

2017 Q2

Quarterly Report

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1. Highlights Q2 2017

- Robust commercial performance continued in highly competitive setting
- 255,000 subscribers to all-in offers Tuttimus or Bizz All-In by end-June 2017
- Q2'17 underlying Domestic revenue stable and EBITDA up by +1.1% to EUR 430 million
- Q2'17 underlying Group EBITDA of EUR 464 million, +0.4% YoY
- Full-year 2017 outlook reiterated

- For the second quarter of 2017, Proximus posted fairly **stable Domestic underlying revenue of EUR 1,105 million, i.e. +0.3% from the previous year**. Owing to a continuously growing subscriber base, Proximus sustained revenue growth for Fixed Data, TV and Mobile Postpaid, in spite of regulatory roaming pressure. In addition, revenue from mobile devices was up from a low comparable base. This compensated for the steady erosion in Fixed Voice, the lower ICT revenue for the quarter and eroding Mobile Prepaid revenue. Proximus' carrier services, **BICS, posted EUR 312 million in revenue, 12.9% below the comparable period of 2016** driven by volatility in the Voice business, combined with a less favorable destination mix. As a consequence, Proximus Group ended the second-quarter of 2017 with a 2.9% decline in underlying revenue, totaling EUR 1,417 million.
- Proximus posted a second quarter 2017 **Domestic direct margin of EUR 834 million, -1.2%** from the prior year. The higher margin contribution for TV, Fixed Data and ICT was offset by a EUR -10 million price effect from the roaming-out regulation, commercially-driven higher costs for mobile devices and the ongoing attrition of Fixed Voice. In spite of the pressure on its revenue, **BICS posted a stable direct margin** in the second quarter of 2017, totaling EUR 67 million. In aggregate, the Proximus Group underlying direct margin was down by 1.1%, totaling EUR 901 million for the second quarter of 2017.
- Proximus keeps high focus on structurally improving its cost base, **lowering its underlying Domestic expenses by 3.6% in the second quarter 2017 to EUR 404 million**. For BICS the **second-quarter 2017 operating expenses were EUR 33 million**. In aggregate, the Proximus Group underlying operating expenses were down by 2.6% from the previous year.
- Proximus' second-quarter 2017 underlying Group EBITDA totaled EUR 464 million, i.e. + 0.4% from the prior year. Including roaming regulation headwinds and facing a tougher comparable base, Proximus' **Domestic operations posted a 1.1% growth in underlying EBITDA to EUR 430 million**. **BICS second-quarter 2017 EBITDA decreased to EUR 34 million** due to higher expenses.
- Over the **first-half of 2017, Proximus invested EUR 502 million, of which EUR 281 million in the second quarter**. The increase on the same period of 2016 is explained by the capex related to the Jupiler League football broadcasting rights acquired for the next three seasons. This aside, invested amounts mainly supported the further improvement in Proximus' Fixed and Mobile networks, including Fiber for Belgium which started in four cities, a comprehensive entertainment offer and the deployment of simplification and transformation projects that contribute to the decreasing cost base.
- **Proximus' FCF for the first half year of 2017 totaled EUR 212 million**, including significant higher legal income tax prepayments in the second quarter of 2017. This aside, the FCF benefited from the growth in underlying EBITDA, a positive evolution in Business working capital and less cash used for Capex.

- **Proximus completed another quarter with solid customer growth, resulting from successful commercial initiatives and improved churn levels.**

Many customers were attracted by Proximus' Mobile offers this quarter, supported by a new, more flexible Joint-Offer approach, and by the success of the Samsung S8. Fitting within its content aggregator strategy, by offering a wide choice of content at reasonable pricing, Proximus renegotiated the non-exclusive broadcasting rights to Belgian's first division football, the Jupiler Pro League, for the next three seasons. Proximus also further enriched its TV content by adding VICELAND as a new TV channel in its basic offer. It also enhanced its high-end Tuttimus offers by including Netflix amongst the different content options customers can choose from. The subscriber base of Tuttimus/Bizz All-in continued its solid growth track, reaching 255,000 customers by end-June 2017. Proximus' low-cost brand Scarlet increasingly proved its competitive position in the lower end of the market, benefitting from higher brand-awareness, commercial campaigns and newly launched offers. In addition to its 3-Play offer TRIO, its standalone internet offers (Poco/Loco) gained good traction. Mid-June, Scarlet's offering was completed with "HiFive", the first mobile subscription offering only mobile data, intended for millennials.

+17,000¹ unique TV-customers, total of 1,533,000
 +15,000 Fixed Internet lines, total of 1,959,000
 -12,000 Fixed Voice lines, total of 2,670,000 lines
 +60,000² Mobile Postpaid cards, 3,840,000 in total
 -57,000 Mobile Prepaid cards 1,060,000 in total
 +20,000 3 & 4-Play HH/SO³, total of 1,410,000, i.e. 47.7% of total base
 56.1% Convergent HH/SO, +2.6 p.p YoY

Dominique Leroy, CEO of Proximus Group



I'm pleased to announce solid customer growth, proving the robustness of our domestic operations, in spite of the uptick in competition.

Our Consumer segment continued to grow and strengthen its Proximus customer base with its attractive convergent portfolio Tuttimus/Bizz All-in, reaching 255,000 customers end-June and solidly grew its mobile base. Scarlet obtained once again good traction in the low-end of the market.

Proximus' Enterprise segment sustained its solid position, firmly grew its mobile customer base and saw ongoing take up for its flagship VPN solution Explore. At the same time, its revenue was impacted by the ongoing decline in legacy Voice services and by volatility in ICT product deals.

We achieved sustained Domestic EBITDA growth, up by 1.1% for the second quarter, with cost savings delivering in line with expectations. Including BICS, the Group EBITDA was up by 0.4% in the second quarter.

Investments in the further deployment of simplification and transformation projects continued, contributing to a decreasing cost base. We further enhanced our 4G mobile network, kicked-off the commercial roll-out of 4.5G and increased the vectoring coverage to 77% of homes, providing 50% of the population access to 100 Mbps, while we also started our Fiber-for-Belgium roll-out in four major Belgian cities.

The first-half 2017 financial results are broadly in line with our expectations, and we therefore re-affirm our full-year guidance of slight growth in Group EBITDA, and a nearly stable Domestic revenue. With Fiber investments expected to go up over the next two quarters, we also reiterate our Capex outlook for 2017 of around EUR 1 billion.

Going forward, we will maintain our focus on improving customer experience, through a comprehensive entertainment offer strengthened by the renewal of the Jupiler Pro League football rights and Netflix now available as TV option in Tuttimus. We will launch our increased data offers in mobile and convergent bundles, in response to an enhanced mobile data consumption in Belgium and abroad. As a final point, the consultation on the BIPT's market analysis has now started and currently proposes to deepen the cable regulation and extending it to fiber networks, with several modalities still to be defined. We strongly advocate for a non-regulated, open and future proof fiber network, based on flexible bitstream access, enabling a competitive gigabit market in Belgium. It guarantees fiber access for Belgian households in the quickest and most cost-effective way, taking into account the specific Belgian context. As already communicated, we are open to co-investments in fiber infrastructure, under acceptable technical and financial conditions.



¹ Not including second or third TV settop boxes.

² Group (Consumer, Enterprise, Tango) figure, only paying, active cards, excluding M2M.

³ Households/Small Office, with Small Office being all customers of Consumer-SE. These are small enterprises with up to 10 employees.

2. Proximus Group financial review

- Revenue from Domestic operations broadly stable +0.3% from the previous year.
- Revenue growth in TV, Fixed Data, Mobile Postpaid services and device sales, offset by roaming regulation impact, prepaid and fixed voice erosion.
- Underlying Group EBITDA progressed to EUR 464 million, +0.4% on higher comparable base.
- Proximus' FCF for the first half year of 2017 totaled EUR 212 million, including higher income tax prepayments.

2.1. Group financials

Table 1: Underlying Group P&L

(EUR million)	2nd Quarter			Year-to-date		
	2016	2017	% Change	2016	2017	% Change
TOTAL INCOME (*)	1,460	1,417	-2.9%	2,893	2,861	-1.1%
Costs of materials and charges to revenues (**)	-550	-516	-6.0%	-1,080	-1,062	-1.7%
TOTAL DIRECT MARGIN	911	901	-1.1%	1,813	1,799	-0.8%
Direct margin %	62.4%	63.6%	1.2 p.p.	62.7%	62.9%	0.2 p.p.
TOTAL EXPENSES	-448	-436	-2.6%	-932	-885	-5.0%
TOTAL EBITDA	463	464	0.4%	881	914	3.8%
Segment EBITDA margin %	31.7%	32.8%	1.1 p.p.	30.4%	31.9%	1.5 p.p.

(*) referred to as "Revenue" in the document

(**) referred to as "Cost of sales" in the document

Underlying
Group P&L

2.1.1. Underlying Group revenue

For the second quarter of 2017, Proximus posted fairly stable Domestic underlying revenue of EUR 1,105 million, i.e. +0.3% from the previous year. Revenue from Fixed was stable year-on-year, with sustained revenue growth for Fixed Data (+1.2%) and TV (+8.8%) offsetting the steady erosion in Fixed Voice, and a 1.1% revenue decrease for ICT due to lower product revenue, with no margin impact however. Mobile devices revenue was up significantly from a low comparable base in 2016. Mobile Services revenue for the Consumer and Enterprise segment combined ended 1.6% below the prior year. This includes a 1.7% increase in Postpaid revenue, with a firmly growing Mobile Postpaid customer base and improved tiering offsetting the price pressure from roaming regulation⁴. The revenue erosion of Mobile Prepaid, however, remained at elevated levels, triggered by the identification legislation in an already declining market. Proximus' carrier services, BICS, posted EUR 312 million in revenue, 12.9% below the comparable period of 2016. As a consequence, the Proximus Group ended the second-quarter of 2017 with a 2.9% decline in underlying revenue, totaling EUR 1,417 million.

