Quarterly Report

2020 Q4

proximus

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Regulated Information

- **Sustaining strong customer growth: Postpaid Mobile +43,000; Internet +15,000 and TV +14,000.**
- **Attracting high-value customers: Flex rising to 317,000 packs; 65,000 Fiber customers end-2020.**
- **Underlying Domestic revenue of EUR 1,089 million, -4.0% on high comparable base for low margin Terminals and ICT products. Total Telecom services revenue remains stable (+0.1%).**
- **Domestic operations posted underlying EBITDA of EUR 397 million, -4.0% below the prior year.**
- **Underlying Group EBITDA totaled EUR 426 million, -6.1% on the prior year.**
- **FY'20 normalized FCF of EUR 354 million, incl. EUR 154 million more cash-out related to workforce transformation plans.**
- **FY'20 guidance achieved, EUR 836 million Group EBITDA-CAPEX incl. higher customer driven capex.**
- **Gross dividend of EUR 1.20 per share, of which EUR 0.70 to be paid in April 2021.**

1 Highlights Q4 2020

- Proximus posted **underlying Domestic revenue of EUR 1,089 million,** -4.0% due to a high 2019 comparable base, in particular for low-margin Terminals and ICT products, and ongoing inbound erosion. Although Covid-19 headwinds continued, they moderated in the fourth quarter. Mobile Services revenue showed a sequential marginal improvement, supported by a solid 4.2% growth in the Mobile customer base. The Group Fixed Services revenue progressed by +2.2%, benefiting from firm growth in the Internet and TV base, up respectively by 2.3% and 2.2% from one year back, from the January 2020 price indexation, and from an ongoing Covid-19 related rise in Fixed Voice traffic volumes.

- Proximus' **Domestic direct margin of EUR 816 million**, down by EUR -14 million or -1.6% from the prior year, including Covid-19 headwinds for an estimated amount of EUR -10 million and a one-off variance effect in the Consumer Segment for EUR -6 million. Nonetheless, the Consumer segment posted a 3.2% increase in its direct margin, whereas the direct margin of the Enterprise segment was down by -3.8%.

- For its **Domestic operations**, Proximus posted an **EBITDA of EUR 397 million** for the fourth quarter of 2020, -4.0% or EUR -16 million below the prior year, due to a combination of the above-described lower direct margin with a limited increase in expenses, impacted by a one-off cost provision for EUR -8 million.

- **TeleSign showed a 38.7% revenue increase** with continuing growth in both authentication and mobile identity services. **BICS stand-alone declined by -14.6%** driven by legacy voice and mobility-dependent services. BICS' EBITDA for the fourth quarter of 2020 totaled EUR 29 million, down by EUR -11 million including a negative Covid-19 impact of about EUR -6 million and the effect of MTN's ongoing insourcing.

- Therefore, in aggregate, the **underlying Group EBITDA for the fourth quarter of 2020 totaled EUR 426 million, -6.1% or EUR -28 million** on the prior year, including an estimated net effect from Covid-19 of about EUR -16 million. The underlying Group EBITDA margin for the fourth quarter was 30.7%.

- **To support the ramp-up in its Fiber roll-out, the Proximus Group invested EUR 372 million in the fourth quarter of 2020, bringing its total accrued capex to EUR 1,000 million in 2020**, excl. spectrum and football rights. Over the last three months of the year, an additional 69,000 premises were passed with Fiber, bringing the total footprint to 460,000 HP by end-December 2020.

- For full-year 2020, Proximus posted **FCF of EUR 354 million**, normalized for acquisitions, including EUR 154 million more cash-out related to workforce transformation plans, mainly related to the 2020 Fit for Purpose plan.

- The Board of Directors approved to propose to the Annual General Shareholder meeting of 21 April 2021 to return over the result of 2020 a **gross dividend of EUR 1.20 per share**, with the remaining EUR 0.70 per share to be paid in April 2021.

Proximus Group operational results:

+17,000 Convergent customers, total of 1,124,000

+15,000 Fixed Internet lines, total of 2,137,000

+14,000 TV customers, total of 1,677,000

-60,000 Fixed Voice lines, total of 2,213,000

+43,000 Mobile Postpaid cards, total of 4,277,000

-22,000 Mobile Prepaid cards, total of 624,000

+162,000 M2M cards, total of 2,354,000

Market situation

Q4 2020 was characterized by the typical year-end promotions, stepping up the competitive environment. Covid-19 continued to limit traveling, especially non-EU and hence related roaming traffic. Soft-lockdown effects led to some new easing measures for customers, yet in a more limited way. Overall, the telco market moved closer to a back-to-normal situation. The **Consumer market** was animated by the seasonal Christmas promotions and resulted in continued solid fixed Internet market growth. Belgium remains a convergent market, with offers addressing all customer segments, from fully-fledged convergent offers including multi-mobile cards and entertainment propositions over skinny bundles to stand-alone offers. Mobile data allowances remain on the rise, while there is a tendency to keep headline pricing stable. The **Enterprise market** remains very competitive, translated into continued pricing pressure. While legacy Fixed Telecom and IT Infrastructure services face an ongoing erosion, Fiber connectivity and Professional IT services represent opportunities.

Guillaume Boutin, CEO

"I'm proud of what we achieved, not only in terms of our financial results and commercial performances in unprecedentedly challenging times, but also of our relentless efforts to reduce our environmental impact. This has enabled us to reach our 2025 carbon footprint goals already in 2020.

The pandemic has unveiled more than ever the important societal role we play. We have kept people and businesses connected every day. The initiatives to support our customers and the specific actions we took for the most affected industries like education, hospitality, culture and healthcare, are still ongoing. At the same time, the sanitary crisis has boosted digital adoption, across all domains and age groups, opening up new opportunities for e-commerce, e-education, and many others.

Looking ahead, with the vaccine roll-out gradually picking up pace, we can shift our focus and start preparing for a new normal. We are confident that despite some Covid-19 impact still ahead, we will achieve our objective for the years to come: find a path towards sustainable and inclusive growth in Belgium. Specifically, I'm convinced that Proximus has an important role to play in reconciling the digitalization of our economy with the environmental challenges we're facing. We are proud to have reduced our emissions by 105 kTon in 2020. As a result, we have already reached our carbon footprint objectives for 2025. While the conditions were truly exceptional, this acceleration proves that change is within reach. Our ambition goes beyond our own emissions by supporting our customers and suppliers in embracing more sustainable habits. At the Enterprise side, thanks to our converged solutions, we helped our customers to reduce their footprint by 465 kTon in 2020 or 69% of our footprint. Thanks to our "Don't miss the call campaign", we collected 65,000 old mobile phones, and we also reached the milestone of 2 million refurbished modems and decoders. We aim to continue the good trend and stay on track towards making a net positive contribution to a net zero planet and true circularity by 2030.

At the same time, we cannot build a green and digital Belgium without, at its heart, a future-proof connectivity for everyone. Proximus is building the best Gigabit network for Belgium, for both fixed and mobile, with the aim of covering every household and business. We have strengthened our mobile leadership in 5G, both with the only Belgian public 5G network and with the activation of the 3.6-3.8 GHz band in selected areas to allow businesses across different industries to unlock their full potential. On the fixed side, our ambition is to cover at least 70% of Belgium with Fiber by 2028. To that end, the rollout of our Fiber network is accelerating, with 460,000 homes and businesses passed by end-2020. With our deployment speed doubling in 2021 compared to 2020, and with the operationalization of our network JVs, we are on track to deliver our ambitious Fiber plan. On top of that, in order to accelerate specifically the digital inclusion of youngsters, we have also committed to connect almost all secondary schools in Belgium to fiber by the end of 2023.

Our investments in our networks will be key as they will make our commercial offers more competitive and allow us to return to profitable growth. Over the past year, we have kept a strong commercial momentum in a competitive setting, growing in our core customer bases with a specific focus on value customers. Our new convergent Proximus Flex offer sees strong customer traction, reaching a total of 317,000 packs by end-2020. In addition, Fiber offers are increasingly popular, with 65,000 consumers already enjoying a Fiber connection end-2020. All in all, this led to a 60% convergence rate and an increase in Average Revenue per Customer, in spite of the Covid-19 roaming headwinds. We also announced the acquisition of Mobile Vikings, which will complement our multi-brand strategy once we will have obtained the clearance from the competition authorities. Next to our traditional telco offers, we've also made leaps forward in our diversification strategy, with for instance our Digital Classroom as a service offer developed with Signpost or the development of a neobank with Belfius that will be launched in 2021.

The favorable evolution in our core customer bases and our strong focus on costs has allowed us to deliver upon our full-year 2020 guidance, including Covid-19 headwinds. We ended the year with EUR 836 million Group EBITDA-CAPEX, in spite of somewhat higher than anticipated customer-driven capex end-2020.

The year, 2021, will be a transition year for Proximus, in which we will further execute upon our #inspire2022 strategy. We expect the 2021 underlying Domestic revenue to remain rather close to the 2020 level. The expected growth in Consumer internet, TV and Mobile postpaid bases, fueled by our attractive offers and accelerated Fiber migrations, will compensate for the careful transition of our Enterprise segment. We anticipate returning to profitable growth on domestic level as from 2022, with accelerating trends as from 2023, once our B2B transformation will have been completed.

On the cost side, we are anticipating higher expenditures for the Group in 2021. For our Domestic operations this is related to Fiber migrations and IT transformation. Moreover, Cloudification and the roll-out of the shared mobile network by Mwingz will have the effect of increasing opex expenses, while reducing capex expenses. In total, these effects are estimated around EUR -50 million of additional expenses. The underlying Group EBITDA for 2021 is expected to range between EUR 1,750 million and EUR 1,775 million. In line with our communication during the Fiber Update of mid-January, the Group Capex is projected to end close to EUR 1.2 billion for 2021. Proximus anticipates its net debt/EBITDA ratio to remain below 1.6X, including Fiber equity injections, the acquisition of the minority stakes in BICS and the acquisition of Mobile Vikings, pending the approval of the competition authorities.

In view of keeping a tight cost control going forward, we are shaping up a new company-wide cost program, ambitioning a total gross cost saving of about EUR 400 million by 2025. Roughly half of this is reflected in our 2020-2022 cost objective to reduce the OPEX between -1% to -2% CAGR.

Besides our domestic focus, we will engage in a value creation development plan for BICS and TeleSign, having regained full strategic agility by purchasing stakes of minority shareholders. With an ambition to make them leaders in their domains: the #1 platform in the world for Voice, Communication & Mobility services, IOT and cloud numbering with BICS; the Worldwide leader in Digital Identity platforms with TeleSign."

2 Proximus Group financial review

2.1 Group financials

Table 1: Underlying Group P&L

(EUR million)	4th Quarter 2019	4th Quarter 2020	% Change	Year-to-date 2019	Year-to-date 2020	% Change
Revenue[1]	1,452	1,389	-4.3%	5,686	5,479	-3.6%
Net Revenue	1,440	1,381	-4.1%	5,638	5,443	-3.5%
Other Operating Income	12	8	-35.4%	48	36	-24.8%
Cost of Sales[2]	-539	-499	-7.4%	-2,014	-1,904	-5.5%
Direct Margin	913	890	-2.5%	3,673	3,576	-2.6%
Direct Margin %	*62.9%*	*64.1%*	*1.2 p.p.*	*64.6%*	*65.3%*	*0.7 p.p.*
Expenses	-459	-464	1.1%	-1,802	-1,740	-3.5%
EBITDA[3]	453	426	-6.1%	1,870	1,836	-1.8%
EBITDA Margin %	*31.2%*	*30.7%*	*-0.6 p.p.*	*32.9%*	*33.5%*	*0.6 p.p.*

[1] Corresponds to "Total Income" excluding Incidentals (see section 7 for the reported figures)
[2] Corresponds to "Cost of materials and charges to revenues" excluding Incidentals (see section 7 for the reported figures)
[3] Corresponds to "Operating income before depreciation and amortization" excluding Incidentals (see section 7 for the reported figures)
See section 8.2 for incidental details

2.1.1 Underlying Group revenue

Q4 2020

For the **last quarter of 2020**, Proximus posted **Domestic underlying revenue of EUR 1,089 million** (tables 2 and 3), **-4.0% down from the prior year**, including a negative impact from ongoing Covid-19 related travel restrictions on roaming. With a large part of the remaining revenue decline being related to low-margin revenue, the margin impact remained contained. This goes for lower sales of Terminals as well as for the continued decrease in regular SMS usage, with customers moving to OTT services. This pressured the inbound revenue reported within the Wholesale segment, with close to zero margin effect on Domestic level. Moreover, compared to a record-high revenue in 2019, revenue from ICT remained below the previous year driven by less product-related revenue (at low margin). Nonetheless, in spite of some limited unfavorable impact from Covid-19 following some contract-delays, **ICT posted its best quarter of 2020 with EUR 149 million revenue**. Furthermore, revenue from 'Other Products' compared unfavorably to 2019, for which the fourth quarter included a one-off beneficial provision reversal[1].

