The increase in wholesale roaming traffic revenue was, however, offset by lower revenue from traditional wholesale services. As announced in the second quarter, this was partly the consequence of the termination of various contracts with two of Proximus' Wholesale customers due to continued failure to comply with their contractual payment obligations.

The **direct margin for the fourth quarter of 2019 totaled EUR 36 million, a -11.9% decline compared with the prior year.** This mainly reflects a direct margin impact from the regulated lower Fixed Termination Rates, partially offset at Group level by a positive impact on the Consumer and Enterprise segments. Furthermore, the margin was impacted by the erosion of traditional wholesale services, including the termination of the above-mentioned contracts and only partially offset by a higher roaming margin following higher volumes.

6 BICS (International Carrier Services)

- **Strong volume increase in SMS A2P and roaming in the fourth quarter of 2019.**
- **Impact from partial insourcing by MTN starting to show in Q4 2019.**
- **Direct margin of EUR 83 million, up by 1.8% YoY.**
- **Segment result of EUR 40 million, down by 2.0% YoY.**
- **Segment margin progressed to a solid 12.5%.**

6.1 BICS revenue

For the fourth quarter of 2019, BICS posted a -7.0% decline in its revenue, totaling EUR 317 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 24.7% reaching EUR 133 million, driven by increasing messaging revenue. The overall volume of messages increased by 58.5% in the fourth quarter following strong TeleSign A2P volumes.

Revenue from Voice services continued its declining trend, with revenue down year-on-year by -21.5% for the fourth quarter of 2019. The sequential Voice revenue deterioration results mainly from lower unit revenue because of lower termination rates, competition and a less favorable destination mix. The anticipated progressive insourcing by MTN of the transport and management of its traffic within the Middle East and African regions started to show in the fourth-quarter revenue. Overall, Voice volumes carried by BICS declined year-on-year by -8.0% to total 5.8 billion minutes for the fourth quarter of 2019.

6.2 BICS direct margin

For the fourth quarter of 2019, **BICS posted a direct margin of EUR 83 million, up 1.8%** compared to the prior year. While the progressive insourcing by MTN somewhat impacted the fourth-quarter margin, the impact was smaller than anticipated.

The fourth-quarter direct margin growth was fully driven by the **non-Voice Direct margin, which was up by 12.4%** from the prior year thanks to a strong A2P and roaming volume growth and Telesign's mobile identity business. The **margin from Voice was down by -12.6%** as a result of the revenue decline.

The Direct margin as a percentage of revenue improved by 2.2 p.p. from the prior year to reach 26.1% in the fourth quarter of 2019.

6.3 BICS segment result

BICS' segment result for the fourth quarter of 2019 totaled EUR 40 million, down by -2.0% compared to the prior year. The increase in Direct Margin was offset by higher expenses, with Workforce expenses impacted by additional hiring by TeleSign to support its growth. The segment margin as a percentage of revenue further progressed to a solid 12.5%, +0.6 p.p.

Table 19: BICS P&L

(EUR million)	4th Quarter 2018	4th Quarter 2019	4th Quarter % Change	Year-to-date 2018	Year-to-date 2019	Year-to-date % Change
Segment Revenue	341	317	-7.0%	1,347	1,301	-3.4%
Net Revenue	341	316	-7.2%	1,346	1,297	-3.7%
Other Operating Income	0	1	1351.0%	0	4	894.3%
Costs of Sales	-260	-235	-9.7%	-1,030	-976	-5.2%
Segment Direct Margin	81	83	1.8%	317	325	2.4%
Direct Margin %	*23.8%*	*26.1%*	*2.2 p.p.*	*23.6%*	*25.0%*	*1.4 p.p.*
Expenses	-41	-43	5.7%	-164	-172	5.2%
Workforce Expenses	-23	-25	4.8%	-91	-100	10.2%
Non Workforce Expenses	-17	-18	6.8%	-73	-72	-1.0%
Segment Result	41	40	-2.0%	154	153	-0.5%
Segment Contribution Margin	*11.9%*	*12.5%*	*0.6 p.p.*	*11.4%*	*11.7%*	*0.3 p.p.*

Table 20: BICS revenue by nature

(EUR million)	**4th Quarter 2018**	**4th Quarter 2019**	**4th Quarter % Change**	**Year-to-date 2018**	**Year-to-date 2019**	**Year-to-date % Change**
Total revenue	341	317	-7.0%	1,347	1,301	-3.4%
Voice	234	184	-21.5%	939	815	-13.2%
Non-Voice	107	133	24.7%	408	486	19.1%