In spite of a more competitive Belgian landscape and regulatory headwinds, Proximus ended the first half of 2017 with a 1.7% revenue increase for its Domestic operations, primarily resulting from the ongoing expansion of its TV, Internet and Mobile Postpaid customer base and further supported by higher revenue from ICT and mobile devices. Over the first six months, BICS posted a 9.8% revenue decrease, leading to a 1.1% decline for the Proximus Group to 2,861 million.

⁴ See section 2.2 more information

Table 2: Group revenue by segment

(EUR million)	2nd Quarter			Year-to-date		
	2016	2017	% Change	2016	2017	% Change
Group Reported	1,463	1,417	-3.1%	2,896	2,861	-1.2%
<i>Incidentals</i>	-3	0		-3	0	
Group underlying by Segment	1,460	1,417	-2.9%	2,893	2,861	-1.1%
Domestic	1,101	1,105	0.3%	2,178	2,216	1.7%
Consumer	715	727	1.7%	1,421	1,447	1.8%
Enterprise	349	342	-1.8%	681	690	1.3%
Wholesale	49	48	-1.6%	97	100	3.2%
Other (incl. eliminations)	-11	-13	-16.7%	-21	-22	-3.2%
International Carrier Services (BICS)	359	312	-12.9%	715	645	-9.8%

More precisely, the second-quarter 2017 Group underlying revenue variance was the result of the following segment changes:

- **Consumer revenue grew by 1.7% to a total of EUR 727 million**, achieved through a continued growth in Proximus' customer base for its main products, growing its revenue for TV, for Internet, and -in spite of roaming regulation headwinds- for Mobile postpaid. In contrast, revenue from Fixed voice declined on the combination of a reduced customer base and lower usage, while the loss in Mobile Prepaid revenue remained at elevated levels, prompted by the identification legislation. Furthermore, Tango, Proximus' subsidiary in Luxembourg, grew its revenue by 9.8% driven by an increased customer base and pricing strategy.
- **The Enterprise segment posted EUR 342 million revenue for the second quarter of 2017, 1.8% below the comparable period of 2016.** The revenue of Proximus' Enterprise segment was impacted by lower ICT product turnover in this quarter, in addition to the ongoing erosion of legacy Fixed Voice, and regulatory pressure on Mobile Service revenue. This was in part offset by continued structural growth in new services.
- **Proximus' Wholesale segment reported EUR 48 million in revenue for the second quarter of 2017, -1.6% from the prior year**, mainly resulting from lower traditional wholesale revenue, which was partially offset by higher revenue from roaming-in driven by increased data volumes.
- **BICS reported underlying revenue of EUR 312 million, down by 12.9%.** As in prior quarters this was due to the pressure on Voice revenue, which was down to lower traffic combined with a less favorable destination mix, in a volatile and competitive Voice market.

(EUR million)	2nd Quarter			Year-to-date		
	2016	2017	% Change	2016	2017	% Change
Revenues	1,460	1,417	-2.9%	2,893	2,861	-1.1%
Domestic	1,101	1,105	0.3%	2,178	2,216	1.7%
Fixed	631	631	0.0%	1,246	1,269	1.8%
Voice	191	182	-4.7%	386	369	-4.3%
Data (Internet & Data Connectivity)	214	216	1.2%	423	431	1.7%
TV	88	96	8.8%	174	190	9.0%
Terminals (excl. TV)	9	9	-0.1%	17	18	1.1%
ICT	130	128	-1.1%	246	261	6.3%
Mobile Services	331	326	-1.6%	662	646	-2.4%
Postpaid	293	298	1.7%	586	592	1.0%
Prepaid	38	28	-27.2%	76	54	-28.5%
Mobile Terminals	36	47	32.0%	65	92	42.9%
Advanced Business Services	5	6	34.5%	7	12	90.6%
Subsidiaries (Tango)	30	33	8.5%	61	64	4.3%
Other Products	31	27	-13.5%	62	54	-12.4%
Wholesale	49	48	-1.6%	97	100	3.2%
<i>Other segment (incl. eliminations)</i>	-11	-13	-16.7%	-21	-22	-3.2%
International Carrier Services (BICS)	359	312	-12.9%	715	645	-9.8%

Table 3: Group revenue by product group

2.1.2. Underlying Group direct margin

Table 4: Group direct margin by segment

(EUR million)	2nd Quarter			Year-to-date		
	2016	2017	% Change	2016	2017	% Change
Group Reported	913	901	-1.3%	1,815	1,799	-0.9%
<i>Incidentals</i>	-3	0		-3	0	
Group underlying by Segment	911	901	-1.1%	1,813	1,799	-0.8%
Domestic	844	834	-1.2%	1,679	1,667	-0.7%
Consumer	553	552	-0.2%	1,102	1,098	-0.3%
Enterprise	242	238	-1.7%	482	476	-1.2%
Wholesale	43	41	-4.0%	86	86	0.7%
Other (incl. eliminations)	5	2	-59.2%	10	6	-38.9%
International Carrier Services (BICS)	67	67	0.4%	134	132	-1.5%

Proximus posted for its Domestic operations a second quarter 2017 direct margin of EUR 834 million, -1.2% from the prior year. The direct margin for the Consumer and Enterprise segment was down by -0.2% and -1.7% respectively. The higher margin contribution for TV, Fixed Data and ICT was offset by a EUR -10 million price effect from the roaming-out regulation, commercially-driven higher costs for mobile devices and the ongoing attrition of Fixed Voice. With the revenue mix less favorable, the direct margin as a percentage of revenue decreased by -1.1pp to 75.5% of revenue for the second quarter. The Wholesale direct margin ended 4.0% below the prior year, with direct margin loss from traditional wholesale products only partially offset by a solid, volume-based growth for roaming-in.

In spite of the revenue pressure, **BICS maintained a broadly stable direct margin (+0.4%) in the second quarter of 2017, totaling EUR 67 million.** In aggregate, the **Proximus Group underlying direct margin was down by 1.1%, totaling EUR 901 million** for the second quarter of 2017.

Over the **first six months of 2017, the Proximus Group posted a direct margin of EUR 1,799 million**, with for its Domestic operations EUR 1,667 million, or -0.7% from the prior year. This included a EUR -27 million loss following the roaming-out price regulation. BICS' direct margin for the first-half of 2017 ended 1.5% below the prior year.

2.1.3. Underlying Group expenses⁵

The **Proximus Group underlying operating expenses for the second quarter of 2017 were down by 2.6%** from the previous year. Proximus continued to keep high focus on structurally improving its cost base, **lowering the expenses for its Domestic operations by 3.6%** or EUR 15 million. For BICS the second-quarter 2017 operating expenses were EUR 33 million, up year-on-year by EUR 3 million, including a negative foreign currency effect.

Underlying workforce expenses for the Proximus Group declined by 1.8% year-on-year to EUR 288 million in the second quarter of 2017, supported by a lower internal headcount enabled by the voluntary early leave plan ahead of retirement⁶. The favorable effect of this on Proximus' cost base, however, was partly offset by the impact of an inflation-based salary increase in July 2016 and the natural wage drift. By the end of the second quarter 2017, the Proximus Group headcount decreased to a total of 13,108 FTEs, i.e. 814 fewer FTEs compared to a year ago, and -524 FTEs compared to end-2016. This was mainly due to a combination of employees having left under the early leave plan ahead of retirement, legal retirements, and natural attrition, partly offset by hiring some business critical profiles among others to support new domains, to strengthen Proximus' human resources. **Second-quarter 2017 underlying non-workforce expenses totaled EUR 149 million, an improvement of 4.1%** versus 2016.

Over the **first half of 2017, the total Proximus Group expenses were reduced by EUR 47 million or 5.0%**, totaling EUR 885 million, keeping Proximus well on track to reach its cost reduction ambition of EUR 150 net cost savings over the period 2015-2019.

⁵ Excluding Cost of Sales and not including incidentals.

⁶ As announced in second quarter 2016 results release

Table 5: Workforce versus non workforce expenses / Domestic expenses by nature

(EUR million)	2nd Quarter			Year-to-date		
	2016	2017	% Change	2016	2017	% Change
Group Reported	485	456	-6.1%	970	925	-4.6%
<i>Incidentals</i>	-37	-19		-38	-40	
Group Underlying	448	436	-2.6%	932	885	-5.0%
Workforce expenses	293	288	-1.8%	588	575	-2.4%
Non Workforce expenses	155	149	-4.1%	344	311	-9.6%
Domestic Underlying	419	404	-3.6%	871	821	-5.8%
Workforce expenses	280	274	-1.9%	562	547	-2.7%
Non Workforce expenses	139	130	-6.9%	309	274	-11.3%
BICS Underlying	29	33	11.9%	61	64	5.6%
Workforce expenses	13	14	1.2%	26	28	5.7%
Non Workforce expenses	16	19	21.0%	34	36	5.4%
Domestic Underlying by nature	419	404	-3.6%	871	821	-5.8%
Marketing Sales & Servicing	221	221	0.1%	440	437	-0.6%
Network & IT	139	128	-7.8%	300	264	-11.9%
General and Administrative (G&A)	59	54	-7.5%	132	120	-9.1%

2.1.4. Group EBITDA

Table 6: Operating income before depreciation and amortization

(EUR million)	2nd Quarter			Year-to-date		
	2016	2017	% Change	2016	2017	% Change
Group Reported	428	445	4.1%	845	874	3.4%
<i>Incidentals</i>	35	19		36	40	
Group underlying	463	464	0.4%	881	914	3.8%
Domestic	425	430	1.1%	808	846	4.8%
International Carrier Services (BICS)	38	34	-8.4%	73	67	-7.4%

(1) Underlying Group EBITDA

Proximus' second-quarter 2017 underlying Group EBITDA totaled EUR 464 million, i.e. + 0.4% from the prior year. Including roaming regulation headwinds and facing a tougher comparable base, Proximus' Domestic operations posted a 1.1% growth in underlying EBITDA, totaling EUR 430 million. This was driven by the ongoing reduction of operating expenses, which more than compensated for the lower direct margin.