The **revenue from Telecom Services remained fairly stable** compared to the prior year, totaling EUR 729 million (+0.1%). Within the mix, **revenue from Mobile Services showed a sequential slight improvement** from the prior quarters, down by -4.1% for the fourth quarter of 2020. This was the case for both the Consumer and Enterprise segment, supported by a solid growth in their Mobile Postpaid customer bases, up for the Group by 4.2% from the prior year. This included a good customer growth in the last quarter of 2020, adding 43,000 mobile postpaid cards. This partly offset the pressure on Roaming revenue following the Covid-19 related drop in travelling.
The Group **Fixed Services revenue progressed by +2.2%** from the prior year, with the Consumer segment posting a growth of 3.4%, and the Enterprise segment limiting its decline to -2.4%. For both segments the Covid-19 related rise in traffic volumes was largely sustained in the fourth quarter. Moreover, the Consumer segment continued to benefit from a solidly increasing Internet and TV base, up respectively by 2.3% and 2.2% from one year back. Its good operational results continued over the last 3 months of 2020, with its Proximus branded convergent Flex offers taking a higher share in the total, further supported by Proximus' fiber offers. Year-on-

[1] Q4 2019 benefitted from a provision reversal following Proximus' revamped customer loyalty program Enjoy!, ending its prior program 'Premium Club'

year, the Fixed services revenue continued to be supported by the implemented price indexation since 1 January 2020, while the contribution from e-Press[2] started to fade, annualizing since 1 December 2020.

For the fourth quarter of 2020, **Proximus' Wholesale segment reported revenue of EUR 74 million, -19.4% lower than in 2019**. More than half of the year-on-year revenue decrease resulted from lower mobile inbound revenue, resulting from an ongoing decrease in SMS usage, which was once more emphasized during the fourth quarter (soft-) lockdown. The remaining decline was largely due to lower revenue from visitor and instant roaming, which continued to be impacted by Covid-19-driven travel reluctance and bans.

Proximus' Luxembourg Telecom branch posted EUR 37 million revenue, of which EUR 32 million was in the Consumer segment. Its total revenue compares to EUR 39 million for the fourth quarter of 2019, with the decline mainly related to the sanitary crisis reducing international traveling. The Covid-19 headwind was partly offset by a sound year-on-year customer growth, with the Internet base growing 9.2%, the TV base by 8.2% and Mobile Postpaid by 5.9%, excl. M2M.

BICS posted revenue of EUR 300 million for the fourth quarter 2020, -5.5% year-on-year. This included a 38.7% or EUR 22 million year-on-year increase for TeleSign, continuing to grow revenue in both authentication and mobile identity services. Revenue from BICS stand-alone declined by -14.6%, largely driven by low-margin revenue from legacy voice and from mobility-dependent (roaming, signaling) services. The eroding trend in legacy Voice services was reinforced by Covid-19 effects, and the progressing insourcing by MTN.

In aggregate, the **Proximus Group revenue totaled EUR 1,389 million** for the fourth quarter of 2020, -4.3% below the comparable period of 2019.

FY 2020

The Proximus Group ended the year 2020 with **total underlying revenue of EUR 5,479 million, -3.6% below that of the prior year**. Within the mix, the underlying **Domestic revenue decreased by -2.3%** showing some resilience to Covid-19 effects, with revenue from ICT slightly up over the year in spite of the challenging operating environment. Whereas the customer growth for its core products and the 1 January 2020 price indexation was supportive, the Domestic revenue faced a significant headwind from the loss in roaming revenue following the limitation in worldwide travelling, and from the erosion of low to no-margin SMS inbound revenue within the Wholesale segment. Moreover, Proximus launched several customer actions, giving an amount of free usage during the lockdown, supporting its customers to get through the Covid-19 crisis. Furthermore, the year-on-year revenue variance included a negative effect on "Other Product revenue" for EUR -20 million, with 2019 benefiting from a positive provision reversal following the switch to a new customer loyalty program, discontinuing the old one, and due to less reminder and reconnection fees following a Covid-19 related temporary halt on the customer collection process.

BICS' 2020 revenue totaled EUR 1,194 million, -8.2% below that of 2019. This included a strong increase in TeleSign revenue, up by 56.8% from the previous year on progressing authentication and mobile identity services. Revenue from BICS standalone declined by 18.3%, driven by lower revenue from voice and mobility-dependent (roaming, signaling) services.

Table 2:

Underlying Group Revenue by Segment

	4th Quarter			Year-to-date		
(EUR million)	2019	2020	% Change	2019	2020	% Change
Group Underlying by Segment	**1,452**	**1,389**	**-4.3%**	**5,686**	**5,479**	**-3.6%**
Domestic	1,134	1,089	-4.0%	4,386	4,285	-2.3%
Consumer	689	680	-1.3%	2,672	2,668	-0.1%
Enterprise	367	345	-6.0%	1,398	1,350	-3.4%
Wholesale	92	74	-19.4%	376	313	-16.8%
Other (incl. eliminations)	-14	-11	23.7%	-60	-45	24.3%
International Carrier Services (BICS)	317	300	-5.5%	1,301	1,194	-8.2%

[2] Launched 1 December 2019

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 since 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.

Table 3:

Underlying Group Revenue by Product nature

	4th Quarter			Year-to-date		
(EUR million)	2019	2020	% Change	2019	2020	% Change
Group Revenues	1,452	1,389	-4.3%	5,686	5,479	-3.6%
Domestic Revenues	1,134	1,089	-4.0%	4,386	4,285	-2.3%
Other Operating Income	11	7	-29.8%	44	35	-20.1%
Net Revenues	1,124	1,081	-3.7%	4,341	4,250	-2.1%
Telecom	858	848	-1.2%	3,366	3,336	-0.9%
Services	728	729	0.1%	2,942	2,914	-0.9%
From Fixed	486	496	2.2%	1,945	1,972	1.4%
From Mobile	243	233	-4.1%	997	942	-5.5%
Postpaid	232	224	-3.6%	947	900	-5.0%
Prepaid	11	9	-15.2%	49	42	-14.8%
Terminals	90	81	-10.0%	283	283	0.0%
Luxembourg Telco	39	37	-3.8%	141	139	-1.2%
ICT	159	149	-6.4%	567	571	0.6%
Advanced Business Services	11	10	-10.3%	40	39	-2.8%
Other Products	21	12	-40.4%	66	46	-30.0%
Wholesale	92	74	-19.3%	376	313	-16.8%
Other segment (incl. elim)	-17	-12	31.0%	-73	-54	25.7%
BICS Revenues	317	300	-5.5%	1,301	1,194	-8.2%
Costs of Sales	-539	-499	-7.4%	-2,014	-1,904	-5.5%
Group Direct Margin	913	890	-2.5%	3,673	3,576	-2.6%
Direct Margin %	*62.9%*	*64.1%*	*1.2 p.p.*	*64.6%*	*65.3%*	*0.7 p.p.*

Table 4:

Group operationals per product

	Park			Net adds	
(in 000's)	Q4 '19	Q4 '20	% Change	Q4 '19	Q4 '20
Fixed Voice	2,401	2,213	-7.8%	-39	-60
Internet	2,088	2,137	2.3%	9	15
TV	1,640	1,677	2.2%	6	14
Mobile postpaid excl. M2M	4,103	4,277	4.2%	21	43
M2M	1,788	2,354	31.7%	102	162
Mobile prepaid	717	624	-12.9%	-26	-22

Group operationals cover Proximus (Consumer and Enterprise), Scarlet, Luxembourg Telco and Wholesale.

2.1.2 Underlying Group direct margin

Table 5: Underlying Group direct margin by segment

	4th Quarter			Year-to-date		
(EUR million)	2019	2020	% Change	2019	2020	% Change
Group Underlying by Segment	913	890	-2.5%	3,673	3,576	-2.6%
Domestic	830	816	-1.6%	3,348	3,273	-2.2%
Consumer	504	520	3.2%	2,036	2,072	1.8%
Enterprise	239	229	-3.8%	951	909	-4.5%
Wholesale	84	67	-19.9%	341	284	-16.5%
Other (incl. eliminations)	3	-1	-122.4%	20	8	-61.1%
International Carrier Services (BICS)	83	74	-11.0%	325	303	-6.7%

Q4 2020

The **fourth-quarter 2020** underlying direct margin of the **Proximus Group totaled EUR 890 million, a -2.5% decrease** compared to the fourth quarter of last year. Proximus' **Domestic operations posted a direct margin of EUR 816 million,** down by EUR -14 million or **-1.6% from the prior year,** including Covid-19 headwinds for about EUR -10 million, mainly on the loss of Roaming traffic. Moreover, the year-on-year variance was impacted by a EUR -6 million one-off, recorded in the last quarter of 2019[3]. The Consumer segment posted a 3.2% increase in its Direct margin, whereas the direct margin of the Enterprise segment was down by -3.8%. The direct margin decline in the Wholesale segment was mostly related to lower inbound margin, which is neutral on Domestic level.

For the fourth quarter of 2020, **BICS posted a direct margin of EUR 74 million, down -11.0%** or EUR -9 million compared to the prior year. Covid-19 effects on BICS' fourth quarter direct margin counted for about EUR -7 million, a stable impact from the third quarter. Most of this impact was carried by BICS' stand-alone, showing in its mobility services and voice. In contrast, TeleSign's direct margin increased by 11.8% year-on year, providing solid growth in the domains of mobile identity and authentication, in spite of some negative Covid-19 effects.

FY 2020

For the full-year 2020, **Proximus' Domestic operations posted EUR 3,273 million in direct margin, -2.2%** or EUR -75 million below that of 2019. The year-on-year variance was impacted by Covid-19 effects for an estimated amount of about EUR -51 million, and by lowered International calling/texting rates in May 2019, having a EUR -7 million negative impact. Moreover, the direct margin variance was impacted by other negative effects of a temporary nature[4]. These headwinds were partially offset by the positive effect of Proximus' ongoing customer growth and increase in ARPC resulting from a successful convergence strategy in the Consumer segment, further supported by e-Press and the January 2020 price indexation.

The **direct margin of BICS for 2020 was down by -6.7% or EUR -22 million year-on-year to EUR 303 million**, including an impact from the pandemic related travel restrictions for a total estimated amount of about EUR -18 million, in addition to a progressive impact from MTN's insourcing of services. This was somewhat compensated for by a continued strong performance by TeleSign for which the direct margin was up by 20.7% to EUR 78 million.

[3] Q4 2019 benefitted from a provision reversal following Proximus' revamped customer loyalty program Enjoy!, ending its prior program 'Premium Club'. This positively impacted the 2019 consumer direct margin.

[4] Loyalty provision reversal, lower installation, reconnection & reminder fees

2.1.3 Underlying Group expenses[5]

Table 6: Underlying Group expenses

	4th Quarter			Year-to-date		
(EUR million)	2019	2020	% Change	2019	2020	% Change
Group Underlying	459	464	1.1%	1,802	1,740	-3.5%
Workforce expenses	305	298	-2.3%	1,199	1,141	-4.8%
Non Workforce expenses	155	167	7.8%	603	599	-0.8%
Domestic Underlying	416	419	0.7%	1,630	1,567	-3.9%
Workforce expenses	280	270	-3.5%	1,099	1,036	-5.7%
Non Workforce expenses	136	149	9.2%	531	531	-0.1%
BICS Underlying	43	45	5.0%	172	172	0.1%
Workforce expenses	25	27	11.0%	100	104	4.3%
Non Workforce expenses	18	18	-3.0%	72	68	-5.6%

Q4 2020 The Proximus Group **underlying operating expenses** increased for the fourth quarter of 2020 to EUR 464 million, **up by +1.1%.**

In the last quarter of 2020, the expenses of Proximus' **Domestic operations ended 0.7% above the fourth quarter of 2020**. Within the mix, the **Domestic non-workforce expenses were up EUR 13 million on the previous year, totaling EUR 149 million** for the fourth quarter 2020. This includes a one-off cost provision[6] for EUR 8 million. In contrast to the prior two quarters, the cost base no longer benefited from a net favorable Covid-19 related cost effect.

The **Domestic workforce expenses for the fourth quarter of 2020 were down year-on-year by -3.5%,** driven by the positive impact from a lower headcount compared to one year ago (-1,612 FTEs). This resulted mainly from the employees that left the company in the framework of the Fit for Purpose plan and the last wave of leavers in the Early Leave Plan ahead of retirement. This was combined with regular retirement and natural outflow, partly offset by new hiring. Overall, Proximus' Domestic operations counted 10,530 FTEs by end December 2020.