Table 21: BICS direct margin by nature

(EUR million)	**4th Quarter 2018**	**4th Quarter 2019**	**4th Quarter % Change**	**Year-to-date 2018**	**Year-to-date 2019**	**Year-to-date % Change**
Total direct margin	81	83	1.8%	317	325	2.4%
Voice	34	30	-12.6%	135	129	-4.4%
Non-Voice	47	53	12.4%	182	196	7.5%

Table 22: BICS volume by nature

Volumes (in million)	**4th Quarter 2018**	**4th Quarter 2019**	**4th Quarter % Change**	**Year-to-date 2018**	**Year-to-date 2019**	**Year-to-date % Change**
Voice	6,330	5,823	-8.0%	24,463	24,649	0.8%
Non-Voice	2,687	4,259	58.5%	10,174	12,992	27.7%

7 Consolidated Financial Statements

7.1 Statement of compliance

The statutory auditor has issued an unqualified report dated 21 February 2020 on the company's consolidated financial statements as of and for the year ended 31 December 2019 and has confirmed that the cumulative full year accounting data reported in the accompanying press release is consistent, in all material respects, with the accounts from which it has been derived.

The condensed consolidated financial statements are derived from the consolidated financial statements at 31 December 2019 that were authorized for issue by the Board of Directors on 20 February 2020.

The condensed consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted for use in the European Union.

7.2 Accounting policies

The accounting policies and methods of the Group used as of 2019 are consistent with those applied in the 31 December 2018 consolidated financial statements, with the exception that the Group applied the new standards, interpretations and revisions that became mandatory for the Group on 1 January 2019.

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

Changes following the adoption of IFRS 16 – Leases

IFRS 16 was issued in 2016 and replaces IAS17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27- Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

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

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

For the transition to IFRS 16 the Group decided to adopt the simplified transition approach with the cumulative effect of initially applying IFRS 16 recognized in retained earnings (if any) at the date of initial application, being 1 January 2019. The comparative reporting period before adoption is not restated. Right-of-use assets are measured at the amount of the lease liabilities at adoption, adjusted by the amount of any prepaid of accrued lease payments relating to that lease recognized in the statement of financial position immediately before the date of initial application.

At transition, initial recognition of lease liabilities under IFRS 16 adjusted for prepaid and accrued lease payments amounted to EUR 280 million and are measured at the present value of the remaining lease payments with the Group's incremental borrowing rate at a discount rate ranging from 0.2% to 2.5%. The right-of-use asset amounted to EUR 285 million. There is no impact on equity as a result of the adoption of IFRS 16.

The Group decided not to apply exemptions for short-term leases or leases for which the underlying is of low value and to exclude the initial direct costs from the right-of-use. No grandfathering was applied. The non-lease components are not included to determine the right-of-use and lease liabilities. IFRS 16 is not applied to leases for intangible fixed assets.

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

In note 33 of the 2018 consolidated financial statements, future minimum rentals payable under the non-cancellable operating leases at 31 December 2018 were disclosed and amounted to EUR 295 million. The table below provides the reconciliation between these non-cancellable lease commitments and the lease liability of EUR 280 million recognized in the opening balance sheet at IFRS 16 adoption:

(EUR million)	
Operating lease commitments at 31 December 2018 (in note 33)	295
Operating lease commitments at 31 December 2018 but starting after 1 January 2019*	-60
Non-cancellable lease commitments excluding leases starting after 1 January 2019	235
Impact of expected end date**	58
Impact of discounting	-8
Existing finance lease liabilities at 31 December 2018	5
Prepaid lease payments at 31 December 2018	-10
Lease liability at 1 January 2019	280

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

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

Opening balance of leases

(EUR million)	As of 31 December 2018	Initial recognition IFRS 16	As per 1 January 2019
Assets	18	275	293
Right-of-use asset	0	285	285
Leasing receivables – non-current	4	-	4
Leasing receivables – current	4	-	4
Prepaid expenses	10	-10	0
Liabilities	5	275	280
Lease liabilities – non-current	4	212	216
Lease liabilities – current	2	63	64

Judgments and estimates

The Group does not make any significant judgments and estimates other than those mentioned under note 2 in the 31 December 2018 consolidated financial statements, and other than those mentioned below in this report except for judgements in relation to the new IFRS 16 standard.