BICS posted second-quarter 2017 EBITDA of EUR 34 million, a year-on-year decrease by 8.4%. This resulted from higher expenses, while the direct margin remained stable compared to the same period of 2016.

(2) Total Reported Group EBITDA (incidentals included)

In the second quarter of 2017, the Proximus Group recorded EUR 19 million net negative EBITDA incidentals. Including these, the Proximus Group reported EBITDA totaled EUR 445 million, compared to EUR 428 million the year before, i.e. an increase of 4.1%. See section 8.2 for more information on the incidentals.

2.1.5. Net income

Depreciation and amortization

The second quarter 2017 **depreciation and amortization totaled EUR 243 million** bringing the total over the first six months of 2017 to EUR 478 million. This compares to EUR 460 million for the same period of 2016, with the increase mainly due to an increasing asset base over the years to depreciate.

Net finance cost

The year-to-date June 2017 net finance cost was **EUR 30 million**, EUR 18 million lower versus last year's level of EUR 48 million, mainly resulting from refinancing at a lower interest rate.

Tax expenses

The **tax expenses over the first-half year of 2017 were EUR 111 million, representing an effective tax rate of 30.5%** compared to 25.5% for the first half of 2016. The tax base was lower in 2016 following one off, deductible expenses related to the early leave plan. In addition to a higher tax base, the 2017 ETR is impacted by a lower level of net tax deductions, mainly resulting from a lower notional interest rate.

Net income (Group share)

With EUR 126 million net income for the second quarter of 2017, Proximus reported a **half-year net income (Group share) of EUR 245 million**. The 2.7% year-on-year increase is mainly explained by a higher underlying Group EBITDA and lower finance costs, partly offset by higher depreciation and amortization and tax expenses.

Table 7:
From
Group EBITDA
(as reported)
to
net income

(EUR million)	2nd Quarter			Year-to-date		
	2016	2017	% Change	2016	2017	% Change
EBITDA	428	445	4.1%	845	874	3.4%
Depreciation and amortization	-234	-243	4.0%	-460	-478	3.8%
Operating income (EBIT)	194	202	4.1%	385	396	2.9%
Net finance costs	-23	-15	-35.1%	-48	-30	-38.1%
Income before taxes	171	186	9.3%	337	366	8.7%
Tax expense	-38	-56	49.7%	-86	-111	30.1%
Non-controlling interests	7	5	-32.0%	12	9	-24.1%
Net income (Group share)	126	126	-0.5%	239	245	2.7%

2.1.6. Investments

Over the first-half of 2017, Proximus invested EUR 502 million, of which EUR 281 million in the second quarter. The increase on the same period of 2016, which was at EUR 215 million, is explained by the capex related to the Jupiler League football broadcasting rights acquired for the next three seasons. This aside, the year-to-date capex level remained below the same period of 2016, with the 2017 Fiber-related Capex being rather back-end loaded.

Over the first-half of 2017, Proximus launched its Fiber-to-the-Home (FTTH) brownfield project in 4 cities (Brussels, Gent, Antwerpen, Charleroi). The project moved from design and preparation phase to construction works for Brussels (Anspach), Antwerp and Gent, followed by local commercial campaigns. For fiber-to-the-business (FTTB), design, construction and commercialization is now continuously started in new zonings.

In addition to fiber, the invested capex mainly supported Proximus' comprehensive entertainment offer, further deployed simplification and transformation projects that contribute to the decreasing cost base, and a further improvement of Proximus' overall mobile and fixed network, providing customers a superior experience. The VDSL network is being upgraded with Vectoring technology, with coverage reaching a high 77% of homes by end-June. This further improved the average speeds on VDSL to 67.6 Mbps.

End June 2017, Proximus Mobile customers enjoyed a 4G outdoor coverage⁷ of 99.7% and indoor coverage of 97.8%. Proximus' network also supported a nearly 70% increase in total Mobile data traffic in one year, with monthly data usage now reaching around 1.2 Gb on average and 1.4 Gb for 4G users. Smartphone penetration on Proximus' network increased to 70%, with 4G smartphone penetration of 56% at end June 2017, or +15.6pp in one year.

2.1.7. Cash flows

Table 8:
Cash flows

(EUR million)	2nd Quarter			Year-to-date		
	2016	2017	% Change	2016	2017	% Change
Cash flows from operating activities	350	254	-27%	763	690	-10%
Cash paid for Capex (*)	-231	-209	-9.7%	-508	-475	-6.5%
Cash flows from / (used in) financing activities other investing activities	3	-6	-	-1	-2	-
Cash flow before financing activities (FCF)	122	39	-68%	255	212	-17%
Cash flows used in financing activities (**)	-342	-251	-27%	-339	-96	-72%
Net increase / (decrease) of cash and cash equivalents	-221	-212	-4%	-85	116	-237%

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

(**) Cash used to repurchase bonds and related derivatives is included in the 'cash flow used for financing activities' in the cash flow statement.

Proximus' FCF for the first half year of 2017 totaled EUR 212 million. The decrease compared to the EUR 255 million for the same period in 2016 was mainly the consequence of higher income tax payments, especially impacting the second quarter of 2017. This chiefly concerned prepayments on due corporate taxes, following the increase of the legal prepayment percentage to 59%. This was partially offset by a growth in underlying EBITDA, a positive evolution in business working capital and less cash paid for Capex in the first half year of 2017.

Cash used by financing activities totaled EUR 96 million for the first half year of 2017 as payments of dividends and net reimbursements of short term debts were higher than the cash received from new long term debts. Indeed, in March 2017, Proximus successfully issued EUR 500 million Senior Unsecured Notes due March 2022, with a 0.50% annual coupon.

2.1.8. Balance sheet and shareholders' equity

Tangible and intangible fixed assets increased by EUR 20 million to EUR 4,029 million as a consequence of the invested Capex which was higher than the amount of depreciation and amortization, mainly as a result of the acquisition of the Jupiler League football rights for the period 2017-2020.

The shareholders' equity decreased from EUR 2,819 million end-2016 to EUR 2,741 million end-June 2017. This was mainly due to return of dividends (EUR 323 million) exceeding the net income Group Share (EUR 245 million) generated in the first six months of 2017.

End-June 2017, Proximus' outstanding long-term debt amounted to EUR 2,265 million, and the net debt increased from EUR 1,861 million at the end of 2016 to EUR 2,001 million at the end of June 2017.

Table 9: Net financial position

(EUR million)	As of 31 December 2016	As of 30 June 2017
Investments, Cash and cash equivalents (*)	302	418
Derivatives	7	6
Assets	309	423
Non-current liabilities (**)	-1,763	-1,858
Current liabilities (**)	-407	-566
Liabilities	-2,170	-2,424
Net financial position	-1,861	-2,001

(*) investments included

(**) LT bonds related derivatives included

⁷ Source: Comm Square results Q2 2017

2.2. Regulation

International Roaming

Table 10: estimated year-on-year impact from roaming-out regulation:

(EUR million)	Q2'17 Actuals	YTD'17 Actuals	FY'17 Estimate
REVENUE	-10	-27	-61
National	-8	-22	-50
Tango	-2	-4	-11
EBITDA	-10	-27	-61
National	-8	-22	-50
Tango	-2	-4	-11

- Roaming-Out impact is defined as: Volumes of year-1 multiplied by the year-on-year price decrease as set by the regulator.

End-April 2016, Proximus significantly lowered its roaming rates in Europe, in line with the EU regulatory transitory period before the complete abolition of roaming surcharges.

At the same time, Scarlet, Proximus' low-cost telecom provider, completely abolished its roaming costs for all EU countries.

The lowered roaming prices impacted Proximus' Mobile services revenue and margin. For full-year 2017, the negative price impact is estimated at EUR 61 including an estimated amount of EUR 11 million for Tango.

Since 12 June 2017, Proximus implemented 'Roam-Like-At-Home', allowing Proximus customers to surf, call and text within the European Union like at home, without extra charges.

New roaming wholesale prices have also been set, and foresee a step by step reduction over 5 years for data caps, with a decrease from EUR 7.7/GB as of 15 June 2017 to EUR 2.5/GB as of 1 January 2022. The Commission is tasked with reviewing these rates every two years with its first report due at the end of 2019.

Prepaid identification

The identification of old and new mobile Prepaid cards is now mandatory under Belgian law.

Proximus implemented different solutions in order to make it easier for its customers to identify their prepaid cards. Since 1 June 2017, all non-identified prepaid cards have been blocked. In case a prepaid number was blocked due to non-identification, the customer can still identify and reactivate the prepaid card until the end of the validation period or until 7 September at the latest, while keeping the remaining credit and the number. End-June 2017, 93,000 Prepaid cards were still unidentified.

Easy Switch

The "Easy Switch procedure launched by the BIPT at the request of the Telecom Minister to facilitate the switch-over for fixed services (voice, internet, television and packs) effectively entered into force on 3 July 2017. The new obligations will be reassessed by the BIPT by 1 July 2019.

Mobile Termination Rates

On 31 May 2017, the BIPT published its 3rd round analysis of the mobile termination market. The decision applies a MTR level of 0.99 eurocent/minute for the period 2017-2019 (vs 1.18 eurocent previously). The new MTR has been applicable since 1 July. The estimated impact is less than EUR 6 million in revenue for 2017, with a fairly neutral EBITDA impact. In Luxembourg, the new MTR have been set at 0.89 eurocent/min since 1 July until 31 December 2019 (from 0.97 eurocent previously).

Spectrum

In May-June 2017, the BIPT launched consultations on the organization of auctions for new additional spectrum (700MHz, 1400MHz and 3400-3800MHz) and for the renewal of existing spectrum (900MHz, 1800MHz and 2100MHz, all of which expire by 15 March 2021). The license will be valid for 20 years with the following start dates: 1 June 2020 (or earlier) for 700 MHz, 15 March 2021 for 900/1800/2100 MHz, 1 January 2020 (or earlier for 3500 MHz). The consultation runs until 29 July 2017 and the auctions are scheduled for 2018.