The benefits of the lower headcount from one year ago were partly offset by wage drift, mainly on an inflation-based salary indexation (1 April 2020) and higher external workforce costs to support, amongst other things, an increased volume of inbound calls driven by the success of the Flex offer. Moreover, some workforce-related costs, in the prior year recognized as capex, are accounted for as operational cost, mainly driven by the cloudification impact of some of our activities.

The addressable base for the company's cost reduction ambitions are the **indirect expenses of Proximus' Domestic operations**. This is the Domestic cost base excluding the billable ICT workforce expenses in the B2B segment, given the company's growth ambitions in this area. For the fourth quarter of 2020, the **indirect[7] Domestic expenses were rather stable year-on-year (+0.3%).**

BICS' fourth quarter operating expenses increased year-on-year by 5.0% due to higher workforce expenses (+11.0%) following the hiring at Telesign to fuel its growth.

FY 2020 The **Proximus Group reduced its operating expenses by EUR -63 million**, or -3.5%, to reach a total for the year 2020 of EUR 1,740 million. This decrease was **fully driven by Proximus' Domestic cost base, totaling EUR 1,567 million for 2020,** mainly resulting from its strong focus on structurally improving its cost base by means of efficiency and digitalization. Moreover, the cost base of the company benefited from some pandemic-related

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

[6] One-off tax provision related to historical discontinued promotional arrangements

[7] Domestic expenses excluding Enterprise ICT billable workforce expenses

effects, driven a.o. by the wide-spread homeworking, the travel bans, etc. The sanitary crisis accelerated Proximus' digitalization trajectory, resulting in sooner than expected cost benefits. Out of the EUR 63 million year-on-year decrease in Domestic expenses, about EUR 45 million was related to structural cost benefits, largely the outcome of the decrease in headcount and efficiency savings. The remainder was related to non-recurring cost benefits such as some positive Covid-19 cost effects.

The company's **Domestic "indirect expenses"** were reduced by -**4.4 % over the year,** a decrease of EUR -68 million.

The **Operating expenses of BICS totaled EUR 172 million for 2020**, **stable compared to 2019**, including higher workforce costs following hirings at TeleSign to fuel its growth, off-set by lower non workforce expenses, helped by Covid-19 related cost savings.

2.1.4 Group EBITDA - reported and underlying

Table 7:

From reported to underlying EBITDA

	4th Quarter			Year-to-date		
(EUR million)	2019	2020	% Change	2019	2020	% Change
Group reported EBITDA	224	435	94.3%	1,676	1,922	14.7%
Lease depreciations	-18	-22	nr	-82	-82	nr
Lease interest	-1	-1	nr	-2	-2	nr
Incidentals	247	13	nr	278	-1	nr
Group Underlying EBITDA	453	426	-6.1%	1,870	1,836	-1.8%
Domestic	414	397	-4.0%	1,718	1,705	-0.7%
BICS	40	29	-28.2%	153	131	-14.5%

Underlying Group EBITDA

Q4 2020

The **underlying Group EBITDA for the fourth quarter of 2020 totaled EUR 426 million, down by 6.1%** or EUR -28 million compared to the prior year. This included for about EUR -16 million headwinds related to Covid-19 for the Group.

For its **Domestic operations, Proximus posted an EBITDA of EUR 397 million for the fourth quarter of 2020, -4.0% below the prior year,** a combination of the lower direct margin with a limited increase in expenses. Out of the EUR -16 million Domestic EBITDA decline, about EUR -10 million is to be attributed to Covid-19 effects on the Domestic direct margin, and also includes EUR -14 million of one-off effects, as described in the direct margin and expenses sections. The Domestic EBITDA margin as percentage of revenue remained stable year-on-year at 36.5%.

BICS' EBITDA for the fourth quarter of 2020 totaled EUR 29 million, a decrease of -28.2% compared to the prior year, driven by its lower direct margin and higher expenses for the last quarter 2020. The EUR -11 million EBITDA decline included a negative Covid-19 impact of about EUR -6 million. The EBITDA margin as a percentage of revenue was 9.5%, -3.0 p.p. on the prior year.

Total Reported Group EBITDA

With incidentals included and operating lease expenses excluded, the Proximus Group reported EUR 435 million EBITDA for the fourth quarter of 2020. The significant increase from the comparable period in the previous year resulted from the negative incidentals recorded in 2019, mainly related to the Fit for Purpose transformation plan (see section 8.2 for an overview of the incidentals).

FY 2020

For the full-year 2020, the **Proximus Group posted an underlying EBITDA of EUR 1,836 million**, -1.8% or EUR -34 million below that of the comparable period of 2019. The impact from Covid-19 on 2020 Group EBITDA is estimated at about EUR -49 million, driven by roaming direct margin, easing measures and an impact on the BICS margin, partially off-set by OPEX savings.

In spite of Covid-19 headwinds for about EUR -34 million, Proximus could limit the **underlying Domestic EBITDA decline to -0.7% or EUR -12 million**, bringing its full-year 2020 EBITDA to EUR 1,705 million.

The **EBITDA of BICS amounted to EUR 131 million, down -14.5% or EUR -22 million** compared to the previous year, with the Covid-19 impact estimated at EUR -16 million.

With incidentals included and operating lease expenses excluded, the **Proximus Group's reported EBITDA** for 2020 was **EUR 1,922 million**.

2.1.5 Net income

Q4 2020/ **FY** 2020

Depreciation and amortization

The fourth-quarter 2020 depreciation and amortization (including lease depreciation) equaled EUR 281 million, bringing the total for 2020 to EUR 1,116 million, rather stable compared to EUR 1,120 million in 2019.

Net finance cost

The full-year 2020 net finance cost totaled EUR 48 million including lease interests, a limited 1.6% up from one year ago.

Tax expenses

The 2020 tax expenses of EUR 174 million, represent an effective tax rate of 23.0%. Year-on-year the tax expense increased in line with the higher 2020 profit before tax, whereby 2019 was significantly impacted by the Fit for Purpose restructuring cost. The ETR is below the Belgian statutory tax rate of 25% following the application of general principles of Belgian tax law such as the patent income deduction and other R&D incentives.

Net income (Group share)

The 2020 full-year net income (Group share) totaled EUR 564 million versus EUR 373 million for 2019. This resulted mainly from incidentals (2019 was impacted by the restructuring costs), partly offset by a slightly lower underlying Group EBITDA in 2020 and resulting higher income taxes.

Table 8:

From Group EBITDA to net income

	4th Quarter			Year-to-date		
(EUR million)	2019	2020	% Change	2019	2020	% Change
Group reported EBITDA	224	435	94.3%	1,676	1,922	14.7%
Depreciation and amortization	-280	-281	0.6%	-1,120	-1,116	-0.3%
Operating income (EBIT)	-56	154	>100%	556	805	44.8%
Net finance costs	-9	-12	23.6%	-47	-48	1.6%
Share of loss on associates	0	0	n.r.	-1	-1	29.6%
Income before taxes	-65	142	>100%	508	756	48.8%
Tax expense	41	-29	<-100%	-116	-174	50.4%
Net income	-24	113	>100%	392	582	48.3%
Non-controlling interests	5	3	-40.3%	19	18	-8.9%
Net income (Group share)	-29	110	>100%	373	564	51.3%

2.1.6 Investments

Excluding spectrum and football broadcasting rights, **Proximus invested EUR 372 million in the fourth quarter of 2020, bringing its total accrued capex to EUR 1,000 million in 2020**. This was a touch above own expectations following higher customer capex over the past three months, a.o. driven by the success of Flex, the uptake of Fiber and ICT-projects. In line with its strategy, Proximus stepped up its investments in Digitalization, IT transformation and especially in Fiber, while reducing non-strategic investments. Over the last 3 months of 2020, Proximus further ramped-up its fiber roll-out, increasing its weekly roll-out speed to an average of 5,000 HP. As such, Proximus deployed Fiber for an additional 69,000 premises in the last quarter of 2020, bringing its Fiber footprint to 460,000 HP by end-December 2020.

Compared to 2019, the accrued capex decreased by EUR -27 million, following a careful management of its capex envelope, including the slow-down in Mobile investments in 2020, awaiting Proximus' new Radio Access Network. The announced renewal with Nokia, Proximus' selected vendor for the RAN, will start in 2021. Moreover, a number of investment projects are past their capex peak, or have been fully completed, such as Fiber to the Business in large industrial zonings.

2.1.7 Cash flows

Table 9: Cash flows

	4th Quarter			Year-to-date		
(EUR million)	2019	2020	% Change	2019	2020	% Change
Cash flows from operating activities	286	208	-27.2%	1,655	1,515	-8.5%
Cash paid for Capex (*)	-298	-342	14.9%	-1,091	-1,089	-0.1%
Cash flows used and provided in other investing activities	44	4	-90.3%	12	9	-27.1%
Cash flow before financing activities	32	-130	<-100%	576	434	-24.7%
Lease payments	-15	-23	53.6%	-78	-82	5.2%
Free cash flow	17	-153	<-100%	498	352	-29.4%
Cash flows used and provided in financing activities other than lease payments	-36	4	>100%	-515	-363	-29.6%
Exchange rate impact	-1	-1	>100%	0	-2	<-100%
Net increase/(decrease) of cash and cash equivalents	-21	-151	>100%	-17	-13	-21.0%

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

Proximus posted **FCF of EUR 352 million over 2020**, **or EUR 354 million excluding net cash-out for acquisitions**[8]. This is EUR 151 million below the comparable amount for 2019 (EUR 504 million), with the FCF of 2020 including EUR 154 million more cash-out related to workforce transformation plans, mainly related to the 2020 Fit for Purpose plan. The lower income tax payments for the full-year 2020 and a favorable year-on-year evolution in Business working capital were offset by the lower underlying EBITDA and other FCF movements, including lower property sales.

The fourth quarter 2020 FCF was negative by **EUR -153 million**. The typically low FCF in the last quarter of the year was brought further down from the prior year driven by a higher cash out for capex, a lower underlying EBITDA, higher income tax pre-payments and lower property sales compared to the fourth quarter of 2019.

[8] Earn out paid for Codit in Q2 2020

2.1.8 Balance sheet and shareholders' equity

Compared to year-end 2019, the goodwill decreased by EUR 13 million to EUR 2,465 million due to the USD/EUR conversion of the TeleSign goodwill.

Tangible and intangible fixed assets amounted to EUR 4,217 million and increased by EUR 9 million as the investments were slightly higher than the depreciation and amortization charge of the year.

The shareholders' equity increased from EUR 2,856 million end of December 2019 to EUR 2,903 million end of December 2020 as the Total Comprehensive Income (Group Share) of EUR 536 million was higher than the payments of dividends (EUR 484 million).

End-December 2020, Proximus' outstanding long-term debt (excluding lease liabilities) amounted to EUR 2,511 million, and its adjusted net financial position to EUR -2,356 million. Proximus was granted a new 20-year Private Placement Note of EUR 150 million starting 14 May 2020 with an annual fixed coupon of 1.5%.

Table 10: Net financial position

(EUR million)	As of 31 December 2019	As of 31 December 2020
Investments, Cash and cash equivalents	327	313
Derivatives	5	4
Assets	**332**	**318**
Non-current liabilities (*)	-2,603	-2,727
Current liabilities (*)	-220	-230
Liabilities	**-2,824**	**-2,957**
Net financial position (*)	**-2,492**	**-2,639**
of which Leasing liabilities	-307	-284
Adjusted net financial position (**)	**-2,185**	**-2,356**

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

2.2 Regulation

New caps on intra-EU call and SMS prices

In the context of the EU Telecom review adopted end-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. The 2020 impact until mid-May on revenue and on margin amounted to EUR -7 million.

Fiber wholesale pricing

Concerning the wholesale fiber pricing, in a draft decision notified to the European Commission on 26 January 2021, BIPT concludes that the rates that Proximus currently applies are fair, i.e. they do not exceed the costs of an efficient operator including a reasonable margin and in line with the regulation it set in 2018. A final decision is expected in the first quarter of 2021.

Spectrum

The multi-band spectrum auction which should include the renewal of the existing 2G/3G spectrum licenses (900MHz, 1800MHz and 2100MHz) as well as the granting of new 5G spectrum (700MHz, 1400MHz and 3500MHz), are still on hold. The process is ongoing and the auction is expected at the earliest in the second half of 2021. The draft legislations were approved by the Government on 15 January 2021. They still have to be submitted to the Concertation Committee. The draft law will then be submitted to the Parliament for approval. The final conditions of the future auction remain uncertain for the moment.