The application of IFRS 16 judgment is required to determine whether an arrangement contains a lease and in determining the lease term.

7.3 Significant events or transactions in 2019

Transactions with non-controlling interests

In the first quarter 2019, the Group acquired all of the remaining Be-Mobile non-controlling interests through the exercise of the put option that had been granted on these shares.

In a second step the Group sold 7.26% of the shares to non-controlling interests on which it granted a put option (together with a new shareholder's agreement) resulting in a negative impact on equity of EUR 6 million.

Net cash paid for these transactions amounted to EUR 30 million.

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

Fit for purpose transformation plan (FFP)

The cost for termination benefits, net of impacts on liabilities for pensions, other post-employment benefits and sickness days (EUR 251 million) has been entirely booked in the fourth quarter 2019 as a result of a detailed and formal communication to those affected by the plan and as these benefits were not conditional to future service. (see section 2.3 for more information on the Fit for Purpose transformation plan).

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 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.

Private bond

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

Mobile access sharing agreement

On 22 November 2019, Proximus and Orange Belgium signed an agreement to establish a mobile access network sharing collaboration. See section 2.2 for more information.

7.4 Consolidated income statement

	4th Quarter			Year-to-date		
	2018	2019	% Change	2018	2019	% Change
(EUR million)	IAS 17	IFRS 16		IAS 17	IFRS 16	
Net revenue	1,460	1,440	-1.4%	5,764	5,638	-2.2%
Other operating income	34	19	-45.0%	65	59	-8.9%
Total income	**1,494**	**1,458**	**-2.4%**	**5,829**	**5,697**	**-2.3%**
Costs of materials and services related to revenue	-554	-539	-2.7%	-2,126	-2,018	-5.1%
Workforce expenses	-314	-556	76.9%	-1,245	-1,477	18.6%
Non workforce expenses	-184	-139	-24.2%	-663	-527	-20.6%
Total operating expenses before depreciation & amortization	**-1,052**	**-1,234**	**17.3%**	**-4,034**	**-4,021**	**-0.3%**
Operating income before depreciation & amortization	**442**	**224**	**-49.3%**	**1,794**	**1,676**	**-6.6%**
Depreciation and amortization (excluding lease depreciation)	-253	-262	3.6%	-1,016	-1,038	2.2%
Lease depreciation	n.a.	-18	n.a.	n.a.	-82	n.a.
Operating income	**189**	**-56**	**<-100%**	**778**	**556**	**-28.5%**
Finance income	4	9	>100%	9	16	71.8%
Finance costs	-15	-18	21.9%	-65	-61	-6.6%
Lease interest	0	-1	-	0	-2	-
Net finance costs	**-11**	**-9**	**-16.6%**	**-56**	**-47**	**-15.9%**
Share of loss on associates	0	0	-59.9%	-1	-1	-31.9%
Income before taxes	**177**	**-65**	**<-100%**	**721**	**508**	**-29.5%**
Tax expense	-46	41	>100%	-191	-116	-39.2%
Net Income	**131**	**-24**	**<-100%**	**530**	**392**	**-26.0%**
Attributable to:						
Equity holders of the parent (Group share)	125	-29	<-100%	508	373	-26.6%
Non-controlling interests	6	5	-15.8%	22	19	-12.5%
Basic earnings per share	0.39	-0.09	<-100%	1.58	1.16	-26.7%
Diluted earnings per share	0.39	-0.09	<-100%	1.58	1.16	-26.7%
Weighted average number of outstanding shares	322,736,191	323,038,621	0.1%	322,649,917	322,918,006	0.1%
Weighted average number of outstanding shares for diluted earnings per share	322,811,107	323,055,344	0.1%	322,735,379	322,954,702	0.1%

7.5 Consolidated statements of other comprehensive income

	Year-to-date	
	2018	2019
(EUR million)	IAS 17	IFRS 16
Net income	530	392
Other comprehensive income:		
Items that may be reclassified to profit and loss:		
Exchange differences on translation of foreign operations	11	4
Cash flow hedges:		
Gain/(Loss) taken to equity	6	0
Transfer to profit or loss for the period	-1	-2
Other	-1	1
Total before related tax effects	15	3
Related tax effects		
Cash flow hedges:		
Gain/(Loss) taken to equity	-2	0
Income tax relating to items that may be reclassified	-1	0
Total of items that may be reclassified to profit and loss, net of related tax effects	14	4
Items that will not be reclassified to profit and loss:		
Change in the fair value of equity instruments	-5	0
Remeasurement of defined benefit obligations	-28	-43
Total before related tax effects	-32	-43
Related tax effects		
Change in the fair value of equity instruments	-1	0
Remeasurement of defined benefit obligations	0	4
Income tax relating to items that will not be reclassified	-1	4
Total of items that will not be reclassified to profit and loss, net of related tax effects	-33	-38
Total comprehensive income	511	358
Attributable to:		
Equity holders of the parent	487	336
Non-controlling interests	24	22