BIPT market analysis

On 7 July 2017, the Belgian regulators (BIPT and media regulators (CSA, VRM and Medienrat)) launched a public consultation on their review of the broadband internet and TV market analysis (the last analysis dates from July 2011). The regulators consider that these markets are still characterized by competition shortcomings and take as a stance that the market needs a third fixed player. Overall they propose a scheme for deepening the cable regulation and extending Proximus regulation from its copper to also its fiber network. The concrete modalities of the regulation are not yet defined. The consultation runs until 15 September 2017.

2.3. Outlook 2017

Based on its half-year results of 2017, and taking into account its best estimate for the remainder of the year, Proximus confirms its 2017 full-year outlook. Therefore Proximus expects to close the year with nearly stable Domestic revenue and slightly growing Group EBITDA, supported by its cost reduction plan.

Proximus' Group Capex for the year 2017 is expected to be around EUR 1 billion, excluding the capitalization of the Jupiler League football broadcasting rights.

Table 11: Actuals vs Outlook

Guidance metrics	Actuals FY'16	Outlook FY'17	YTD'17 Achievement
Domestic underlying revenue	€4,410m	Nearly stable	+1.7%
Group underlying EBITDA	€1,796m	Slight growth	+3.8%
Capex	€949m	Around €1Bn*	€502m**

* Capex outlook excludes the capitalization of the Jupiler League football broadcasting rights

** Actuals 2017 include the capitalization of the Jupiler League football broadcasting rights, acquired mid-May 2017 for the next three seasons

3. Consumer

- Solid commercial quarter. Tuttimus and Bizz All-in subscribers totaling 255,000 end-June'17.
- Strong customer acquisition continued notwithstanding competition uptick: +15,000 Fixed Internet, +17,000 TV, +44,000 Mobile Postpaid.
- Mobile Postpaid service revenue +3.0%, despite roaming regulation. Total Mobile Services revenue -1.6% YoY, including decline in Prepaid revenue.
- Underlying revenue up 1.7%, with direct margin nearly stable at EUR 552 million, including impact of higher device sales.

Table 12: Consumer revenue and direct margin

(EUR million)	2nd Quarter			Year-to-date		
	2016	2017	% Change	2016	2017	% Change
TOTAL SEGMENT INCOME	715	727	1.7%	1,421	1,447	1.8%
Costs of materials and charges to revenues	-162	-175	8.5%	-320	-349	9.1%
TOTAL SEGMENT DIRECT MARGIN	553	552	-0.2%	1,102	1,098	-0.3%
Direct margin %	77.4%	75.9%	-1.5 p.p.	77.5%	75.9%	-1.6 p.p.

3.1. Consumer underlying revenue

For its Consumer segment, Proximus posted a **1.7% revenue growth** for the second quarter of 2017, totaling **EUR 727 million**. This was achieved through continued growth in Proximus' customer base for its main products, growing its revenue for TV by 8.8%, for Internet by 2.0%, and -in spite of roaming regulation headwinds- for Mobile postpaid by 3.0%. In contrast, revenue from Fixed voice declined due to the combination of a reduced customer base and lower usage, while the loss in Mobile Prepaid revenue remained at elevated levels, prompted by the identification legislation.

Proximus' customer gain for its main services was well supported by the sustained traction of the Proximus-branded all-in offers Tuttimus and Bizz All-in, counting 255,000 subscribers end-June 2017. Moreover, Scarlet increasingly proved its solid competitive position in the low-end of the market, benefitting from higher brand-awareness, commercial campaigns and newly launched offers.

Despite operating in a more competitive landscape Proximus' Fixed churn rates further improved sequentially and from a year ago, demonstrating the successful turnaround of the company over the past years. As part of its "Fit for Growth" strategy, Proximus launched a range of initiatives, aimed at improving the overall customer experience, selling more appealing offers, and implementing a dual-brand approach.

The Consumer segment also achieved strong Mobile Postpaid customer growth in the second quarter, adding 44,000 Mobile Postpaid cards. This was driven by promotional activities, the support of Tuttimus and Bizz All-in, and a new mobile joint-offer approach. The latter also contributed to the higher revenue from mobile devices, up by 37.5% from a low comparable base. At the same time, higher device sales also increased costs in the quarter, leading to a stable second-quarter direct margin for the Consumer segment.

By end-June 2017, Proximus counted 2,956,000 HH/SO, a net growth of 8,000 in the second quarter. This resulted from the ongoing growth in 4-Play, up by 22,000 in the second quarter, triggered by Proximus' all-in offers. Successful customer up-tiering led to higher RGUs per household and a 3.3% increase in ARPH to EUR 67.7. Out of the total HH/SO serviced by Proximus, 56.1% have both mobile and fixed services, a 2.6 pp improvement on the previous year. (see section 3.3)

Table 13: Consumer revenue by product group

(EUR million)	2nd Quarter			Year-to-date		
	2016	2017	% Change	2016	2017	% Change
Revenues	715	727	1.7%	1,421	1,447	1.8%
Fixed	381	387	1.7%	760	776	2.1%
Voice	131	126	-3.3%	265	256	-3.2%
Data (Internet & Data Connectivity)	151	154	2.0%	298	307	3.0%
TV	88	96	8.8%	174	190	9.0%
Terminals (excl. TV)	4	4	-0.4%	8	8	2.6%
ICT	7	7	1.8%	15	14	-2.4%
Mobile Services	250	247	-1.6%	498	488	-2.1%
Postpaid	213	219	3.0%	423	434	2.7%
Prepaid	38	28	-27.2%	76	54	-28.5%
Mobile Terminals	30	42	37.5%	55	81	46.0%
Subsidiaries - Tango Consumer	26	29	9.6%	54	56	5.1%
Other Products	27	23	-15.7%	54	47	-14.4%

Note that individual product lines are impacted by IFRS rules. See section 8.

Fixed Data revenue up driven by higher customer base, +15,000 subscriptions in Q2 2017

The Proximus Consumer segment posted **EUR 154 million revenue generated by its Internet subscriptions**, an increase of 2% compared to the prior year. The level of net customer growth continued to remain somewhat higher than the previous year, despite the intensified competitive setting. The Proximus and Scarlet brands combined grew their Internet subscribers by 67,000 in one year, including 15,000 for the second quarter of 2017. This brought the total Internet subscriber base to 1,821,000 by end-June 2017, up 3.8% on annual basis, with an ARPU of EUR 28.3, down from a high comparable base. Proximus' all-in offers Tuttimus/Bizz All-In, and especially Scarlet's attractive no-frills offers TRIO and Poco/Loco for price seekers, continued to appeal to customers. The overall annualized Internet customer churn improved further from the prior quarter and from a year ago.

TV revenue up 8.8% from previous year, +17,000 TV households in Q2 2017

Proximus continues to attract customers on its TV platform. This growing TV subscriber base remains an important revenue driver for the Consumer segment, with TV revenues up by 8.8% year-on-year to **total EUR 96 million for the second quarter of 2017**. In one year, the Proximus and Scarlet brands combined grew their TV customer base by 75,000 TV households, or +5.2%. This includes a net growth of 17,000 TV households over the second quarter of 2017, ending June 2017 with 1,533,000 TV customers⁸. The second quarter TV ARPU increased by 3.3% year-on-year to EUR 20.8, benefitting from the new Tuttimus and Familus offers, providing customers with more extensive TV content. Proximus enhanced its offers by adding Netflix to the content options that Tuttimus customers can choose from. Moreover, Proximus renewed the Belgian professional football broadcasting rights on a non-exclusive basis, which its TV customers can enjoy for the next three seasons and its basic TV offering was enriched with the culture and lifestyle channel VICELAND.

Success of Proximus and Scarlet multi-play offers limit Q2 Fixed Voice line erosion

The launch of Tuttimus and Familus, the new Proximus multi-play offers and Scarlet's Trio offer, offset for a large part the erosion of the standalone Fixed Line offer, resulting for the second quarter in a net loss of 2,000 Fixed Voice lines. By end-June 2017 the total **Fixed Voice** customer base totaled 2,063,000. The Fixed Voice ARPU for the second quarter of 2017 was EUR 20.4, i.e. a decline of 2.3% from the previous year, due to a higher multi-play Pack penetration and ongoing decline in the use of Voice traffic. A lower Fixed Voice customer base versus a year ago, combined with a lower ARPU resulted in a **-3.3% year-on-year revenue decline for Fixed Voice**, reaching EUR 126 million in the second quarter of 2017.

Mobile Postpaid solid with revenue +3.0% and +44,000 cards in the second quarter. Prepaid still impacted by authentication legislation, though financial effects showing some stabilization.

In total, the Mobile Services revenue of the Consumer segment totaled EUR 247 million for the **second quarter of 2017, or -1.6%**. This includes a 3% revenue increase for Postpaid, with growth sequentially somewhat better following the annualization of the roaming price decrease applied since end-April 2016.

⁸ Referring households and small-offices, not including multiple setup boxes

However, the launch of Roam-like-at-Home (RLAH) on 12 June 2017, allowing Proximus customers to surf, call and text within the European Union like at home, without extra charges, renewed the pressure on the mobile service revenue. Roaming usage notably increased, with both the number of users and average usage per customer sharply going up. The regulation impact, and structural decrease in voice usage, were partially offset by the benefits of customer uptiering and by an uptake in data, overall resulting in a 2.8% lower Postpaid ARPU of EUR 28.0.

The postpaid revenue growth was fully driven by continued expansion of Proximus' customer base, with a solid 44,000 Postpaid cards added in the second quarter 2017, supported by the new and more flexible joint-offer approach, launched mid-April and the success of the Full-Control offers.

Year-on-year Proximus increased its Postpaid base by 6.6% to a total of 2,633,000 Postpaid cards end-June.

Prepaid revenue on the other hand, continued to be impacted by an eroding base. In an already declining market, the base erosion accelerated following the legislation on Prepaid card identification. In the second quarter the Prepaid base declined by 59,000. End-June 2017, 93,000 Prepaid cards remained unidentified. In accordance with the Royal Decree, on 7 September all remaining non-registered cards will be deactivated and removed from Proximus' Prepaid park.