Concerning the **current 2G (900MHz and 1800MHz) and 3G (2100MHz)** licenses which will expire on 15 March 2021, the BIPT decided on 23 February 2021 to extend these licenses by a six-month period (until 14 September 2021). Based on a Royal Decree of 3 December 2020 modifying the 2G/3G existing Royal Decrees and to ensure business continuity, such extensions may be granted until new rights are auctioned. Extensions would be granted at the same conditions as the current licenses (including financial conditions).

Awaiting the upcoming multiband auction, on 15 June 2020, BIPT granted temporary licenses in the 3600-3800 MHz frequency band to five operators: Proximus, Orange, Telenet, Cegeka & Entropia, each operator receiving 40MHz. After the subsequent drop out of Entropia, BIPT redistributed the spectrum among the other actors on 13 October 2020. Proximus, Orange & Telenet have now each been granted a block of 50MHz TDD and Cegeka received a block of 40MHz TDD. These rights will run until new rights are granted following the auction. Operators have the obligation to put their spectrum in service before 1 March 2021. Operators have to pay a yearly fee of EUR 105,000 per block of 10 MHz. No unique fee is due and these rights are not subject to any specific coverage obligation. Given the importance of 5G to build a digital Belgium, Proximus welcomes the BIPT's initiative related to temporary licenses; however, a prompt decision on the definitive allocation of the spectrum in the framework of an auction remains a necessity. An association of users has appealed the BIPT allocation decision. Mobile operators have joined BIPT's defense ("requête en intervention").

On 22 September 2020, BIPT granted the unsold block of 15MHz duplex in the 2.6 GHz band (band originally used for 4G but can also be used for 5G in the future) to Citymesh/Cegeka. Initially it was foreseen to auction this block of unsold spectrum in the future multiband auction. The license duration is 15 years, from 2020 to 2035 for the entire territory. There are no specific coverage conditions associated with the band. Existing mobile operators (Proximus, Orange and Telenet) were excluded from the auction because their current holdings in this band exceed the spectrum cap of 20 MHz duplex. Citymesh/Cegeka also has user rights in the 3.4-3.6 GHz bands.

In Luxembourg, four bidders have successfully secured 5G spectrum in the auction that took place in mid-July 2020 for 700 MHz and 3,600 MHz frequencies.

	Proximus Luxembourg	Orange Luxembourg	Post Luxembourg	Luxembourg Online SA
700 MHz	2X10 MHz	2X10 MHz	2X10 MHz	-
3600 MHz	100 MHz	110 MHz	110 MHz	10 MHz

In total, the licenses were sold for EUR 41.3 million, of which Proximus Luxembourg is progressively paying its part. Usage rights will be granted for an initial period of 15 years and the licenses will be renewable at least once for a period of five years. A number of coverage obligations will apply to license holders.

Termination rates

In the context of the new Telecom Code, the EU institutions have agreed new rules concerning caps on wholesale mobile and fixed voice termination.

The Commission adopted on 18 December 2020 a binding decision setting single maximum EU-wide wholesale mobile and fixed termination rates (also referred to as Eurorates). This Act sets a 3-year glidepath for mobile termination rates (MTR) and a transition period for fixed termination rates (FTR).

For Belgium, the following rates will be applicable.

(€cent/minute)	Current	2021	01/01/2022	01/01/2023	As from 1/1/2024
MTR	0.99	0.70	0.55	0.40	0.2
FTR	0.116	0.09	0.07	-	-

Traffic originating from outside the EU is subject to the regulated EU-wide wholesale caps in cases where the non-EU termination rates are equal to or below the Euro rate. This regulation shall enter into force on the day following that of its publication in the Official Journal of the European Union. It shall apply from 1st day of the 3rd month after entry into force.

2.3 Outlook and Shareholder return

2.3.1 Guidance 2021

The year 2021 will be a transformational year for Proximus, in which it will further execute upon its #inspire2022 strategy as was set out at the Capital Markets Day of March 2020.

The level and duration of Covid-19 related impacts remain highly uncertain for the year to come. Proximus anticipates a gradual recovery of roaming volumes in the second part of 2021. This included, the 2021 **underlying Domestic revenue is** expected to remain rather close to the 2020 level, supported by a further customer growth in its Consumer Internet, TV and Mobile Postpaid base, and by a carefully managed transition within the Enterprise segment. The Wholesale segment is expected to carry a continued impact from eroding SMS inbound traffic, though with a neutral margin effect on Domestic level.

To build the foundations for its growth trajectory, Proximus Group anticipates in 2021 some additional expenditures. For its Domestic operations this is related to Fiber migrations and its IT transformation. Moreover, Cloudification and the roll-out of the shared mobile network by Mwingz will have the effect of increasing opex, while reducing capex. At the same time, Proximus anticipates less cost benefits from Covid-19-related measures in comparison to 2020. In aggregate, all these elements count for a total of around EUR 50 million of operational expenses impacting Proximus' Domestic operations. Proximus will continue its tight cost control in other areas and work on cost efficiencies through further digitalization, automation and simplification of its operations. Overall, the **underlying Group EBITDA for 2021 is expected to range between EUR 1,750 million and EUR 1,775 million**.

The **Group Capex is projected to end close to EUR 1.2 billion for 2021,** with the year-on-year increase driven by Proximus' announced accelerated Fiber roll-out, aiming to double its roll-out speed compared to 2020, and by investments in its Mobile Network as well as in its IT transformation. For 2021, **Proximus anticipates its net debt/EBITDA ratio to remain below 1.6X**, including Fiber equity injections, the acquisition of the minority stakes in BICS, and the acquisition of Mobile Vikings, pending the approval of the competition authorities.

Table 11a:

2021 Outlook

Guidance metric	FY20 Actuals	FY21 Guidance
Underlying Domestic revenue	€ 4,285M	Close to the 2020 level
Underlying Group EBITDA	€ 1,836M	€ 1,750-1,775M
Capex (excluding Spectrum & football rights)	€ 1Bn	Close to € 1.2Bn
Net debt / EBITDA	1.28X	< 1.6X

With regard to its environmental efforts to be a truly circular company, Proximus foresees to collect 150,000 phones, refurbish 500,000 modems and decoders and recycle 900 tons of copper in 2021.

2.3.2 Shareholder return

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

On 25 February 2021 the Proximus Board of Directors approved to propose to the AGM of 21 April 2021 to return to the Proximus shareholders a gross normal dividend of EUR 0.70 per share. With the interim dividend returned in December 2020 included, this brings the total dividend over the result of 2020 to EUR 1.20 per share.

Coupon 32:
Gross normal dividend: EUR 0.70/share
Net dividend (30% withholding tax assumed): EUR 0.49/share

- Ex-coupon date: 28 April 2021
- Record date: 29 April 2021
- Payment date: 30 April 2021

2.3.3 #inspire2022

Proximus confirms its ambitions from its #inspire2022 strategy, bringing its Domestic operations back to topline and EBITDA growth as of 2022. Proximus also confirms its indirect OPEX ambition for 2022, i.e. a net indirect OPEX reduction of between -1% to -2% CAGR over the 3-year period 2020- 2022. With digitalization benefits coming in sooner than expected, this cost objective was already largely reached in 2020. In view of obtaining structural cost efficiencies, Proximus is shaping up a new company-wide cost program in which its ambitioning a total of gross cost savings for about EUR 400 million, of which roughly half is reflected within its 2020-2022 cost objective. The remaining cost decrease envisioned through this program is to come through in the 2023-2025 period.

Table 11b: Outlook

Outlook	
Underlying Domestic revenue excl. terminals	Grow as of 2022
Domestic Indirect OPEX	Reduce by -1% to -2% CAGR over the 3-year period 2020-2022
Gross cost savings	About € 400M over 2020-2025 of which about roughly half over 2020-2022
Underlying Domestic EBITDA	Grow as of 2022

3 Consumer

- Continued strong commercial traction, supported by the Flex offer and the year-end campaign.
- Adding 31,000 Mobile postpaid cards, 13,000 Internet and 14,000 TV subscriptions in Q4'20
- Strong traction for convergent Flex offer with 317,000 packs six months after launch.
- Services revenue continuing good trend. Total revenue -1.3% due to low-margin Terminals and one-off 2019 provision reversal.
- +4.1% Convergent revenue, driven by the uptake of Flex. The convergence rate rose to 60.0% and the ARPC was up by 1.5%, despite lower roaming revenue and fading e-Press support.
- Direct margin up by 3.2% YoY to reach EUR 520 million.

3.1 Consumer revenue

Continuing growth in customer base supported both Fixed and Mobile services revenue.

Proximus posted Consumer revenue of **EUR 680 million, -1.3% or EUR -9 million below the prior year**. Revenue generated by Fixed and Mobile services largely continued the favorable trend from prior quarters, growing Fixed Services by 3.4%, and further improving the erosion in Mobile Services revenue to -3.1% for the last quarter of the year, in spite of the continued Covid-19 headwind on roaming. The revenue variance was impacted by a EUR -7 million decrease in Terminals revenue, from a high comparable base and mostly driven by low-margin Mobile devices. Revenue from "Other Products" showed a EUR -8 million decrease from the last quarter of 2019, which included a EUR 6 million one-off beneficial provision reversal[9].

In a typical highly promotional year-end period, Proximus attracted many customers to its Internet, TV, and Mobile postpaid offers. Especially the new convergent Flex offer, launched on 1 July 2020, proved very successful. By end-2020, Proximus counted a total of 317,000 packs on one of the Flex combinations. Scarlet continues to thrive in the no-frills segment, continuing its customer attraction in this part of the market.

+3.4% Fixed services revenue, supported by growing subscriber base and usage.

The Fixed Services revenue came in strong for the Consumer segment, posting EUR 392 million revenue for the fourth quarter of 2020, up by 3.4% from the prior year. The positive trend in Fixed Services revenue reflects the benefit from Proximus' growing base for Internet and TV and a rather well sustained higher Fixed Voice usage during the fourth quarter soft lock-down. Whereas the 1 January 2020 price indexation gave a further stable support, the benefit from e-Press annualized on 1 December 2020.

The Consumer segment maintained a solid operational trend for its Fixed services, supported by the strong customer traction on the Flex offering, and the ongoing success of Scarlet in the cost-conscious no-frills segment. In aggregate, Proximus Consumer Internet base grew in the fourth quarter by +13,000 and its TV base by +14,000, increasing its total Internet base by 2.3% in one year to 1,965,000, or +44,000 and its TV subscriber base by 2.2% to 1,666,000, or +36,000. Driven by changing customer needs and a better-fitting Flex offering, the Fixed Voice line erosion amounted to -48,000 lines, bringing the total Fixed Voice line base to 1,706,000 by end-2020. On Fiber, the number of customers increased by 26,000 over 2020, reaching a total Fiber park of 65,000 by year-end.

+31,000 Postpaid net adds in Q4. ARPU remains pressured by limited non-EU roaming traffic.

The strong commercial dynamic following the year-end promotions and the traction of the Proximus multi-mobile offer Flex, resulted in another firm increase in Mobile Postpaid customers. All in all, Proximus' Consumer segment added a solid number of 31,000 SIMs over the last quarter of 2020, chiefly attracting customers on the Proximus brand, bringing the total Postpaid base to 2,907,000[10] SIM cards by end-December 2020, up by 127,000 or equal to +4.6% from the prior year. In the fourth quarter Proximus' Postpaid churn level was 14.8%, remaining 1.4 p.p. below the prior year.

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[9] Q4 2019 benefitted from a provision reversal following Proximus' revamped customer loyalty program Enjoy!, ending its prior program 'Premium Club'.

[10] Excluding M2M cards

The benefit from the strong Postpaid customer growth could partially offset the lower ARPU, which continued to be impacted by larger data bundles, travel restrictions and an ongoing effect from favorably priced Mobile subscriptions in a Pack. With a 2020 fourth quarter ARPU of EUR 18.0, the year-on-year decline somewhat softened from prior quarters, resulting from a fading impact from e-Press and the headwind on roaming being more contained.

Overall, this led to Consumer revenue from **Postpaid mobile services of EUR 156 million for the fourth quarter 2020, further reducing the year-on-year decline to -2.3%.**

The Proximus prepaid base decreased by a net -21,000 Prepaid cards in the fourth quarter 2020. This led to a total of 597,000 Prepaid cards, with an ARPU of EUR 5.0, down by -2.4% year-on-year resulting from usage erosion.

Following the more limited revenue decline for Postpaid, the total overall **Mobile service revenue decrease remained contained to -3.1%** for the fourth quarter of 2020, totaling **EUR 165 million**.

+4.1% Convergent revenue, in spite of Covid-19 related roaming revenue loss. Convergence rate reaches 60%.