7.6 Consolidated balance sheet

(EUR million)	As of 31 December 2018 IAS 17	As of 1 January 2019 IFRS 16	As of 31 December 2019 IFRS 16
ASSETS			
Non-current assets	6,850	7,135	7,160
Goodwill	2,470	2,470	2,477
Intangible assets with finite useful life	1,154	1,154	1,080
Property, plant and equipment	3,054	3,054	3,127
Right-of-use asset	0	285	307
Lease receivable	4	4	6
Contract costs	116	116	113
Investments in associates	3	3	2
Deferred income tax assets	12	12	16
Other non-current assets	35	35	31
Current assets	1,822	1,812	1,818
Inventories	129	129	133
Trade receivables	1,042	1,042	985
Lease receivable	4	4	3
Contract assets	83	83	97
Current tax assets	68	68	139
Other current assets	152	142	134
Investments	4	4	3
Cash and cash equivalents	340	340	323
TOTAL ASSETS	8,671	8,946	8,978
LIABILITIES AND EQUITY			
Equity	3,153	3,153	2,998
Shareholders' equity	3,005	3,005	2,856
Issued capital	1,000	1,000	1,000
Reserves	-469	-469	-500
Retained earnings	2,474	2,474	2,356
Non-Controlling interests	148	148	142
Non-Current liabilities	3,181	3,393	3,616
Interest-bearing liabilities	2,259	2,259	2,360
Lease liabilities	4	216	243
Liability for pensions, other post-employment benefits and termination benefits	553	553	639
Provisions	142	142	137
Deferred income tax liabilities	91	91	110
Other non-current payables	132	132	127
Current liabilities	2,338	2,401	2,363
Interest-bearing liabilities	232	232	157
Lease liabilities	2	64	64
Liability for pensions, other post-employment benefits and termination benefits	52	52	225
Trade payables	1,361	1,361	1,284
Contract liabilities	109	109	116
Tax payables	56	56	28
Other current payables	526	526	490
TOTAL LIABILITIES AND EQUITY	8,671	8,946	8,978