When combining Prepaid and Postpaid, Consumer's Mobile customer base had a total of 3,631,000 Mobile cards with a second-quarter blended ARPU of EUR 22.6, up 0.6% from a year ago.

The Mobile 'joint offers' further improved the smartphone penetration, which rose to 70%, leading to an increase in overall data usage. The blended monthly data usage went up by 51% to an average of 1,192 Mb. Usage by 4G users in the second quarter of 2017 increased by 29% to 1,407 Mb⁹ per month on average.

Tango revenue¹⁰

For the second quarter of 2017, Tango posted Consumer revenue of EUR 29 million, or 9.6% above the prior year, which included a low comparable base of devices sales. In spite of the competitive landscape the company continued to solidly grow its customer base for Mobile Postpaid and More4More price changes improved the ARPU compared to the prior year. Fixed services (Voice, Internet and TV) also showed a positive evolution. This was partially offset, however, by a decline in Prepaid, impacted by Prepaid card identification legislation in Luxembourg.

⁹ On the 4G and 3G networks.

¹⁰ As from 2017, revenue from Tango is reported in the Consumer and Enterprise segment, with 2016 results restated accordingly

Table 14: Consumer operationals by product group

	Q216	Q217	Change (in abs. Amount)
From Fixed			
Number of access channels (thousands)	3,832	3,885	53
Voice	2,078	2,063	-14
Broadband	1,754	1,821	67
TV unique customers (thousands)	1,458	1,533	75
ARPU (EUR)			
ARPU Voice	20.9	20.4	-0.5
ARPU broadband	28.8	28.3	-0.5
ARPU TV	20.2	20.8	0.7
From Mobile			
Number of active customers (thousands)	3,704	3,631	-73
Prepaid	1,235	998	-237
Postpaid	2,470	2,633	164
Annualized churn rate			
Prepaid	35.0%	38.5%	3.5 p.p.
Postpaid	14.0%	13.3%	-0.7 p.p.
Blended	21.5%	21.0%	-0.5 p.p.
Net ARPU (EUR)			
Prepaid	10.1	9.0	-1.1
Postpaid	28.8	28.0	-0.8
Blended	22.5	22.6	0.1
Average Mobile data usage user/month (Mb)			
4G	1,090	1,407	317
Blended	790	1,192	402

3.2. Consumer underlying direct margin

Q2 direct margin remained stable in spite of revenue growth due to unfavorable mix

The increase in Consumer revenue did not translate into a rising but rather a stable direct margin of EUR 552 million. This resulted from an unfavorable revenue mix effect, with a higher proportion of low-margin device sales. Furthermore, the mobile services margin was impacted by the EU roaming regulation. The changed product mix resulted in an underlying direct margin of 75.9% of revenue, a 1.5 p.p. decrease year-on-year.

3.3. Consumer reporting by X-Play

NOTE:

The X-Play reporting provides a view on the progress of Proximus' convergence strategy by reporting on Consumer revenue and ARPU per Household/Small Office (ARPH HH/SO). With the launch of Proximus' new 4P offers Tuttimus and Bizz All-In on 17 October 2016, the relevance of the X-play view will continue to grow, as opposed to the view per product.

Table 15: Consumer revenue by X-Play

(EUR million)	2nd Quarter			Year-to-date		
	2016	2017	% Change	2016	2017	% Change
Revenues	715	727	1.7%	1,421	1,447	1.8%
X-Play-revenues	580	599	3.3%	1,158	1,189	2.7%
4-Play	192	228	18.3%	381	443	16.2%
3-Play	183	174	-5.1%	364	348	-4.4%
2-Play	79	75	-5.4%	159	151	-5.0%
1-Play	126	123	-2.2%	254	247	-2.7%
Prepaid	38	28	-27.2%	76	54	-28.5%
Terminals sales	34	49	43.3%	67	96	44.7%
Tango	26	29	9.6%	54	56	5.1%
Other	36	22	-37.9%	68	52	-23.6%

+3.3%
Revenue from
X-Play on growing
4 Play base

+18.3%
4-Play revenue
22,000 HH/SO
added in Q2'17

-5.1%
3-Play revenue
Tuttimus driving
uptiering to 4-Play

Continuously improving customer mix with growing 4-play base lifts the overall ARPH and reduces full-churn.

Out of a total second-quarter Consumer revenue of EUR 727 million, Proximus generated EUR 599 million in revenue from HH/SO, a 3.3% or a EUR 19 million improvement on the same period of 2016, driven by a slightly higher total customer base, up by 5,000 HH/SO versus one year ago, and especially by a better customer mix. Moreover, Proximus' strategy to focus on attractive multi-play offers benefitted the overall ARPU per HH/SO in the second quarter 2017, with a year-on-year increase of 3.3% to EUR 67.7. This includes the favorable impact of customers uptiering, with average RGU¹¹ per HH/SO increasing to 2.71 in the second quarter of 2017 from 2.62 a year ago.

In the second quarter of 2017, revenue from 4-Play continued its accelerated growth, up by 18.3% year-on-year to EUR 228 million, and now making up 31.2% of the total Consumer revenue. This resulted from the steady ongoing expansion of the 4-Play HH/SO base, increasing by 98,000 in the space of one year, to reach 662,000 HH/SO by end-June 2017. Proximus' new 4-Play offers "Tuttimus" and "Bizz All-In", launched mid-October 2016, sustained a solid increase in 4-Play, **increasing by 22,000 in the second quarter of 2017**. On average, a 4-Play HH/SO generated an ARPH of EUR 116.5/month, up 1.9% from the previous year, in spite of the roaming regulation impact. The second-quarter 2017 annualized full-churn rate reached 2.5%, a decline compared to the previous year and previous quarters.

The second-quarter 2017 revenue for **3-Play** decreased by 5.1% to a total of EUR 174 million. This was mainly driven by an uptiering of customers to 4-Play, causing 3-Play volumes to decrease by -2,000 in the second quarter of 2017. The 3-Play ARPH in the second quarter of 2017 was EUR 77.2, 2.4% below that of the comparative period of 2016. This reflects a higher proportion of Scarlet 3-Play customers in the base and the impact of the roaming regulation on Mobile Postpaid revenue.

¹¹ Revenue Generating Units

Table 16: Consumer operationals by X-Play

	Q216	Q217	val	%
HH/SO per Play - Total (000's)	2,951	2,956	5	0.2%
4 - Play	564	662	98	17.3%
3 - Play	771	748	-23	-3.0%
2 - Play	448	419	-29	-6.6%
1 - Play	1,167	1,127	-40	-3.4%
Fixed Voice	384	330	-54	-14.0%
Fixed Internet	123	130	7	5.8%
TV	N/A	N/A		
Mobile Postpaid	659	666	7	1.0%
ARPH x - play (in EUR)	65.5 €	67.7 €	2.2 €	3.3%
4 - Play	114.3 €	116.5 €	2.2 €	1.9%
3 - Play	79.1 €	77.2 €	-1.9 €	-2.4%
2 - Play	58.4 €	58.6 €	0.2 €	0.3%
1 - Play	35.9 €	36.5 €	0.6 €	1.7%
Average #RGUs per HH/SO - Total	2.62	2.71	0.09	3.6%
4 - Play	4.83	4.86	0.03	0.6%
3 - Play	3.34	3.32	-0.01	-0.4%
2 - Play	2.21	2.20	-0.01	-0.3%
1 - Play	1.23	1.24	0.01	0.6%
Annualized full churn rate (HH/SO level) - Total	12.0%	11.7%	-0.3p.p.	
4 - Play	2.7%	2.5%	-0.2p.p.	
3 - Play	9.6%	8.9%	-0.7p.p.	
2 - Play	10.3%	10.5%	0.2p.p.	
1 - Play	18.7%	19.3%	0.6p.p.	
% Convergent HH/ O - Total *	53.5%	56.1%	2.6 p.p.	
4 - Play	100.0%	100.0%		
3 - Play	37.1%	35.4%	-1.7p.p.	
2 - Play	23.4%	23.8%	0.4p.p.	

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

4. Enterprise

- Q2'17 Underlying Enterprise revenue -1.8% YoY: Pressure on legacy Telecom services not compensated for by ICT and Advanced Business services
- ICT quarterly revenue fluctuating on low-margin product deals
- Continued strong mobile customer growth in competitive market: +14,000 Postpaid cards
- Q2'17 Mobile Services revenue decline limited to -1.6% YoY
- Direct margin -1.7%, with erosion on Fixed voice and roaming regulation impact not fully compensated by the margin contribution from ICT and Advanced Business Services

Table 17: Enterprise revenue and direct margin

(EUR million)	2nd Quarter			Year-to-date		
	2016	2017	% Change	2016	2017	% Change
TOTAL SEGMENT INCOME	349	342	-1.8%	681	690	1.3%
Costs of materials and charges to revenues	-106	-104	-2.2%	-199	-214	7.4%
TOTAL SEGMENT DIRECT MARGIN	242	238	-1.7%	482	476	-1.2%
Direct margin %	69.6%	69.7%	0.1 p.p.	70.8%	69.0%	-1.7 p.p.

4.1. Enterprise underlying revenue

For the second quarter of 2017, Proximus' Enterprise segment posted EUR 342 million revenue, which is 1.8% below the comparable period of 2016. The revenue of Proximus' Enterprise segment was impacted by lower revenue from ICT product deals, in addition to the regulatory pressure on roaming revenue and the ongoing erosion of legacy Fixed Voice.

In contrast to the significant increase in ICT revenue for the first quarter, benefitting large product deals, the second quarter ICT revenue ended 1.3% below the prior year. The pressure on revenue from mobile services was mitigated to a 1.6% decline in the second quarter of 2017 with Mobile services temporarily benefitting from annualizing regulatory measures on roaming pricing in the second quarter, and supported by a continued strong customer growth in a competitive setting.

Revenue from Fixed Data remained fairly stable in the second quarter, with Proximus' flagship VPN solution 'Explore' further growing, with increasing P2P fiber lines but, offset by the migration from legacy services.