Of the EUR 680 million Consumer revenue in the fourth quarter of 2020, **EUR 551 million was X-Play service revenue** generated by a total of 3,130,000 Proximus customers/small offices. This is a **1.3% revenue increase** from the prior year, in spite of the continued negative effect of Covid-19 on the non-EU roaming traffic. The sustained favorable total X-play revenue evolution resulted from a 4.1% increase in Convergent revenue, more than offsetting the lower revenue from both Fixed-only and Mobile-only customers.

Proximus closed the year with a total of 1,124,000 convergent customers, increasing its convergence rate to 60.0% on the total of Multi-Play customers, +2.5 p.p. up on the prior year.

The convergence revenue benefited especially from the Flex offering, driving a solid 23.8% growth in 3-Play convergent revenue. Part of the 3-Play convergent customer growth of 81,000 in 2020 resulted from migrating 4-Play customers, prompted by a Flex offering better answering their needs. The 4-Play customer base therefore declined by -27,000, at a fairly stable ARPC.

Overall, the continued upselling and multi-mobile strategy through Flex led to a further year-on-year improvement in the average number of RGUs, for the fourth quarter 2020 up by 1.1% to 2.64 for the overall customer base. This benefited the overall ARPC, up by 1.5% to reach EUR 58.6.

3.2 Consumer direct margin

For the fourth quarter of 2020, the Consumer segment posted a +3.2% increase in **direct margin to reach EUR 520 million,** in spite of the above-mentioned EUR 6 million negative year-on-year one-off effect. This resulted from an increase in both Fixed Services and Mobile Services direct margin, including lower mobile SMS interconnect[11] and roaming costs.
The direct margin as a percentage of revenue was 76.5% for the fourth quarter, 3.3 p.p. above that of the year before.

[11] Interconnect/Inbound revenue is part of Wholesale. Interconnect costs are reported within the Consumer and Enterprise segments. On Group level, inbound margin is fairly neutral.

Table 12:

Consumer revenue by nature and direct margin

(EUR million)	4th Quarter			Year-to-date		
	2019	2020	% Change	2019	2020	% Change
Revenue	689	680	-1.3%	2,672	2,668	-0.1%
Other Operating Income	6	5	-21.6%	25	20	-17.9%
Net Revenue	683	676	-1.1%	2,647	2,648	0.0%
Of Which X-Play Revenue	*544*	*551*	*1.3%*	*2,191*	*2,203*	*0.6%*
Service Revenue	550	558	1.4%	2,217	2,227	0.5%
From Fixed	379	392	3.4%	1,515	1,560	3.0%
From Mobile	171	165	-3.1%	702	667	-4.9%
Postpaid	160	156	-2.3%	653	625	-4.2%
Prepaid	11	9	-15.2%	49	42	-14.8%
Terminals (fixed and mobile)	75	68	-9.3%	229	235	2.6%
*Of which revenue from joint offer devices (IFRS15 impact) **	*31*	*29*	*-5.6%*	*84*	*99*	*18.0%*
Luxembourg Telco	32	32	-1.2%	116	116	0.0%
ICT	8	8	3.0%	30	30	-0.7%
Other Products	19	10	-43.4%	56	40	-28.2%
Costs of sales	-185	-160	-13.5%	-636	-596	-6.2%
Direct Margin	504	520	3.2%	2,036	2,072	1.8%
Direct Margin %	*73.1%*	*76.5%*	*3.3 p.p.*	*76.2%*	*77.7%*	*1.4 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 13:

Consumer operationals by nature

	2019	2020	% Change	2019	2020	% Change
Park (000's)						
Fixed voice lines	1,858	1,706	-8.2%	1,858	1,706	-8.2%
Broadband lines	1,921	1,965	2.3%	1,921	1,965	2.3%
TV unique customers	1,630	1,666	2.2%	1,630	1,666	2.2%
Mobile postpaid cards excl. M2M	2,779	2,907	4.6%	2,779	2,907	4.6%
M2M	3	3	-14.6%	3	3	-14.6%
Mobile prepaid cards	686	597	-12.9%	686	597	-12.9%
Net adds (000's)						
Fixed voice lines	-31	-48		-111	-152	
Broadband lines	9	13		28	44	
TV unique customers	5	14		19	36	
Mobile postpaid cards excl. M2M	14	31		46	127	
M2M	0	0		-1	0	
Mobile prepaid cards	-25	-21		-86	-89	
ARPC - all Plays (EUR)	57.8	58.6	1.5%	57.9	58.6	1.1%
ARPU (EUR)						
Mobile postpaid	19.2	18.0	-6.3%	19.8	18.4	-7.1%
Mobile prepaid	5.1	5.0	-2.4%	5.7	5.5	-3.8%
Annualized churn rate						
Mobile postpaid	16.2%	14.8%	-1.4 p.p.	15.6%	12.6%	-2.9 p.p.
Mobile prepaid	39.3%	39.7%	0.4 p.p.	36.6%	38.8%	2.2 p.p.
Average Mobile data usage/user/month (Mb)	3,271	4,340	32.7%	na	na	na

Note:

Following an improved alignment of the IFRS 15 allocation in the subcategories in the X-Play customer reporting, the figures for 2019 and Q1 2020 have been adjusted accordingly to keep a meaningful comparable base.

Table 14:

Consumer X-Play view

	4th Quarter			Year-to-date		
	2019	2020	% Change	2019	2020	% Change
Revenues x - play (EUR million)	544	551	1.3%	2,191	2,203	0.6%
Fixed-only	170	165	-2.7%	691	669	-3.1%
Mobile-only	70	69	-1.4%	285	276	-3.0%
Convergent	305	317	4.1%	1,215	1,258	3.5%
4-Play	214	208	-2.7%	858	855	-0.3%
3-Play	159	172	8.7%	634	665	4.9%
Convergent	74	92	23.8%	291	334	14.7%
Fixed	84	80	-4.6%	343	331	-3.5%
2-Play	66	67	0.6%	268	266	-0.7%
Convergent	17	17	3.8%	66	69	3.3%
Fixed	49	49	-0.4%	202	198	-2.0%
1-Play	106	104	-1.4%	431	417	-3.2%
1P Fixed Voice	20	18	-10.2%	84	73	-13.2%
1P internet	16	18	9.1%	63	68	9.1%
1P Mobile	70	69	-1.4%	285	276	-3.0%
Customers per Play - Total (000's)	3,140	3,130	-0.3%	3,140	3,130	-0.3%
4-Play	715	688	-3.8%	715	688	-3.8%
3-Play	757	807	6.5%	757	807	6.5%
Convergent	267	348	30.3%	267	348	30.3%
Fixed	490	459	-6.5%	490	459	-6.5%
2-Play	385	379	-1.7%	385	379	-1.7%
Convergent	85	88	3.5%	85	88	3.5%
Fixed	300	291	-3.1%	300	291	-3.1%
1-Play	1,282	1,257	-1.9%	1,282	1,257	-1.9%
1P Fixed Voice	238	203	-14.8%	238	203	-14.8%
1P internet	176	192	8.9%	176	192	8.9%
1P Mobile	867	862	-0.6%	867	862	-0.6%
ARPC x - play (in EUR)	57.8	58.6	1.5%	57.9	58.6	1.1%
4-Play	99.7	99.8	0.1%	100.4	100.8	0.4%
3-Play	69.7	72.2	3.6%	69.9	71.6	2.4%
Convergent	94.0	92.4	-1.8%	95.7	93.2	-2.6%
Fixed	56.8	57.8	1.8%	56.8	57.9	2.0%
2-Play	57.1	58.5	2.4%	57.1	58.3	2.1%
Convergent	65.7	65.4	-0.5%	66.9	65.3	-2.4%
Fixed	54.7	56.4	3.1%	54.5	56.2	3.1%
1-Play	27.5	27.5	0.0%	27.8	27.3	-1.8%
1P Fixed Voice	26.9	28.4	5.4%	27.0	27.5	1.9%
1P internet	31.1	31.1	0.2%	31.3	31.0	-0.8%
1P Mobile	26.9	26.5	-1.7%	27.4	26.5	-3.3%
Average #RGUs per Customer - Total	2.61	2.64	1.1%	2.61	2.64	1.1%
4-Play	4.78	4.81	0.6%	4.78	4.81	0.6%
3-Play	3.26	3.33	2.2%	3.26	3.33	2.2%
Convergent	3.68	3.73	1.5%	3.68	3.73	1.5%
Fixed	3.03	3.02	-0.1%	3.03	3.02	-0.1%
2-Play	2.15	2.14	-0.3%	2.15	2.14	-0.3%
Convergent	2.45	2.43	-0.9%	2.45	2.43	-0.9%
Fixed	2.07	2.06	-0.3%	2.07	2.06	-0.3%
1-Play	1.15	1.15	0.3%	1.15	1.15	0.3%
1P Fixed Voice	1.05	1.05	-0.4%	1.05	1.05	-0.4%
1P internet	1.00	1.00	0.0%	1.00	1.00	0.0%
1P Mobile	1.21	1.22	0.5%	1.21	1.22	0.5%
Annualized full churn rate (Customer) - Total	15.6%	15.1%	-0.5 p.p.	15.2%	13.4%	-1.8 p.p.
4-Play	5.0%	4.9%	-0.1 p.p.	4.5%	4.2%	-0.3 p.p.
3-Play	12.7%	11.1%	-1.6 p.p.	12.1%	10.4%	-1.7 p.p.
2-Play	14.4%	14.4%	0.0 p.p.	14.4%	13.1%	-1.3 p.p.
1-Play	23.6%	23.4%	-0.1 p.p.	23.1%	20.3%	-2.7 p.p.
Convergent Customers - Total (000's) *	1,067	1,124	5.3%	1,067	1,124	5.3%
% Convergent Customers - Total *	57.4%	60.0%	2.5 p.p.	57.4%	60.0%	2.5 p.p.
4-Play	100.0%	100.0%	0.0 p.p.	100.0%	100.0%	0.0 p.p.
3-Play	35.3%	43.1%	7.9 p.p.	35.3%	43.1%	7.9 p.p.
2-Play	22.0%	23.2%	1.2 p.p.	22.0%	23.2%	1.2 p.p.

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

4 Enterprise

- Fourth quarter revenue variance impacted by very high comparable base for ICT products at low-margin, while improving the services contribution.
- Revenue erosion in Fixed and Mobile services remained contained.
- Mobile Postpaid customer base grew further by a net +10,000 cards, Mobile ARPU mostly down on Covid-19 related decrease in roaming traffic and some continued competitive pricing pressure.
- Direct margin down -3.8% YoY, largely following same trend from prior quarters. The Direct margin improved year-on-year by 1.5 p.p. to 66.5%.

4.1 Enterprise revenue

High-comparable base for ICT in 2019 impacts Q4 revenue variance.

The fourth quarter 2020 revenue of the **Enterprise segment totaled EUR 345 million, i.e. -6.0% down from a high comparable base in 2019** and driven by a steep unfavorable year-on-year variance for low-margin ICT products. In contrast, revenue from Fixed data was slightly up, showing further improvement from prior quarters and the Mobile Services revenue posted a more limited revenue decline in spite of continued Covid-19 effects on roaming.

Solid growth in Mobile base by +10,000, ARPU impacted by roaming drop and price pressure.

Over the fourth quarter of 2020, the **Mobile Services revenue totaled EUR 68 million**, down year-on-year by -6.5%, a further slow-down from prior quarters' erosion. The Mobile ARPU declined by -9.6% to EUR 19.5, remaining significantly impacted by a negative Covid-19 effect on roaming and, to a lesser extent, due to ongoing competitive pricing pressure.

The ARPU pressure was partly offset by an ongoing growth of the Enterprise Mobile customer base. Over the past twelve months, the Enterprise segment grew its mobile customer base by 33,000 Postpaid SIM cards. This includes a strong net growth over the last quarter of 2020 by +10,000 Mobile cards, reaching a total of 1,096,000 cards, excl. M2M, a year-on-year growth of 3.1%. The fourth-quarter churn level remained 1.0 p.p. below the prior year at 10.2%.

+162,000 M2M cards activated.

The Enterprise segment posted another strong volume increase in M2M for the fourth quarter of 2020, with an additional 162,000 M2M cards activated. This was mainly related to the Smart metering[12] project with Fluvius, in addition to an ongoing growth in regular M2M cards. This brought the total number of M2M cards to 2,343,000 at end-December 2020, or a 31.8% increase from the prior year.

The total revenue from **Fixed Telecom Services,** including Voice and Data**, totaled 104 EUR million,** a rather stable decline of -2.4% year-on-year.

Stable Fixed Voice ARPU, with traffic still going strong in Covid-19 times.