7.7 Consolidated cash flow statement

(EUR million)	4th Quarter 2018 IAS 17	4th Quarter 2019 IFRS 16	4th Quarter Change	Year-to-date 2018 IAS 17	Year-to-date 2019 IFRS 16	Year-to-date Change
Cash flow from operating activities						
Net income	131	-24	<-100%	530	392	-26.0%
Adjustments for:						
Depreciation and amortization	253	280	10.5%	1,016	1,120	10.2%
Increase of impairment on intangible assets and property, plant and equipment	23	0	-98.7%	23	1	-96.5%
Increase/(decrease) of provisions	-2	-4	56.1%	-4	-5	44.0%
Deferred tax income	5	20	>100%	-16	22	>100%
Impairment on participating interests	0	2	-	0	2	-
Loss from investments accounted for using the equity method	0	0	-59.9%	1	1	-31.9%
Loans amortization	0	0	3.5%	2	2	-0.8%
Gain on disposal of consolidated companies and remeasurement of previously held interest	0	2	-	0	-4	-
Gain on disposal of property, plant and equipment	-20	-7	-64.1%	-22	-8	-64.0%
Other non-cash movements	-1	0	-60.4%	-1	-1	2.8%
Operating cash flow before working capital changes	**390**	**269**	-31.0%	**1,530**	**1,522**	-0.5%
Decrease/(increase) in inventories	0	4	>100%	-5	-4	-21.3%
Decrease/(increase) in trade receivables	46	27	-41.4%	95	50	-47.1%
Decrease/(increase) in contract costs	0	-2	>100%	4	3	-36.5%
Decrease/(increase) in contract asset	-8	-13	75.4%	-5	-14	>100%
Decrease/(increase) in current income tax assets	18	-125	<-100%	15	-70	<-100%
Decrease/(increase) in other current assets	9	2	-74.6%	3	-12	<-100%
(Decrease/increase in trade payables	28	-11	<-100%	-29	-18	-38.8%
(Decrease)/increase in contract liability	9	-11	<-100%	5	-8	<-100%
(Decrease)/increase in income tax payables	-85	-53	-37.9%	-58	-27	-53.1%
(Decrease)/increase in other current payables	-41	-41	-1.4%	3	17	>100%
(Decrease)/increase in net liability for pensions, other post-employment benefits and termination benefits	-4	242	>100%	0	217	>100%
(Decrease)/increase in other non-current payables and provisions	-2	-3	41.7%	0	-1	<-100%
(Decrease)/increase in working capital, net of acquisitions and disposals of subsidiaries	**-31**	**17**	**>100%**	**28**	**133**	**>100%**
Net cash flow provided by operating activities (1)	**359**	**286**	**-20.4%**	**1,558**	**1,655**	**6.2%**
Cash flow from investing activities						
Cash paid for acquisitions of intangible assets and property, plant and equipment	-285	-298	4.5%	-1,099	-1,091	-0.8%
Cash paid for acquisitions of other participating interests	0	0	>100%	-3	-1	-68.6%
Cash paid for acquisition of consolidated companies, net of cash acquired	-5	37	>100%	-51	-3	-93.8%
Cash received for sales of consolidated companies, net of cash disposed of	0	-9	-	0	0	-
Cash received from sales of intangible assets and property, plant and equipment	29	11	-60.9%	37	13	-66.2%
Net cash received from other non-current assets	3	3	9.2%	8	3	-61.3%
Net cash used in investing activities	**-257**	**-254**	**-1.3%**	**-1,107**	**-1,079**	**-2.6%**
Cash flow before financing activities	**102**	**32**	**-68.8%**	**451**	**576**	**27.8%**
Lease payments	n.a.	-15	n.a.	n.a.	-78	n.a.
Free cash flow (2)	***102***	***17***	***-83.7%***	***451***	***498***	***10.5%***
Cash flow from financing activities other than lease payments						
Dividends paid to shareholders	-161	-162	0.1%	-485	-486	0.4%
Dividends to and transactions with non-controlling interests	0	-30	-	-28	-60	>100%
Net sale of treasury shares	1	-1	<-100%	4	8	>100%
Net sale of investments	1	1	-25.0%	1	1	-29.1%
Decrease of shareholders' equity	0	0	-79.9%	-3	0	-94.4%
Cash received from cash flow hedge instrument related to long term debt	0	0	>100%	8	-1	<-100%
Issuance of long term debt	0	-1	>100%	399	99	-75.3%
Repayment of long term debt	-1	1	>100%	-408	0	-100.0%
Issuance/(repayment) of short term debt	166	155	-6.5%	68	-76	<-100%
Cash flows used in financing activities other than lease payments	**6**	**-36**	**<-100%**	**-444**	**-515**	**16.0%**
Exchange rate impact	0	-1	<-100%	0	0	-21.0%
Net increase/(decrease) of cash and cash equivalents	**107**	**-21**	**<-100%**	**7**	**-17**	**<-100%**
Cash and cash equivalents at 1 January			-	333	340	2.1%
Cash and cash equivalents at the end of the period			-	340	323	-4.9%
(1) Net cash flow from operating activities includes the following cash movements :						
Interest paid				-49	-40	
Interest received				2	1	
Income taxes paid				-249	-191	
(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, 2018	1,000	-431	100	5	-128	-4	4	2,451	2,997	156	3,153
Total comprehensive income	0	0	0	-1	-27	6	0	508	487	24	511
Transfer of loss on disposal of equity instruments at fair value through other comprehensive income to retained earnings	0	0	0	2	0	0	0	-2	0	0	0
Dividends to shareholders (relating to 2017)	0	0	0	0	0	0	0	-323	-323	0	-323
Interim dividends to shareholders (relating to 2018)	0	0	0	0	0	0	0	-161	-161	0	-161
Dividends of subsidiaries to non-controlling interests	0	0	0	0	0	0	0	0	0	-28	-28
Business combination	0	0	0	0	0	0	0	3	3	-3	0
Treasury shares											
Sale of treasury shares	0	2	0	0	0	0	0	-3	0	0	0
Stock options											
Exercise of stock options	0	1	0	0	0	0	0	0	1	0	1
Total transactions with equity holders	0	4	0	0	0	0	0	-483	-479	-32	-511
Balance at 31 December 2018	1,000	-427	100	6	-155	3	4	2,474	3,005	148	3,153
Balance per 1 January 2019	1,000	-427	100	6	-155	3	4	2,474	3,005	148	3,153
Total comprehensive income	0	0	0	-1	-39	2	0	373	336	22	358
Dividends to shareholders (relating to 2018)	0	0	0	0	0	0	0	-324	-324	0	-324
Interim dividends to shareholders (relating to 2019)	0	0	0	0	0	0	0	-162	-162	0	-162
Dividends of subsidiaries to non-controlling interests	0	0	0	0	0	0	0	0	0	-29	-29
Business combination	0	0	0	0	0	0	0	-2	-2	2	0
Changes in shareholders' equity	0	0	0	0	0	0	0	-6	-6	0	-6
Treasury shares											
Sale of treasury shares	0	3	0	0	0	0	0	2	5	0	5
Stock options											
Exercise of stock options	0	3	0	0	0	0	0	0	3	0	3
Total transactions with equity holders	0	6	0	0	0	0	0	-491	-485	-28	-513
Balance at 31 December 2019	1,000	-421	100	6	-194	5	4	2,356	2,856	142	2,998