Occupying a unique market position in the field of Smart Mobility, BeMobile was the main driver of the revenue increase for Advance Business Services¹², with its contribution now fully organic.

Over the first-half of 2017, the Enterprise segment posted EUR 690 million revenue, which is a 1.3% growth from the prior year, mainly driven by ICT and Advanced Business Services.

¹² Advanced Business Services groups new solutions offered aside from traditional Telecom and ICT, such as Road User Charging, Converging Solutions, Big data and smart mobility solutions. The latter is offered through BeMobile which is the combination of the entities of Be-Mobile NV (previously Mobile-For NV owned by Proximus), Be-Mobile Tech NV, and Flow NV. Being majority shareholder, Proximus has consolidated the turnover of all these entities since March 2016.

Table 18: Enterprise revenue by product group

(EUR million)	2nd Quarter			Year-to-date		
	2016	2017	% Change	2016	2017	% Change
Revenues	349	342	-1.8%	681	690	1.3%
Fixed	250	243	-2.7%	487	493	1.3%
Voice	60	55	-7.7%	121	113	-6.7%
Data (Internet & Data Connectivity)	63	62	-0.9%	125	124	-1.2%
Terminals (excl. TV)	5	5	0.1%	10	10	-0.1%
ICT	123	121	-1.3%	231	247	6.9%
Mobile Services	80	79	-1.6%	163	158	-3.2%
Mobile Terminals	5	5	0.9%	9	12	24.5%
Advanced Business Services	5	6	34.5%	7	12	90.6%
Subsidiaries - Tango Enterprise	4	4	0.3%	8	7	-2.0%
Other Products	4	4	0.6%	7	8	1.7%

Lower Fixed Voice revenue due to Fixed Voice customer base erosion and lower usage

The Enterprise segment posted EUR 55 million in Fixed Voice revenue for the second quarter of 2017, showing a year-on-year decline of 7.7%. The enterprise segment faces an ongoing rationalization by customers on Fixed line connections, lower usage, technology migrations to VoIP and competitive pressure. The net Fixed line erosion remains however fairly stable with -10,000 lines in the second quarter 2017. This brought the Enterprise total Fixed Voice Line customer base to 599,000 at end-June 2017, i.e. a year-on-year stable line loss of -5.9%. The Fixed Voice ARPU eroded to EUR 30.5, -2.0% from the previous year due a lower number of equivalent business days.

Ongoing migration of legacy Data products, continued structural growth for new products

The **second-quarter 2017** revenue from Fixed Data, consisting of Fixed Internet and, for a greater part, Data Connectivity, **totaled EUR 62 million, 0.9% below** that of the same period of 2016 and stable to the prior quarter.

The Enterprise segment continued to benefit from a growing Data connectivity customer base, with ongoing migration to Proximus' VPN flagship 'Explore', benefitting from the further roll-out of P2P fiber. This was offset, however, by the impact of the outphasing and migration of legacy products in the context of simplification programs offering customers new solutions at more attractive pricing.

Revenue from Fixed Internet confirmed its broadly stable trend, with Broadband ARPU 0.7% down to EUR 43.3 in the second quarter of 2017, while the Internet base remained at 137,000.

ICT revenue impacted by quarterly fluctuation on low-margin product deals

In contrast to a year ago, and to the prior quarter, the second quarter 2017 revenue from ICT included a lower amount related to product deals. This largely explains the lower turnover, although there was only limited impact on the direct margin. Revenue from Proximus Cloud, Security and Outsourcing services continued to grow, however. Also, as of May 2017, revenue from Davinsi Labs¹³ was integrated in Proximus ICT. This Antwerp-based cyber security company with a strong position on the Benelux cybersecurity market, provides Proximus with a 360° cybersecurity portfolio, covering the prevention and detection of cyber-attacks as well as prediction and response to breaches.

Overall, the second quarter 2017 revenue from ICT totaled EUR 121 million, 1.3% less versus the comparable base of 2016.

Continued strong Mobile customer growth in competitive setting, partially offsetting roaming regulation impact

Over the second quarter of 2017, the Enterprise segment posted Mobile Services revenue of EUR 79 million, 1.6% lower versus the previous year. This was a sequential improvement from prior quarters, annualizing the roaming price decrease of end-April 2016. On 12 June 2017, however, Roam-like-at-Home was launched, which reintroduced a pricing impact. This was also reflected in the Postpaid ARPU trend. The regulatory price impact, ongoing move from customers to mobile bundles and competitive

137,000
Internet lines.
Stable in
competitive
market

14,000
Mobile
customers
added
(M2M excluded)

¹³ Davinsi Labs' full-year 2016 revenue was EUR 3.4 million

pressure, lowered the Postpaid ARPU to EUR 26.6 for the second quarter of 2017, -6.8% from the prior year.

The ARPU pressure could not be offset by the continued favorable evolution of the Enterprise customer base, growing by 5.9% in a one-year period (M2M cards excluded), to a total of 965,000 cards. The Enterprise segment added 14,000 mobile cards other than M2M in the second quarter of 2017. The growth in the mobile Voice customer base was supported by a sustained low Mobile churn of 10.5%, reflecting the good customer experience of Proximus' mobile network and service levels, and increasing customer satisfaction.

Over the second quarter of 2017, Proximus Enterprise segment added 9,000 M2M cards, bringing the total number of M2M cards to 1,190,000 at end-June 2017.

With smartphone penetration progressing and the number of 4G users growing, average data usage went up by 42% compared to a year ago, reaching almost 1.2 Gb/user/month. Enterprise customers with a 4G device had an average monthly data consumption of 1,345 Mb, 29% more than during the same period of 2016.

4.2. Enterprise direct margin

For the **second quarter of 2017**, Enterprise posted an underlying direct margin of EUR 238 million, i.e. 1.7% below the same period of 2016. The direct margin contribution of ICT and Advanced business services was more than offset by the erosion posted for Mobile Services (regulatory impact) and Fixed Voice. The direct margin as a percentage of revenue remained broadly stable, however, at 69.7%.

Table 19: Enterprise operationals

	Q216	Q217	Change (in abs. Amount)
From Fixed			
Number of access channels (thousands)	774	735	-38
Voice	637	599	-38
Broadband	137	137	-1
ARPU (EUR)			
ARPU Voice	31.1	30.5	-0.6
ARPU Broadband	43.6	43.3	-0.3
From Mobile			
Number of mobile cards (thousands)	2,006	2,155	149
Among which voice and data cards	911	965	54
Among which M2M	1,094	1,190	95
Annualized churn rate (blended)	10.7%	10.5%	-0.1pp
Net ARPU (EUR)			
Postpaid	28.5	26.6	-1.9
Average Mobile data usage user/month (Mb)			
4G	1,045	1,345	300
Blended	833	1,180	346

5. Wholesale

Table 20: Wholesale revenue and direct margin

(EUR million)	2nd Quarter			Year-to-date		
	2016	2017	% Change	2016	2017	% Change
TOTAL SEGMENT INCOME	49	48	-1.6%	97	100	3.2%
Costs of materials and charges to revenues	-6	-7	16.5%	-11	-14	21.5%
TOTAL SEGMENT DIRECT MARGIN	43	41	-4.0%	86	86	0.7%
Direct margin %	88.4%	86.2%	-2.1 p.p.	88.4%	86.3%	-2.1 p.p.

Proximus' Wholesale segment reported EUR 48 million in revenue and a direct margin of EUR 41 for the second quarter of 2017, a year-on-year decrease of 1.6% and 4.0% respectively. This was mainly due to a decline in traditional wholesale products (fixed voice, data connectivity and broadband access) which was only partially offset by a higher roaming-in margin driven by higher data volumes.

The trend returned to normal after an exceptionally high first quarter 2017 which included a corrective one-time impact following the annulment by the Brussels Appeal Court of the new Fixed Termination rates. This also explains the 3.2% revenue increase over the first-half of 2017.

6. International Carrier Services – BICS

- Broadly stable Q2'17 direct margin of EUR 67 million, in spite of revenue pressure
- Voice direct margin decline limited to -1.0% in a volatile and competitive market
- Q2'17 segment result 8.4% lower YoY, driven by higher expenses, including foreign currency impact
- Segment contribution margin of 11.0%; +0.5pp YoY
- Acquisition of TeleSign expected to be completed in coming weeks

Table 21: BICS P&L

(EUR million)	2nd Quarter			Year-to-date		
	2016	2017	% Change	2016	2017	% Change
TOTAL SEGMENT INCOME	359	312	-12.9%	715	645	-9.8%
Costs of materials and charges to revenues	-292	-245	-16.0%	-581	-513	-11.7%
TOTAL SEGMENT DIRECT MARGIN	67	67	0.4%	134	132	-1.5%
Direct margin %	18.6%	21.5%	2.9 p.p.	18.7%	20.4%	1.7 p.p.
TOTAL EXPENSES	-29	-33	11.9%	-61	-64	5.6%
Workforce expenses	-13	-14	1.2%	-26	-28	5.7%
Non Workforce expenses	-16	-19	21.0%	-34	-36	5.4%
TOTAL SEGMENT RESULT	38	34	-8.4%	73	67	-7.4%
Segment contribution margin	10.5%	11.0%	0.5 p.p.	10.2%	10.5%	0.3 p.p.

BICS Revenue

For the **second quarter of 2017**, BICS posted **underlying revenue of EUR 312 million, down by 12.9% compared to 2016**. The volume of Voice traffic carried by BICS was 10.1% below the comparative period of 2016. Combined with a less favorable destination mix this led to a 16.2% decline in Voice revenue.