The **Fixed Voice revenue was down by -7.2%** for the fourth quarter. The Covid-19 related rise in traffic volumes (especially Fixed to Mobile and call routing via VAS[13] numbers) sustained in the fourth quarter. This was slightly offset by an exceptional credit note, resulting in a stable Fixed Voice ARPU of EUR 29.5. With the fourth quarter 2020 Voice line erosion at -13,000 lines, the total Fixed Voice base totaled 462,000 by end-December 2020, i.e. a year-on-year line loss of -7.6%.

Fixed data revenue +1.0% on data connectivity revenue

The Enterprise revenue from **Fixed Data services totaled EUR 62 million, +1.0%** on the prior year. The revenue continued to be supported by the contract signed with Eleven Sports, with Proximus providing the necessary connectivity. This aside, the usual trend continued with a growing Fiber park for Business customers, supporting Proximus' Explore solutions, being more than offset by the ongoing legacy out phasing and more attractive customer pricing in a competitive market.

[12] 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.

[13] VAS – Value Added Services, e.g. 0800 numbers and VMS – Value Managed Services, i.e. call routing to ensure business continuity

Revenue from Internet services continued its somewhat eroding trend, driven by a lower Broadband ARPU of EUR 42.9 for the fourth quarter of 2020, -1.9% down from the previous year. This was partly offset by a slight increase in Proximus' Enterprise Internet park, totaling 133,000 lines end-December 2020, in spite of a competitive setting.

ICT revenue down from high comparable base.

For the last quarter of 2020, **Proximus' Enterprise segment posted EUR 141 million in ICT revenue,** the highest revenue of the year 2020, including a limited unfavorable impact from Covid-19 in terms of some contract-delays. 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. Nevertheless, ICT remained 6.8% below the record-high revenue achieved in the fourth quarter of 2019, which included an exceptional elevated level of low-margin product deals.

Proximus' Enterprise segment posted a sequentially stable **EUR 10 million revenue from Advanced Business Services** for the fourth quarter of 2020. This contains Proximus' convergent solutions, and Smart mobility revenue from Be-Mobile, among which parking revenues with some Covid-19 exposure.

4.2 Enterprise direct margin[14]

The fourth-quarter 2020 direct margin totaled EUR 229 million, down -3.8% on the comparable base of 2019. With the year-on-year ICT revenue loss mainly related to low-margin products, the Enterprise direct margin for the fourth quarter 2020 largely followed the same trend from prior quarters.

The direct margin as a percentage of revenue for the fourth quarter was 66.5%, +1.5 p.p. above that of the prior year following a favorable product mix.

[14] 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 15: Enterprise revenue by nature and direct margin

(EUR million)	4th Quarter 2019	4th Quarter 2020	4th Quarter % Change	Year-to-date 2019	Year-to-date 2020	Year-to-date % Change
Revenue	367	345	-6.0%	1,398	1,350	-3.4%
Other Operating Income	2	2	8.9%	6	6	-3.4%
Net Revenue	365	343	-6.1%	1,392	1,344	-3.4%
Telecom Revenue	201	190	-5.2%	804	758	-5.7%
Service Revenue	179	171	-4.1%	725	687	-5.3%
Fixed Services	106	104	-2.4%	431	412	-4.3%
Voice	45	41	-7.2%	185	170	-8.0%
Data	62	62	1.0%	245	242	-1.5%
Mobile Services	72	68	-6.5%	295	275	-6.7%
Terminals (fixed and mobile)	15	13	-13.4%	54	48	-10.8%
Luxembourg Telco	7	6	-15.9%	25	23	-7.2%
ICT	152	141	-6.8%	537	541	0.7%
Advanced Business Services	11	10	-10.3%	40	39	-2.8%
Other Products	2	2	-16.2%	10	6	-39.7%
Costs of Sales	-128	-115	-10.1%	-447	-441	-1.2%
Direct Margin	239	229	-3.8%	951	909	-4.5%
Direct Margin %	*65.0%*	*66.5%*	*1.5 p.p.*	*68.1%*	*67.3%*	*-0.7 p.p.*

Table 16: Enterprise operationals

	4th Quarter 2019	4th Quarter 2020	4th Quarter % Change	Year-to-date 2019	Year-to-date 2020	Year-to-date % Change
Park (000's)						
Fixed voice lines	500	462	-7.6%	500	462	-7.6%
Broadband lines	132	133	1.2%	132	133	1.2%
Mobile postpaid cards excl. M2M	1,063	1,096	3.1%	1,063	1,096	3.1%
M2M cards	1,778	2,343	31.8%	1,778	2,343	31.8%
Net adds (000's)						
Fixed voice lines	-9	-13		-40	-38	
Broadband lines	0	1		0	2	
Mobile postpaid cards excl. M2M	5	10		35	33	
M2M cards	102	162		451	566	
ARPU (EUR)						
Fixed voice	29.5	29.5	0.1%	29.7	29.5	-0.8%
Boadband	43.7	42.9	-1.9%	44.1	43.2	-2.2%
Mobile postpaid	21.6	19.5	-9.6%	22.3	20.2	-9.6%
Annualized mobile postpaid churn rate	11.2%	10.2%	-1.0 p.p.	11.1%	9.9%	-1.2 p.p.
Average Mobile data usage/user/month (Mb)	2,400	2,506	4.4%	na	na	na

5 Wholesale

Table 17: Wholesale revenue and direct margin

	4th Quarter			Year-to-date		
(EUR million)	2019	2020	% Change	2019	2020	% Change
Revenue	92	74	-19.4%	376	313	-16.8%
Net Revenue	92	74	-19.3%	376	313	-16.8%
Other Operating Income	0	0	nr	0	0	nr
Costs of Sales	-8	-7	-13.7%	-36	-29	-19.8%
Direct Margin	84	67	-19.9%	341	284	-16.5%
Direct Margin %	*91.1%*	*90.5%*	*-0.6 p.p.*	*90.5%*	*90.9%*	*0.3 p.p.*

Lower mobile inbound and roaming impacting revenue & direct margin.

For the fourth quarter of 2020, Proximus' **Wholesale segment reported revenue of EUR 74 million, -19.4% lower than in 2019**. More than half of the year-on-year revenue decrease resulted from **lower mobile inbound**[1] revenue, due to an ongoing decrease in SMS usage, which was once more emphasized during the fourth quarter (soft-) lockdown. The remaining decline was largely due to lower revenue from visitor and instant roaming, which continued to be impacted by Covid-19-driven travel reluctance and bans.

The **direct margin for the fourth quarter of 2020 totaled EUR 67 million, a -19.9%** decline compared with the prior year, following the revenue trend. This was largely related to lower inbound margin, which is neutral on Domestic level.

[1] See section 8.1 for reporting changes

6 BICS (International Carrier Services)

- **Direct margin impacted by steady adverse effects from Covid-19 travel restrictions and continued MTN insourcing headwinds.**
- **Sustained strong revenue performance by TeleSign, up by 38.7%, driven by authentication and mobile identity.**
- **BICS' legacy Voice continuing its eroding trend.**
- **Direct margin pressure drives Ebitda down to EUR 29 million, with Ebitda margin at 9.5%.**

__Note__- In view of Proximus acquiring full ownership of BICS, the reporting structure will be adjusted as of 2021, with a restated comparable base for 2020. The new reporting structure, to be adopted as of Q1 2021 might still differ from the structure used below, which is a mere alignment with the BICS announcement on 9 February 2021.

6.1 BICS revenue

For the fourth quarter of 2020, **BICS posted revenue of EUR 300 million, a -5.5% decline year-on-year.**

Revenues from **BICS stand-alone** declined by 14.6% driven by revenue from voice and mobility-dependent (roaming, signaling) services. Revenue from Voice services continued its eroding trend in line with the market, reinforced by negative Covid-19 effects on international traffic and due to the ongoing insourcing by MTN of the transport and management of its traffic. Revenue from signaling and roaming showed a year-on-year decline as well, with these services being significantly exposed to the very limited travel circulation across the globe.

Revenues from TeleSign showed a 38.7% year-on-year increase for the fourth quarter, with continuing revenue growth in both authentication and mobile identity services.

6.2 BICS direct margin

For the fourth quarter of 2020, **BICS posted a direct margin of EUR 74 million, down by -11.0%** or EUR -9 million compared to the prior year. Covid-19 effects on BICS' fourth quarter direct margin counted for about EUR -7 million, a stable impact from the third quarter.

BICS' stand-alone direct margin declined by -17.3% year-on-year, carrying the largest part of the Covid-19 impact, showing in its mobility services (pandemic related travel-drop) and voice. In addition to these adverse Covid-19 effects, the underlying Direct Margin was further impacted by MTN's insourcing process, emphasizing the structural Voice revenue decline. In contrast, growth was noted linked to the expansion of BICS' activities in the numbering[15] business.

TeleSign's direct margin increased by 11.8% year-on-year, providing solid growth in the domains of mobile identity and authentication, in spite of some negative Covid-19 effects.

The overall direct margin as a percentage of revenue declined by -1.5 p.p. from the prior year to reach 24.6% in the fourth quarter of 2020.

[15] Numbering refers to the sale of local dial-in numbers to cloud players (Skype, Zoom, Twillio…).

6.3 BICS EBITDA

BICS' EBITDA for the fourth quarter of 2020 totaled EUR 29 million, down by 28.2% compared to the prior year, mainly explained by the decrease in Direct Margin. Operating expenses increased year-on-year by 5.0% due to higher workforce expenses (+11.0%) following the hiring at TeleSign to fuel its growth. This was to some extent offset by lower non-workforce expenses (-3.0%) resulting from a.o. reduced own travel expenses.

The EBITDA margin as a percentage of revenue for the last quarter of 2020 was 9.5%, -3.0 p.p from the previous year.

Table 18: BICS P&L

	4th Quarter			Year-to-date		
(EUR million)	2019	2020	% Change	2019	2020	% Change
Revenue	317	300	-5.5%	1,301	1,194	-8.2%
Net Revenue	316	300	-5.2%	1,297	1,193	-8.0%
Other Operating Income	1	0	-92.1%	4	1	-74.7%
Costs of Sales	-235	-226	-3.6%	-976	-891	-8.7%
Direct Margin	83	74	-11.0%	325	303	-6.7%
Direct Margin %	*26.1%*	*24.6%*	*-1.5 p.p.*	*25.0%*	*25.4%*	*0.4 p.p.*
Expenses	-43	-45	5.0%	-172	-172	0.1%
Workforce Expenses	-25	-27	11.0%	-100	-104	4.3%
Non Workforce Expenses	-18	-18	-3.0%	-72	-68	-5.6%
EBITDA	40	29	-28.2%	153	131	-14.5%
Contribution Margin	*12.5%*	*9.5%*	*-3.0 p.p.*	*11.7%*	*11.0%*	*-0.8 p.p.*

Table 19: Revenue

	4th Quarter			**Year-to-date**		
(EUR million)	**2019**	**2020**	**% Change**	**2019**	**2020**	**% Change**
Total revenue	317	300	-5.5%	1,301	1,194	-8.2%
BICS	263	224	-14.6%	1,126	921	-18.3%
Telesign	54	76	38.7%	174	273	56.8%

Table 20: Direct margin

	4th Quarter			**Year-to-date**		
(EUR million)	**2019**	**2020**	**% Change**	**2019**	**2020**	**% Change**
Total direct margin	83	74	-11.0%	325	303	-6.7%
BICS	65	54	-17.3%	260	225	-13.6%
Telesign	18	20	11.8%	65	78	20.7%

Table 21: EBITDA

	4th Quarter			**Year-to-date**		
(EUR million)	**2019**	**2020**	**% Change**	**2019**	**2020**	**% Change**
Total EBITDA	40	29	-28.2%	153	131	-14.5%
BICS	32	23	-29.2%	126	101	-19.7%
Telesign	7	6	-23.9%	27	30	10.0%

7 Consolidated Financial Statements

The statutory auditor has issued an unqualified report dated 26 February 2021 on the company's consolidated financial statements as of and for the year ended 31 December 2020 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 2020 that were authorized for issue by the Board of Directors on 25 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.

7.1 Accounting policies

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

Broadcasting rights of sport seasons

Proximus' accounting policy is to capitalize such broadcasting rights as an intangible asset at the start of each new season as this is the moment at which the license becomes available for broadcasting to air.
The amortization is classified as part of "Depreciation and Amortization" i.e. outside EBITDA and the cash flow is presented within investing activities. Future payment commitments related to future seasons will be disclosed as contractual commitments in the notes of the annual accounts. The company continues to monitor the related accounting rules and guidance in this domain where there is limited authoritative literature. As a reminder, the capex related to Football broadcasting rights and Spectrum are not included in Proximus guidance.