7.9 Segment reporting

See reconciliation of reported and underlying figures in section 8.2

	31 December 2019									
	Group Proximus				Underlying by segment					
(EUR million)	Reported (IFRS 16)	Lease depreciation and interest	Incidental	Underlying	BICS	Domestic (Group excl. BICS)	Consumer	Enterprise	Wholesale	Others
Net revenue	5,638	0	0	5,638	1,297	4,341	2,820	1,413	181	-73
Other revenues	59	0	-11	48	4	44	25	6	0	13
Total income	**5,697**	**0**	**-11**	**5,686**	**1,301**	**4,386**	**2,845**	**1,419**	**182**	**-60**
Costs of materials and services related to revenue	-2,018	-5	9	-2,014	-976	-1,038	-636	-447	-36	80
Direct margin	**3,680**	**-5**	**-2**	**3,673**	**325**	**3,348**	**2,209**	**973**	**146**	**20**
Workforce expenses	-1,477	0	278	-1,199	-100	-1,099				
Non workforce expenses	-527	-79	3	-603	-72	-531				
Total other operating expenses	**-2,004**	**-79**	**280**	**-1,802**	**-172**	**-1,630**				
Operating income before depreciation & amortization	**1,676**	**-84**	**278**	**1,870**	**153**	**1,718**				
Depreciation and amortization	-1,120									
Operating income	**556**									
Net finance costs	-47									
Share of loss on associates	-1									
Income before taxes	**508**									
Tax expense	-116									
Net income	**392**									
Attributable to :										
Equity holders of the parent (Group share)	373									
Non-controlling interests	19									

	31 December 2018								
	Group Proximus			Underlying by segment					
(EUR million)	Reported (IAS 17)	Incidental	Underlying	BICS	Domestic (Group excl. BICS)	Consumer	Enterprise	Wholesale	Others
Net revenue	5,764	0	5,764	1,346	4,417	2,880	1,408	201	-71
Other revenues	65	-21	43	0	43	23	5	1	15
Total income	**5,829**	**-21**	**5,807**	**1,347**	**4,460**	**2,903**	**1,413**	**201**	**-57**
Costs of materials and services related to revenue	-2,126	0	-2,126	-1,030	-1,096	-684	-454	-36	77
Direct margin	**3,703**	**-21**	**3,681**	**317**	**3,364**	**2,219**	**959**	**165**	**21**
Workforce expenses	-1,245	46	-1,199	-91	-1,108				
Non workforce expenses	-663	45	-618	-73	-545				
Total other operating expenses	**-1,908**	**92**	**-1,817**	**-164**	**-1,653**				
Operating income before depreciation & amortization	**1,794**	**70**	**1,865**	**154**	**1,711**				
Depreciation and amortization	-1,016								
Operating income	**778**								
Net finance costs	-56								
Share of loss on associates	-1								
Income before taxes	**721**								
Tax expense	-191								
Net income	**530**								
Attributable to :									
Equity holders of the parent (Group share)	508								
Non-controlling interests	22								