Messaging volumes continued to grow, up by 3.3% from the second quarter of 2016, compensating for the impact of competitive pressure in other non-Voice sub-segments, leading to stable Non Voice revenue

of EUR 71 million compared to the same period in 2016. BICS posted **EUR 645 million in underlying revenue for the first six months of 2017, 9.8% lower than during the same period of 2016.**

Table 22: BICS revenue

(EUR million)	2nd Quarter			Year-to-date		
	2016	2017	% Change	2016	2017	% Change
Voice	288	241	-16.2%	574	503	-12.3%
Non Voice	71	71	0.1%	141	141	0.4%
Total revenues	359	312	-12.9%	715	645	-9.8%

Table 23: BICS volumes

Volumes (in million)	2nd Quarter			Year-to-date		
	2016	2017	% Change	2016	2017	% Change
Voice	6,575	5,907	-10.1%	12,609	12,026	-4.6%
Non Voice (Messaging)	909	939	3.3%	1,742	1,818	4.4%

BICS direct margin

In spite of a lower revenue, **BICS achieved a stable second-quarter 2017 direct margin of EUR 67 million compared to the same period of last year**, with the year-on-year comparison improving compared to the prior quarter. This resulted from a 1.7% increase in the Non Voice direct margin, totaling EUR 37 million, while the Voice direct margin totaled EUR 30 million, -1.0% compared to the same period in 2016.

Over the **first six months of 2017**, BICS' **direct margin of EUR 132 million was 1.5% below the previous year.**

Table 24: BICS direct margin

(EUR million)	2nd Quarter			Year-to-date		
	2016	2017	% Change	2016	2017	% Change
Voice	30	30	-1.0%	59	59	-0.8%
Non Voice	37	37	1.7%	74	73	-2.1%
Total direct margin	67	67	0.4%	134	132	-1.5%

BICS segment result

BICS' underlying segment result for the second quarter of 2017 totaled EUR 34 million, showing a 8.4% decline compared to the previous year. This resulted from BICS' second-quarter expenses up by 11.9% compared to the same period of 2016, with a foreign currency effect mainly driving the increase in Non Workforce expenses.

The underlying segment margin for the second quarter of 2017 was 11.0%, up 0.5pp from the previous year.

Year-to-date June 2017, BICS' segment result totaled EUR 67 million, a decline of 7.4% from the previous year.

7. Condensed consolidated financial statements

The condensed consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted for use in the European Union. Cumulative half year figures have been subject to a review by the independent auditor.

Accounting policies

The accounting policies and methods of the Group used as of 2017 are consistent with those applied in the 31 December 2016 consolidated financial statements, with the exception that the Group adopted the new standards, interpretations and revisions that became mandatory for the Proximus Group on 1 January 2017. These have only a limited impact. To improve the relevance of reported figures, Proximus reviewed the presentation of the income statement by removing the section "non-recurring" and re-classifying the related items in workforce expenses given their nature. The 2016 income statement has been restated accordingly but these restatements have no impact on EBITDA.

The Group continues investigating the impacts of the application of IFRS 15 "Revenue from contracts with customers" as from January 2018. It confirms the items disclosed in note 39 of the 31 December 2016 consolidated financial statements. For Consumer revenue streams the most significant change relates to bundled packages where devices and services are sold together with discounts. IFRS 15 application will result in a shift between service revenue and revenue from the sale of goods and consequently the timing of revenue recognition will be impacted. Furthermore, under IFRS 15, some costs qualifying as 'costs of obtaining' contracts (mainly commissions) will need to be deferred over time. For Corporate customers, the currently identified main impact relates to the 'costs of obtaining' a contract paid to partners when acquiring a contract with a customer essentially via commissions.

The IFRS 15 analysis together with the quantification of the above mentioned impacts on revenue is still ongoing. The IFRS 15 impact on yearly household revenue will amongst other, depend on the amplitude and the frequency of future joint offers. The impact on yearly revenue is not expected to be significant in case the pattern of future joint offers is consistent with the past, but the assessment is preliminary and ongoing.

The Groups' yearly impact of the commissions' deferral will mainly impact the Opening Balance sheet.

For transition the Group has opted for dual reporting in 2018.

Proximus continues its analysis on IFRS 9 – Financial instruments – implementation but does not expects major impacts.

Judgments and estimates

The Group does not make any significant judgments and estimates other than those mentioned under note 2 in the 31 December 2016 consolidated financial statements and other than those mentioned below in this report.

Significant events or transactions

Events or transaction in the first half of 2017:

On 15 March, 2017, Proximus successfully issued €500 million Senior Unsecured Notes due March 2022 with a 0.50% annual coupon. Proximus pre-hedged the underlying rate earlier this year and managed to further reduce the all-in interest cost of this transaction. The Group applied hedge accounting for this derivative.

In April 2017 the Group' subsidiary BICS, a global provider of international wholesale connectivity and interoperability services, entered into an agreement to acquire TeleSign, a United States company active in the provision of authentication and mobile identity services to internet- and digital service providers, for an upfront cash consideration of \$ 230 million (on a cash and debt free basis) as well as a variable performance-based earn-out consideration. Closing of the transaction is subject to customary regulatory conditions which are expected to be fulfilled in the third quarter of 2017. The transaction will be financed through Proximus Group available cash. BICS entered into a derivative foreign exchange contract in order to economically hedge the exposure for the cash component of the purchase consideration. The mark-to market adjustment of the portion of the derivative hedging that qualifies for hedge accounting is recognized through other comprehensive income. The portion that does not qualify is recognized as financial result.

In April 2017 the Group acquired all the shares of Davinsi Labs BVBA, a cyber security company and recognized a provisional goodwill of EUR 5 million.

7.1. Consolidated income statement

(EUR million)	2nd Quarter			Year-to-date		
	2016 restated	2017	% Change	2016 restated	2017	% Change
Net revenue	1,450	1,406	-3.0%	2,873	2,839	-1.2%
Other operating income	13	11	-12.4%	23	22	-3.3%
TOTAL INCOME	1,463	1,417	-3.1%	2,896	2,861	-1.2%
Costs of materials and services related to revenue	-550	-516	-6.0%	-1,080	-1,062	-1.7%
Workforce expenses	-346	-307	-11.2%	-642	-613	-4.5%
Non workforce expenses	-140	-149	6.4%	-329	-312	-4.9%
TOTAL OPERATING EXPENSES before depreciation & amortization	-1,035	-972	-6.1%	-2,051	-1,987	-3.1%
OPERATING INCOME before depreciation & amortization	428	445	4.1%	845	874	3.4%
Depreciation and amortization	-234	-243	4.0%	-460	-478	3.8%
OPERATING INCOME	194	202	4.1%	385	396	2.9%
Finance income	1	5	>100%	2	6	>100%
Finance costs	-24	-20	-17.2%	-49	-35	-28.0%
Net finance costs	-23	-15	-35.1%	-48	-30	-38.1%
Share of loss on associates	0	0	>100%	0	-1	>100%
INCOME BEFORE TAXES	171	186	9.3%	337	366	8.7%
Tax expense	-38	-56	49.7%	-86	-111	30.1%
NET INCOME	133	130	-2.1%	251	254	1.4%
Non-controlling interests	7	5	-32.0%	12	9	-24.1%
Net income (Group share)	126	126	-0.5%	239	245	2.7%
Basic earnings per share	0.39 EUR	0.39 EUR	-0.7%	0.74 EUR	0.76 EUR	2.5%
Diluted earnings per share	0.39 EUR	0.39 EUR	-0.6%	0.74 EUR	0.76 EUR	2.5%
Weighted average number of outstanding shares	322,349,426	322,827,005	0.1%	322,224,889	322,743,059	0.2%
Weighted average number of outstanding shares for diluted earnings per share	322,630,849	323,003,142	0.1%	322,539,109	322,953,893	0.1%

7.2. Consolidated statements of other comprehensive income

(EUR million)	As of 30 June	
	2016	2017
Net income	251	254
Other comprehensive income:		
Items that may be reclassified to profit and loss		
Cash flow hedges:		
Gain/(loss) taken to equity	-1	-6
Total before related tax effects	0	-6
Related tax effects		
Cash flow hedges:		
Gain/(loss) taken to equity	0	-1
Income tax relating to items that may be reclassified	0	-1
Items that may be reclassified to profit and loss, net of related tax effects	0	-7
Items that will not be reclassified to profit and loss		
Remeasurement of defined benefit obligations	-106	0
Total before related tax effects	-106	0
Related tax effects		
Remeasurement of defined benefit obligations	26	0
Income tax relating to items that will not be reclassified	26	0
Items that will not be reclassified to profit and loss, net of related tax effects	-79	0
Total comprehensive income	172	247
Attributable to:		
Equity holders of the parent	160	242
Non-controlling interests	11	5

7.3. Consolidated balance sheet

(EUR million)	As of 31 December 2016	As of 30 June 2017
ASSETS		
NON-CURRENT ASSETS	6,372	6,406
Goodwill	2,279	2,284
Intangible assets with finite useful life	1,099	1,141
Property, plant and equipment	2,910	2,888
Investments in associates	3	4
Other participating interests	10	10
Deferred income tax assets	34	39
Other non-current assets	37	39
CURRENT ASSETS	1,745	1,802
Inventories	125	137
Trade receivables	1,149	1,087
Current tax assets	46	17
Other current assets	122	144
Investments	6	5
Cash and cash equivalents	297	413
TOTAL ASSETS	8,117	8,207
LIABILITIES AND EQUITY		
EQUITY	2,981	2,876
Shareholders' equity	2,819	2,741
Issued capital	1,000	1,000
Treasury shares	-430	-427
Restricted reserve	100	100
AFS & Hedge reserve	2	-2
Remeasurement reserve	-127	-127
Stock compensation	5	4
Retained earnings	2,270	2,193
Non-controlling interests	162	135
NON-CURRENT LIABILITIES	2,697	2,804
Interest-bearing liabilities	1,763	1,858
Liability for pensions, other post-employment benefits and termination benefits (1)	544	514
Provisions	144	141
Deferred income tax liabilities	84	78
Other non-current payables	162	213
CURRENT LIABILITIES	2,439	2,527
Interest-bearing liabilities	407	566
Trade payables	1,388	1,275
Tax payables	65	40
Other current payables	579	647
TOTAL LIABILITIES AND EQUITY	8,117	8,207

(1) As of 1st January 2017 the current part of the 'liability for pensions, other post-employment benefits and termination benefits' is included in 'other current payables'.