7.2 Judgements and estimates

In the context of Covid-19, the Group reassessed judgements and estimates in preparing these condensed consolidated financial statements. It concluded that Covid-19 had limited impact on the significant judgements mentioned under note 2 in the 31 December 2020 consolidated financial statements and that no new judgements and estimates are to be reported other than those mentioned below in this report.

Management assesses that the position with respect to the "Excess Profit" decision as recognized in the financial statements still reflects the best estimate of the probable outcome. On 11 January 2016, the European Commission announced its decision to consider Belgian tax rulings granted to multinationals with regard to "Excess Profit" as illegal state aid. BICS has applied such tax ruling for the period 2010-2014. BICS has paid the deemed aid recovery assessments. Furthermore, both BICS and the Belgian State filed an appeal against the decision of the European Commission before the European Court. The EU General Court ruled in its decision of 14 February 2019 in favor of the Belgian State against the European Commission based on the argument that there is no "state aid scheme". The European Commission filed an appeal against the aforementioned decision with the European Court of Justice (ECJ) on 24 April 2019. In addition, on 16 September 2019, the European Commission opened a separate in-depth investigation into 39 individual excess profit rulings including the excess profit rulings obtained by BICS. The individual opening decisions were eventually published on 31 August 2020. BICS submitted its comments to the Commission on 29 September 2020.

7.3 Significant events or transactions in 2020

Covid-19

The main impacts of Covid-19 on the underlying EBITDA, operational activities, the major projects, and forward-looking assessments are disclosed in section 2.3.

Proximus reassessed the extent to which, amongst other facts, the high degree of uncertainty and any sudden changes in the short-term economic outlook are expected to result in impacts for the Group. In this context, the expected credit loss for the outstanding trade receivables was reassessed mainly based on the following criteria: the sector in which the customers operate, the relationship with the customers and their respective ageing. This review led to a limited impact of the bad debt provision.

EUR 150 million Private Placement Note

Proximus was granted a new 20-year Private Placement Note (under EMTN) of EUR 150 million starting 14 May 2020 with an annual fixed coupon of 1.5%.

EUR 700 million Revolving Credit Facility

On 26 October 2020, Proximus signed a new Sustainable Revolving Credit Facility of EUR 700 million for a period of three years with the option to extend twice by further one-year periods.

Per end of 2020 there was no outstanding balance under this facility.

Mwingz - Joint operation

In November 2019, Proximus and Orange Belgium entered into a strategic agreement to share a part of their mobile access networks. The shared mobile access network is planned, built and operated by a joint company, owned 50/50 by Proximus and Orange Belgium named MWingz which started its services to the shareholders in April.

The agreement is based on the following principles:

- The operators contractually share control of the agreement, i.e. decisions about the relevant activities require unanimous consent of the parties
- Mwingz exclusively delivers services to the parents.

In its consolidated financial statements, the Proximus Group consolidates Mwingz as a joint operation and recognizes its share in the assets and liabilities based on its ownership interest and its share in Mwingz costs from third parties. Revenues from the sale of joint operation services to Proximus and Orange Belgium are eliminated.

Tax on pylons

Evolutions in jurisprudence in 2020 led the Group to reassess the liabilities related to Taxes on Pylons. This resulted in a positive impact of EUR 6 million in operating income and more particularly as “incidental”, (see section 8.2).

Fit for Purpose transformation plan (FFP)

Following the call for voluntary leaves in the Fit for Purpose (FFP) transformation plan, employees working in impacted domains have chosen to voluntarily leave the company. In this context, 1,347 FTEs are leaving Proximus, with the majority having left in the first quarter of 2020. In 2020, the balance of the FFP-related provisions was reassessed and decreased by EUR 22 million. This impact is reported as incidental together with other FFP-related costs (see section 8.2).

Football Broadcasting Rights

In July 2020, Proximus and Eleven entered into an agreement whereby Proximus acquired the right to broadcast to its customers Eleven's Pro League specific channels (national). The contract is signed for a duration of 5 years. The contract with Eleven related to international football events was extended until 2025.

An intangible asset is capitalized for the broadcasting rights related to the season 2020/2021.

7.4 Consolidated income statement

	4th Quarter			Year-to-date		
(EUR million)	2019	2020	% Change	2019	2020	% Change
Net revenue	1,440	1,381	-4.1%	5,638	5,443	-3.5%
Other operating income	19	9	-54.4%	59	38	-35.9%
Total income	1,458	1,390	-4.7%	5,697	5,481	-3.8%
Costs of materials and services related to revenue	-539	-499	-7.5%	-2,018	-1,901	-5.8%
Workforce expenses	-556	-296	-46.8%	-1,477	-1,128	-23.6%
Non workforce expenses	-139	-160	14.7%	-527	-530	0.6%
Total operating expenses before depreciation & amortization	-1,234	-955	-22.7%	-4,021	-3,559	-11.5%
Operating income before depreciation & amortization	224	435	94.3%	1,676	1,922	14.7%
Depreciation and amortization	-280	-281	0.6%	-1,120	-1,116	-0.3%
Operating income	-56	154	>100%	556	805	44.8%
Finance income	9	6	-31.8%	16	8	-50.8%
Finance costs	-19	-18	-3.8%	-63	-56	-11.8%
Net finance costs	-9	-12	23.6%	-47	-48	1.6%
Share of loss on associates	0	0	<-100%	-1	-1	29.6%
Income before taxes	-65	142	>100%	508	756	48.8%
Tax expense	41	-29	<-100%	-116	-174	50.4%
Net Income	-24	113	>100%	392	582	48.3%
Attributable to:						
Equity holders of the parent (Group share)	-29	110	>100%	373	564	51.3%
Non-controlling interests	5	3	-40.3%	19	18	-8.9%
Basic earnings per share	-0.09	0.34	>100%	1.16	1.75	51.4%
Diluted earnings per share	-0.09	0.34	>100%	1.16	1.75	51.4%
Weighted average number of outstanding shares	323,038,621	322,657,835	-0.1%	322,918,006	322,752,015	-0.1%
Weighted average number of outstanding shares for diluted earnings per share	323,055,344	322,657,835	-0.1%	322,954,702	322,755,758	-0.1%

7.5 Consolidated statements of other comprehensive income

(EUR million)	4th Quarter 2019	4th Quarter 2020	Year-to-date 2019	Year-to-date 2020
Net income	-24	113	392	582
Other comprehensive income:				
Items that may be reclassified to profit and loss:				
Exchange differences on translation of foreign operations	-8	-12	4	-22
Cash flow hedges:				
Transfer to profit or loss for the period	0	0	-2	-2
Other	1	0	1	-1
Total before related tax effects	-7	-12	3	-24
Income tax relating to items that may be reclassified	0	0	0	0
Total of items that may be reclassified to profit and loss, net of related tax effects	-7	-12	4	-24
Items that will not be reclassified to profit and loss:				
Remeasurement of defined benefit obligations	-43	-19	-43	-19
Total before related tax effects	-43	-19	-43	-19
Related tax effects				
Remeasurement of defined benefit obligations	4	5	4	5
Income tax relating to items that will not be reclassified	4	5	4	5
Total of items that will not be reclassified to profit and loss, net of related tax effects	-38	-15	-38	-15
Total comprehensive income	-69	87	358	543
Attributable to:				
Equity holders of the parent	-72	89	336	536
Non-controlling interests	2	-2	22	8

7.6 Consolidated balance sheet

(EUR million)	As of 31 December 2019	As of 31 December 2020
ASSETS		
Non-current assets	7,160	7,120
Goodwill	2,477	2,465
Intangible assets with finite useful life	1,080	1,047
Property, plant and equipment	3,127	3,169
Right-of-use asset	307	285
Lease receivable	6	7
Contract costs	113	108
Investments in associates	2	0
Equity investments	0	1
Deferred income tax assets	16	12
Other non-current assets	31	24
Current assets	1,818	1,660
Inventories	133	106
Trade receivables	985	868
Lease receivable	3	4
Contract assets	97	111
Current tax assets	139	119
Other current assets	134	139
Investments	3	3
Cash and cash equivalents	323	310
TOTAL ASSETS	8,978	8,779

LIABILITIES AND EQUITY		
Equity	2,998	3,026
Shareholders' equity attributable to the parent	2,856	2,903
Non-Controlling interests	142	123
Non-Current liabilities	3,616	3,639
Interest-bearing liabilities	2,360	2,511
Lease liabilities	243	216
Liability for pensions, other post-employment benefits and termination benefits	639	559
Provisions	137	139
Deferred income tax liabilities	110	115
Other non-current payables	127	99
Current liabilities	2,363	2,114
Interest-bearing liabilities	157	163
Lease liabilities	64	68
Liability for pensions, other post-employment benefits and termination benefits	225	86
Trade payables	1,284	1,213
Contract liabilities	116	157
Tax payables	28	11
Other current payables	490	416
TOTAL LIABILITIES AND EQUITY	8,978	8,779

7.7 Consolidated cash flow statement

(EUR million)	4th Quarter 2019	4th Quarter 2020	4th Quarter Change	Year-to-date 2019	Year-to-date 2020	Year-to-date Change
Cash flow from operating activities						
Net income	-24	113	>100%	392	582	48.3%
Adjustments for:						
Depreciation and amortization	280	281	0.6%	1,120	1,116	-0.3%
Impairment on current and non-current assets	2	0	-98.2%	3	0	-97.3%
Increase/(decrease) of provisions	-4	10	>100%	-5	3	>100%
Deferred tax expense	20	10	-51.6%	22	14	-38.0%
Loss from investments accounted for using the equity method	0	0	<-100%	1	1	29.6%
Adjustments for finance cost	0	0	2.7%	2	2	3.0%
Gain on disposal of consolidated companies and remeasurement of previously held interest	2	0	<-100%	-4	0	<-100%
Gain on disposal of property, plant and equipment	-7	-1	-88.6%	-8	-3	-66.8%
Other non-cash movements	0	0	-53.1%	-1	-1	-6.5%
Operating cash flow before working capital changes	**269**	**414**	53.8%	**1,522**	**1,715**	12.7%
Decrease/(increase) in inventories	4	32	>100%	-4	27	>100%
Decrease/(increase) in trade receivables	27	73	>100%	50	123	>100%
Decrease/(increase) in other assets	-138	-117	-15.1%	-94	5	>100%
(Decrease/increase in trade payables	-11	-76	>100%	-18	-68	>100%
(Decrease)/increase in other liabilties	-108	-84	-22.3%	-19	-50	>100%
(Decrease)/increase in net liability for pensions, other post-employment benefits and termination benefits	242	-34	<-100%	217	-238	<-100%
(Decrease)/increase in working capital, net of acquisitions and disposals of subsidiaries	**17**	**-206**	**<-100%**	**133**	**-201**	**<-100%**
Net cash flow provided by operating activities (1)	**286**	**208**	**-27.2%**	**1,655**	**1,515**	**-8.5%**
Cash flow from investing activities						
Cash paid for acquisitions of intangible assets and property, plant and equipment	-298	-342	14.9%	-1,091	-1,089	-0.1%
Cash paid for acquisitions of other participating interests	0	0	-	-1	0	-57.6%
Cash paid for acquisition of consolidated companies, net of cash acquired	37	0	<-100%	-3	-2	-43.1%
Cash received for sales of consolidated companies, net of cash disposed of	-9	0	<-100%	0	0	<-100%
Net Cash received from sales of property, plant and equipment and other non-current assets	15	4	-70.5%	15	11	-32.2%
Net cash used in investing activities	**-254**	**-338**	**33.1%**	**-1,079**	**-1,081**	**0.2%**
Cash flow before financing activities	**32**	**-130**	**<-100%**	**576**	**434**	**-24.7%**
Lease payments (excl. interest paid)	-15	-23	**53.6%**	-78	-82	**5.2%**
Free cash flow (2)	**17**	**-153**	**<-100%**	**498**	**352**	**-29.4%**
Cash flow from financing activities other than lease payments						
Dividends paid to shareholders	-162	-161	-0.1%	-486	-485	-0.3%
Dividends to and transactions with non-controlling interests	-30	0	<-100%	-60	-26	-56.4%
Net sale of treasury shares	-1	3	>100%	8	-5	<-100%
Net sale of investments	1	0	-96.2%	1	0	-96.2%
Decrease of shareholders' equity	0	-1	<-100%	0	-1	>100%
Remeasurement reserve	0	0	<-100%	-1	-2	89.7%
Issuance of long term debt	-1	1	>100%	99	150	51.6%
Repayment of long term debt	1	0	<-100%	0	0	-
Issuance/(repayment) of short term debt	155	162	4.3%	-76	6	>100%
Cash flows used in financing activities other than lease payments	**-36**	**4**	**>100%**	**-515**	**-363**	**-29.6%**
Exchange rate impact	-1	-1	>100%	0	-2	<-100%
Net increase/(decrease) of cash and cash equivalents	**-21**	**-151**	**>100%**	**-17**	**-13**	**-21.0%**
Cash and cash equivalents at 1 January			-	340	323	-4.9%
Cash and cash equivalents at the end of the period			-	323	310	-4.0%
(1) Net cash flow from operating activities includes the following cash movements :						
Interest paid				-40	-42	
Interest received				1	0	
Income taxes paid				-191	-155	
(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 Compen-sation	Retained Earnings	Shareholders' Equity	Non-controlling interests	Total Equity
Balance at January 1, 2019	1,000	-427	100	6	-155	3	4	2,474	3,005	148	3,153
Total comprehensive income	0	0	0	-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/(purchase) 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
Total comprehensive income	0	0	0	-2	-14	-13	0	564	536	8	543
Dividends to shareholders (relating to 2019)	0	0	0	0	0	0	0	-323	-323	0	-323
Interim dividends to shareholders (relating to 2020)	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	-26	-26
Treasury shares											
Sale/(purchase) of treasury shares	0	-3	0	0	0	0	0	-2	-5	0	-5
Total transactions with equity holders	0	-3	0	0	0	0	0	-486	-489	-26	-515
Balance at 31 December 2020	1,000	-423	100	4	-208	-8	3	2,434	2,903	123	3,026