7.10 Disaggregation of revenue

(EUR million)	As of 31 December 2019 Group	BICS	Domestic (Group excl. BICS)	Consumer	Enterprise	Wholesale	Others
Net revenue (underlying)	5,638	1,297	4,341	2,820	1,413	181	-73
Net revenue (incidentals)	0	0	0	0	0	0	0
Net revenue (reported)	**5,638**	**1,297**	**4,341**	**2,820**	**1,413**	**181**	**-73**
Other operating income (underlying)	48	4	44	25	6	0	13
Other operating income (incidentals)	11	0	11	0	7	0	4
Other operating income (reported)	**59**	**4**	**55**	**25**	**13**	**0**	**17**
Total income (underlying)	5,686	1,301	4,386	2,845	1,419	182	-60
Total income (incidentals)	11	0	11	0	7	0	4
Total income (reported)	**5,697**	**1,301**	**4,396**	**2,845**	**1,426**	**182**	**-56**

7.11 Group financing activities related to interest-bearing liabilities

(EUR million)	As of 31 December 2018 IAS 17	As of 1 January 2019 IFRS 16	Cash flows	Non-cash changes	As of 31 December
Long-term					
Unsubordinated debentures	1,852	1,852	100	2	1,953
Credit institutions	403	403	-1	0	402
Derivatives held for trading	4	4	0	0	5
Current portion of amounts payable > one year					
Credit institutions held to maturity	1	1	0	0	1
Other financial debts					
Other loans	232	232	-76	0	156
Total liabilities from financing activities excluding lease liabilities	2,492	2,492	23	2	2,517
Lease liabilities current and non current	5	280	-78	104	307
Total liabilities from financing activities including lease liabilities	2,497	2,772	-55	106	2,824

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.

	As of 31 December 2019			
(EUR million)	Classification under IFRS 9	Carrying amount under IFRS 9	Fair value	Level
ASSETS				
Non-current assets				
Other non-current assets				
Derivatives held-for-hedging				
Derivatives held for trading	FVTPL	5	5	Level 2
Other financial assets	Amortized cost	10	10	
Current assets				
Trade receivables	Amortized cost	985	985	
Interest bearing				
Other receivables	Amortized cost	7	7	
Non-interest bearing				
Other receivables	Amortized cost	3	3	
Investments	Amortized cost	3	3	
Cash and cash equivalents				
Short-term deposits	Amortized cost	13	13	
Cash at bank and in hand	Amortized cost	310	310	
LIABILITIES				
Non-current liabilities				
Interest-bearing liabilities				
Unsubordinated debentures not in a hedge relationship	Amortized cost	1.953	2.094	Level 2
Credit institutions	Amortized cost	402	417	Level 2
Derivatives held for trading	FVTPL	5	5	Level 2
Non-interest-bearing liabilities				
Other non-current payables	Amortized cost	127	127	
Current liabilities				
Interest-bearing liabilities, current portion				
Credit institutions	Amortized cost	1	1	
Interest-bearing liabilities				
Other loans	Amortized cost	156	156	
Trade payables	Amortized cost	1.284	1.284	
Other current payables				
Other debt	FVTPL	6	6	Level 3
Other amounts payable	Amortized cost	286	286	

FVTPL : fair value through profit and loss
FVTOCI : fair value through other comprehensive income

(EUR million)	As of 31 December 2018			
	Classification under IFRS 9	Carrying amount under IFRS 9	Fair value	Level
ASSETS				
Non-current assets				
Other non-current assets				
Derivatives held-for-hedging				
Derivatives held for trading	FVTPL	5	5	Level 2
Other financial assets	Amortized cost	11	11	
Current assets				
Trade receivables	Amortized cost	1.042	1.042	
Interest bearing				
Other receivables	Amortized cost	5	5	
Non-interest bearing				
Other receivables	Amortized cost	24	24	
Investments	Amortized cost	4	4	
Cash and cash equivalents				
Short-term deposits	Amortized cost	40	40	
Cash at bank and in hand	Amortized cost	300	300	
LIABILITIES				
Non-current liabilities				
Interest-bearing liabilities				
Unsubordinated debentures not in a hedge relationship	Amortized cost	1.852	1.959	Level 2
Credit institutions	Amortized cost	403	403	Level 2
Derivatives held for trading	FVTPL	4	4	Level 2
Non-interest-bearing liabilities				
Other non-current payables	Amortized cost	132	132	
Current liabilities				
Interest-bearing liabilities, current portion				
Credit institutions	Amortized cost	1	1	
Interest-bearing liabilities				
Other loans	Amortized cost	232	232	
Trade payables	Amortized cost	1.361	1.361	
Other current payables				
Other debt	FVTPL	39	39	Level 3
Other amounts payable	Amortized cost	305	305	

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 2018 annual accounts, no change occurred during 2019 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 25 million. BICS has not paid the assessed amounts and has not recorded a tax provision. Management assesses that the position as recognized in these financial statements reflects the best estimate of the probable final outcome.