7.9 Segment reporting

See reconciliation of reported and underlying figures in section 8.2

	As of 31 December 2020									
	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	5,443	0	0	5,443	1,193	4,250	2,648	1,344	313	-54
Other operating income	38	0	-2	36	1	35	20	6	0	9
Total income	**5,481**	**0**	**-2**	**5,479**	**1,194**	**4,285**	**2,668**	**1,350**	**313**	**-45**
Costs of materials and services related to revenue	-1,901	-2	0	-1,904	-891	-1,013	-596	-441	-29	53
Direct margin	**3,580**	**-2**	**-2**	**3,576**	**303**	**3,273**	**2,072**	**909**	**284**	**8**
Workforce expenses	-1,128	0	-13	-1,141	-104	-1,036				
Non workforce expenses	-530	-82	13	-599	-68	-531				
Total other operating expenses	**-1,658**	**-82**	**0**	**-1,740**	**-172**	**-1,567**				
Operating income before depreciation & amortization	**1,922**	**-84**	**-1**	**1,836**	**131**	**1,705**				
Depreciation and amortization	-1,116									
Operating income	**805**									
Net finance costs	-48									
Share of loss on associates	-1									
Income before taxes	**756**									
Tax expense	-174									
Net income	**582**									
Attributable to :										
Equity holders of the parent (Group share)	564									
Non-controlling interests	18									

	As of 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	2,647	1,392	376	-73
Other operating income	59	0	-11	48	4	44	25	6	0	13
Total income	**5,697**	**0**	**-11**	**5,686**	**1,301**	**4,386**	**2,672**	**1,398**	**376**	**-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**	**2,036**	**951**	**341**	**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									

In order to be consistent with the Fixed inbound revenues, the Mobile inbound revenues were moved in 2020 from the Consumer/Enterprise segments to the Wholesale segment. 2019 figures have been updated accordingly.

7.10 Disaggregation of revenue

(EUR million)	As of 31 December 2020						
	Group	BICS	Domestic (Group excl. BICS)	Consumer	Enterprise	Wholesale	Others
Net revenue (underlying)	5,443	1,193	4,250	2,648	1,344	313	-54
Net revenue (incidentals)	0	0	0	0	0	0	0
Net revenue (reported)	**5,443**	**1,193**	**4,250**	**2,648**	**1,344**	**313**	**-54**
Other operating income (underlying)	36	1	35	20	6	0	9
Other operating income (incidentals)	2	0	2	0	0	0	2
Other operating income (reported)	**38**	**1**	**37**	**20**	**6**	**0**	**10**
Total income (underlying)	5,479	1,194	4,285	2,668	1,350	313	-45
Total income (incidentals)	2	0	2	0	0	0	2
Total income (reported)	**5,481**	**1,194**	**4,287**	**2,668**	**1,350**	**313**	**-44**

(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	2,647	1,392	376	-73
Net revenue (incidentals)	0	0	0	0	0	0	0
Net revenue (reported)	**5,638**	**1,297**	**4,341**	**2,647**	**1,392**	**376**	**-73**
Other operating income (underlying)	48	4	44	25	6	0	13
Other operating income (incidentals)	11	0	11	0	4	0	7
Other operating income (reported)	**59**	**4**	**55**	**25**	**10**	**0**	**20**
Total income (underlying)	5,686	1,301	4,386	2,672	1,398	376	-60
Total income (incidentals)	11	0	11	0	4	0	7
Total income (reported)	**5,697**	**1,301**	**4,396**	**2,672**	**1,402**	**376**	**-53**

7.11 Group financing activities related to interest-bearing liabilities

(EUR million)	As of 31 December 2019	Cash flows	Non-cash changes	As of 31 December 2020
Non-current				
Unsubordinated debts (bonds, notes)	1,953	149	2	2,104
Credit institutions	402	-1	0	401
Other loans	0	1	0	1
Derivatives held for trading	5	0	-1	4
Current portion of amounts payable > one year				
Credit institutions held to maturity	1	0	0	1
Other financial debts				
Unsubordinated debts (bonds, notes)	156	-6	0	150
Other loans	0	12	0	12
Total liabilities from financing activities excluding lease liabilities	2,517	156	1	2,673
Lease liabilities current and non current	307	-82	59	284
Total liabilities from financing activities including lease liabilities	2,824	74	60	2,957

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

(EUR million)	As of 31 December 2020			
	Classification	Carrying amount	Fair value	Level
ASSETS				
Non-current assets				
Equity instruments	FVTOCI	1	1	Level 3
Other non-current assets				
Other derivatives	FVTPL	4	4	Level 2
Other financial assets	Amortized cost	7	7	
Current assets				
Trade receivables	Amortized cost	868	868	
Interest bearing				
Other receivables	Amortized cost	3	3	
Non-interest bearing				
Other receivables	Amortized cost	10	10	
Investments	Amortized cost	3	3	
Cash and cash equivalents				
Short-term deposits	Amortized cost	115	115	
Cash at bank and in hand	Amortized cost	195	195	
LIABILITIES				
Non-current liabilities				
Interest-bearing liabilities				
Unsubordinated debts (bonds, notes)	Amortized cost	2,104	2,286	Level 2
Credit institutions	Amortized cost	401	434	Level 2
Other loans	Amortized cost	1	1	Level 2
Other derivatives	FVTPL	4	4	Level 2
Non-interest-bearing liabilities				
Other non-current payables	Amortized cost	99	99	
Current liabilities				
Interest-bearing liabilities, current portion				
Credit institutions	Amortized cost	1	1	Level 2
Interest-bearing liabilities				
Unsubordinated debts (bonds, notes)	Amortized cost	150	150	Level 2
Other loans	Amortized cost	12	12	Level 2
Trade payables	Amortized cost	1,213	1,213	
Other current payables				
Other debt	FVTPL	1	1	Level 3
Other amounts payable	Amortized cost	276	276	

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

Disclosures on financial instruments

(EUR million)	As of 31 December 2019			
	Classification	Carrying amount	Fair value	Level
ASSETS				
Non-current assets				
Other non-current assets				
Other derivatives	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 debts (bonds, notes)	Amortized cost	1,953	2,094	Level 2
Credit institutions	Amortized cost	402	417	Level 2
Other derivatives	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	Level 2
Interest-bearing liabilities				
Unsubordinated debts (bonds, notes)	Amortized cost	156	156	Level 2
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

Valuation technique

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

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

Other derivatives in Level 2

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

Unsubordinated debentures

The unsubordinated debentures are recognized at amortized costs.

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

Other debts in level 3

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

7.13 Contingent liabilities

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

BICS received withholding tax assessments from the Indian tax authorities in relation to payments made by an Indian tax resident customer to BICS in the period 1 April 2007 to 31 March 2011. BICS filed appeals against the assessments for the period 1 April 2007 to 31 March 2011 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 2011 on procedural grounds. The amount of the contingent liability including late payment interest relating to this case should not exceed EUR 29 million. BICS has not paid the assessed amounts and has not recorded a tax provision. Management assesses that the position as recognized in the financial statements reflects the best estimate of the probable outcome.

On 14 December 2020, Proximus signed a binding agreement with DPG Media to acquire Mobile Vikings, which also includes the Jim Mobile brand, for a consideration of EUR 130 million. With this transaction, Proximus brings on board a major Belgian mobile virtual network operator that primarily targets the segment of youngsters. Completion of the deal is subject to the approval of the Belgian Competition Authority.

The Group has concluded partnership agreements with EQT infrastructure and Eurofiber to jointly build fiber networks. In this context the Group has also committed to certain capital injections in the new joint entities being established.

7.14 Post balance sheet events

In July 2020, Proximus communicated to the market that the shareholders of BICS (Belgacom International Carrier Services) were exploring a potential sale of 51% of the company’s shares. After investigating different scenarios, Proximus has concluded that the best way to execute upon its plans to create long-term value for BICS and BICS’ subsidiary TeleSign was to acquire 100% ownership of BICS.

On 9 February 2021, Proximus announced an agreement had been reached with MTN and Swisscom, the two minority shareholders of BICS, on the acquisition by Proximus of their respective stakes of 20.0% and 22.4% in BICS for a total cash consideration of EUR 217 million.

As Proximus already controlled BICS before this transaction, this acquisition qualifies as an equity transaction. This means that the negative difference between (1) the amount by which the non-controlling interests are adjusted, and (2) the fair value of the consideration paid is taken directly in deduction of the shareholders' equity attributable to the parent.

7.15 Others

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

8 Additional information

8.1 Rounding

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

8.2 From Reported to Underlying

	GROUP Revenue		GROUP EBITDA		GROUP Revenue		GROUP EBITDA	
(EUR million)	Q4 '19	Q4 '20	Q4 '19	Q4 '20	YTD '19	YTD '20	YTD '19	YTD '20
Reported	1,458	1,390	224	435	5,697	5,481	1,676	1,922
Lease Depreciations	0	0	-18	-22	0	0	-82	-82
Lease Interest	0	0	-1	-1	0	0	-2	-2
Incidentals	-7	-1	247	13	-11	-2	278	-1
Underlying	1,452	1,389	453	426	5,686	5,479	1,870	1,836
Incidentals	-7	-1	247	13	-11	-2	278	-1
Capital gains on building sales	-7	-1	-7	-1	-7	-2	-7	-2
Early Leave Plan and Collective Agreement			2	-3			19	-3
Fit For Purpose Transformation Plan			251				253	-12
Shift to Digital plan*			1				9	
M&A-related transaction costs			1	12			9	21
Change in M&A contingent consideration					-4		-4	
Pylon Tax provision update (re. past years)			0	5			-1	-6
Others								

*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 short-term investments, cash and cash equivalents, including related derivatives and excluding lease liabilities.

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

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

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

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

ARPU: Average Revenue per Unit.

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

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

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

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

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

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

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

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

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

Domestic: defined as the Proximus Group excluding BICS.

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

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

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

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

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

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

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

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

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

Instant roaming: reselling of wholesale roaming agreements to third parties in order to allow them to have roaming coverage without negotiating individual local agreements per country.

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

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

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

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

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.

Luxembourg Telco: including fixed & mobile services, terminals & other

Play: a subscription to either Fixed Voice, Fixed Internet, dTV or Mobile Postpaid (paying Mobile cards). A 4-Play customer subscribes to all four services.

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

Reported Revenues: this corresponds to the TOTAL INCOME.

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

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

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

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

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

8.4 Management statement

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

8.5 Financial calendar

(dates could be subject to change)

12 April 2021	Start of quiet period ahead of Q1 2021 results
21 April 2021	Annual General Meeting of Shareholders (AGM)
30 April 2021	Dividend payment date
30 April 2021	Announcement of Q1 2021 results
12 July 2021	Start of quiet period ahead of Q2 2021 results
30 July 2021	Announcement of Q2 2021 results
11 October 2021	Start of quiet period ahead of Q3 2021 results
29 October 2021	Announcement of Q3 2021 results

8.6 Contact details

Investor relations
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8.7 Investor and Analyst Conference Call

Analyst conference call details	
Proximus will host a conference call for investors and analysts on Friday 26 February 2021.	
Time: 13:00h Brussels – 12:00h London – 07:00h New York	
Dial-in UK	+44 20 7194 3759
Dial-in USA	+1 646 722 4916
Dial-in Europe	+32 2 403 5816
Code	12242780#