On 19 June 2019, Proximus was indicted by a Brussels investigating judge following a complaint on the grounds of corruption and offences relating to industry, commerce and public auctions in the so-called GIAL case. Proximus formally contests having committed any offence in this case. Due to the secrecy of the investigation, it is obvious that the details of this case cannot be set out in this report. Nevertheless, Proximus would like to mention the existence of this case to ensure transparency. For information purposes: if, contrary to its analysis of its role in this case, Proximus were to be found guilty of the acts which it is accused of and in view of the indictment by the investigating judge, the maximum fine that could be imposed on Proximus in the context of this case would be EUR 800,000. At the present time and on the basis of the information available to Proximus in connection with this case, Proximus has not accrued a provision for the payment of this case. Finally, insofar as necessary, Proximus recalls that the indictment does not in any way imply that there are any charges or evidence of guilt against it and insists that it is presumed innocent and has solid elements for a favorable outcome to this case.

On 22 November 2019, Proximus and Orange Belgium signed an agreement to establish a mobile access network sharing collaboration. See section 2.2 for more information.

7.14 Post balance sheet events

No significant post balance sheet events have been identified.

7.15 Others

There has been no material change to the information disclosed in the 2018 annual consolidated financial statements in connection with related parties that would require disclosure under the Financial Reporting Framework.

8 Additional information

8.1 Reporting remarks

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

8.2 From Reported to Underlying

	GROUP Revenue		GROUP EBITDA		GROUP Revenue		GROUP EBITDA	
(EUR million)	Q4 '18	Q4 '19	Q4 '18	Q4 '19	YTD '18	YTD '19	YTD '18	YTD '19
Reported	1,494	1,458	442	224	5,829	5,697	1,794	1,676
Lease Depreciations	nr	0	nr	-18	nr	0	nr	-82
Lease Interest	nr	0	nr	-1	nr	0	nr	-2
Incidentals	-19	-7	13	247	-21	-11	70	278
Underlying	1,475	1,452	455	453	5,807	5,686	1,865	1,870
Incidentals	-19	-7	13	247	-21	-11	70	278
Capital gains on building sales	-19	-7	-19	-7	-21	-7	-21	-7
Early Leave Plan and Collective Agreement			8	2			41	19
Fit For Purpose Transformation Plan				251				253
Shift to Digital plan*				1				9
M&A-related transaction costs			3	1			8	9
Change in M&A contingent consideration						-4		-4
Pylon Tax provision update (re. past years)			-1				20	-1
Enterprise software Impairment & settlement			22				22	

*The incidental costs related the to the Shift to Digital plan represent mainly exceptional costs linked to the optimization of Proximus' sales channel footprint following its increased focus on e-Sales.

8.3 Definitions

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

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

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

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

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

ARPU: Average Revenue per Unit.

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

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

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

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

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

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

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

Convergence rate: convergent households/small offices take both Fixed and Mobile services of Proximus. The convergence rate refers to the percentage of convergent households/small offices on the total of multi-play households/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 household (including Small Offices): two or more Plays, not necessarily in a Pack.

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

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

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

Reported Revenues: this corresponds to the TOTAL INCOME.

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

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

Wholesale: Proximus' unit addressing the telecom wholesale market including other telecom operators (incl. 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 Casteele, Chief Consumer Market Officer a.i., 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)

21 February 2020	Announcement of Q4 2019 results
31 March 2020	Capital Markets Day
13 April 2020	Start of quiet period ahead of Q1 2020 results
15 April 2020	Annual General Meeting of Shareholders
24 April 2020	Dividend payment
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

Investor relations
+32 2 202 82 41
investor.relations@proximus.com
www.proximus.com/en/investors

8.7 Investor and Analyst Conference Call

Analyst conference call details	
Proximus will host a conference call for investors and analysts on Friday 21 February 2020.	
Time: 02:00pm Brussels – 01:00pm London – 08:00am New York	
Dial-in UK	+44 20 7194 3759
Dial-in USA	+1 646 722 4916
Dial-in Europe	+32 2 403 5816
Code	30263455#