7.4. Consolidated cash flow statement

(EUR million)	2nd Quarter		Year-to-date	
	2016	2017	2016	2017
Cash flow from operating activities				
Net income	133	130	251	254
<u>Adjustments for:</u>				
Depreciation and amortization on intangible assets and property, plant and equipment	234	243	460	478
Increase of impairment on intangible assets and property, plant and equipment	0	0	0	1
Increase / (decrease) in provisions	-1	-2	1	-2
Deferred tax expense / (income)	39	-11	32	-13
Loss from investments accounted for using the equity method	0	0	0	1
Fair value adjustments on financial instruments	0	1	0	1
Loans amortization	2	1	3	1
(Gain) / loss on disposal of fixed assets	-3	0	-3	1
Operating cash flow before working capital changes	404	364	745	722
Decrease / (increase) in inventories	20	-5	-9	-11
Decrease / (increase) in trade receivables	-40	5	-9	64
Decrease / (increase) in current income tax assets	0	-4	0	27
Decrease / (increase) in other current assets	14	9	-18	-21
Decrease in trade payables	-11	-28	-36	-87
Increase / (decrease) in income tax payables	-11	-46	43	-25
Increase / (decrease) in other current payables	-62	-48	10	2
Increase in net liability for pensions, other post-employment benefits and termination benefits	28	8	27	19
Increase in other non-current payables and provisions	10	0	10	0
Decrease / (increase) in working capital, net of acquisitions and disposals of subsidiaries	-54	-109	18	-32
Net cash flow provided by operating activities (1)	350	254	763	690
Cash flow from investing activities				
Cash paid for acquisitions of intangible assets and property, plant and equipment	-231	-209	-508	-475
Cash paid for acquisitions of other participating interests	-2	-2	-2	-2
Cash paid for acquisition of consolidated companies, net of cash acquired	0	-5	-6	-5
Cash received from sales of intangible assets and property, plant and equipment	4	1	4	5
Cash received from / (paid for) sales of other participating interests and enterprises accounted for using the equity method	0	0	2	-1
Net cash used in investing activities	-229	-215	-509	-477
Cash flow before financing activities (FCF)	122	39	255	212
Cash flow from financing activities				
Dividends paid to shareholders	-323	-325	-323	-326
Dividends paid to non-controlling interests	-26	-32	-26	-32
Net sale of treasury shares	8	0	13	3
Net sale / (purchase) of investments	0	0	-1	1
Decrease of shareholders' equity	0	-1	0	-1
Cash received from cash flow hedge instrument related to long term debt	0	1	0	4
Issuance of long term debt	0	0	0	500
Repayment of long term debt (2)	-1	-1	-1	-1
Issuance / (repayment) of short term debt	0	105	0	-245
Cash flows used in financing activities (3)	-342	-251	-339	-96
Net increase / (decrease) of cash and cash equivalents	-221	-212	-85	116
Cash and cash equivalents at 1 January	502	297	502	297
Cash and cash equivalents at 30 June	417	413	417	413
<u>(1) Net cash flow from operating activities includes the following cash movements:</u>				
Interest paid			-37	-37
Interest received			0	1
Income taxes paid			-11	-122
<u>(2) The repayment of long term debt is the net of cash received and paid for the debt and related</u>				
<u>(3) Gains and losses from debt restructuring are part of the Cash used in financing activities.</u>				

7.5. Consolidated statements of changes in equity

(EUR million)	Issued capital	Treasury shares	Restricted reserve	Available for sale and hedge reserve	Remeasur-ment reserve	Stock Compen-sation	Retained Earnings	Shareholders' Equity	Non-controlling interests	Total Equity
Balance at 31 December 2015	1,000	-448	100	2	-114	5	2,255	2,801	164	2,965
Total comprehensive income and expense	0	0	0	0	-78	0	239	160	11	172
Dividends to shareholders (relating to 2015)	0	0	0	0	0	0	-322	-322	0	-322
Dividends of subsidiaries to non-controlling interests	0	0	0	0	0	0	0	0	-26	-26
Business combination	0	0	0	0	0	0	-19	-19	0	-20
Treasury shares										
Exercise of stock options	0	5	0	0	0	0	-1	4	0	4
Sale of treasury shares under a discounted share purchase plan	0	9	0	0	0	0	1	9	0	9
Stock options										
Exercise of stock options	0	0	0	0	0	-1	1	0	0	0
Total transactions with equity holders	0	14	0	0	0	-1	-341	-328	-27	-355
Balance at 30 June 2016	1,000	-435	100	2	-192	5	2,153	2,633	149	2,782
Balance at 31 December 2016	1,000	-430	100	2	-127	5	2,270	2,819	162	2,981
Total comprehensive income and expense	0	0	0	-3	0	0	245	242	5	247
Dividends to shareholders (relating to 2016)	0	0	0	0	0	0	-323	-323	0	-323
Dividends of subsidiaries to non-controlling interests	0	0	0	0	0	0	0	0	-32	-32
Business combination	0	0	0	0	0	0	1	1	-1	0
Treasury shares										
Exercise of stock options	0	0	0	0	0	0	-1	-1	0	-1
Sale of treasury shares	0	-5	0	0	0	0	0	-4	0	-4
Stock options										
Exercise of stock options	0	8	0	0	0	-1	1	8	0	8
Total transactions with equity holders	0	3	0	0	0	-1	-322	-319	-32	-352
Balance at 30 June 2017	1,000	-427	100	-2	-127	4	2,193	2,741	135	2,876

7.6. Segment reporting

See reconciliation of reported and underlying figures in section 8.2

(EUR million)	Group Proximus			underlying by segment					
	Reported	Incidental	Underlying	BICS	Domestic (Group excl. BICS)	Consumer	Enterprise	Wholesale	Others
Net revenue	2,839	0	2,839	644	2,195	1,437	686	100	-28
Other revenues	22	0	22	1	21	10	4	0	6
TOTAL INCOME	2,861	0	2,861	645	2,216	1,447	690	100	-22
COSTS OF MATERIALS AND SERVICES RELATED TO REVENUE	-1,062	0	-1,062	-513	-549	-349	-214	-14	28
Direct margin	1,799	0	1,799	132	1,667	1,098	476	86	6
Workforce expenses	-613	38	-575	-28	-547				
Non workforce expenses	-312	2	-311	-36	-274				
TOTAL OPERATING EXPENSES	-925	40	-885	-64	-821				
OPERATING INCOME before depreciation & amortization	874	40	914	67	846				
Depreciation and amortization	-478	0	-478	-38	-440				
OPERATING INCOME	396	40	436	29	407				
Net finance costs	-30								
Share of loss on associates	-1								
INCOME BEFORE TAXES	366								
Tax expense	-111								
NET INCOME	254								
Non-controlling interests	9								
Net income (Group share)	245								

Six months ended 30 June 2016 - restated

(EUR million)	Group Proximus		underlying by segment						
	Reported	Incidental	Underlying	BICS	Domestic (Group excl. BICS)	Consumer	Enterprise	Wholesale	Others
Net revenue	2,873	0	2,873	713	2,160	1,412	679	97	-28
Other revenues	23	-3	20	1	19	9	2	0	7
TOTAL INCOME	2,896	-3	2,893	715	2,178	1,421	681	97	-21
COSTS OF MATERIALS AND SERVICES RELATED TO REVENUE	-1,080	0	-1,080	-581	-499	-320	-199	-11	31
Direct margin	1,815	-3	1,813	134	1,679	1,102	482	86	10
Workforce expenses	-642	53	-588	-26	-562				
Non workforce expenses	-329	-15	-344	-34	-309				
TOTAL OPERATING EXPENSES	-970	38	-932	-61	-871				
OPERATING INCOME before depreciation & amortization	845	36	881	73	808				
Depreciation and amortization	-460	0	-460	-38	-422				
OPERATING INCOME	385	36	420	35	385				
Net finance costs	-48								
Share of loss on associates	0								
INCOME BEFORE TAXES	337								
Tax expense	-86								
NET INCOME	251								
Non-controlling interests	12								
Net income (Group share)	239								

7.7. Information about the Group financing activities related to interest bearing liabilities

	As of 31 December 2016	Cash flows	Non-cash changes			As of 30 June 2017
			Reclassifica- tion	Fair value changes	Amortiz- ation	
Long-term						
Unsubordinated debentures	1,755	498	-404	0	1	1,850
Leasing and similar obligations	2	2	0	0	0	4
Derivatives held for trading	6	0	0	-1	0	4
Current portion of amounts payable > one year						
Unsubordinated debentures	0	0	404	0	0	404
Leasing and similar obligations	2	0	0	0	0	2
Other financial debts						
Credit institutions	405	-245	0	0	0	160
Total liabilities from financing activities	2,170	254	0	-1	1	2,424

7.8. 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 at 30 June 2017;
- 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

Set out below is a comparison of the carrying amounts and fair value of financial instruments as at 30 June 2017 and the fair value hierarchy:

The financial instruments were categorized according to principles that are consistent with those applied for the preparation of Note 33.4 of the 2016 Financial Statements.

No transfer between Levels occurred during 2017.

As of 30 June 2017 (EUR million)	Category according to IAS 39 (1)	Carrying amount	Fair value	Level
ASSETS				
Non-current assets				
Other participating interests	AFS	10	10	
Other non-current assets				
Other derivatives	FVTPL	6	6	Level 2
Other financial assets	LaR	33	33	
Current assets				
Trade receivables	LaR	1,087	1,087	
Other current assets				
Other receivables	N/A	14	14	
Investments	HTM	5	5	
Cash and cash equivalents				
Short-term deposits	LaR	413	413	
LIABILITIES				
Non-current liabilities				
Interest-bearing liabilities				
Unsubordinated debentures not in a hedge relationship	OFL	1,850	1,990	Level 2
Leasing and similar obligations	OFL	4	4	
Other derivatives	FVTPL	4	4	Level 2
Non-interest-bearing liabilities				
Other non-current payables	OFL	213	213	
Current liabilities				
Interest-bearing liabilities, current portion				
Unsubordinated debentures not in a hedge relationship	OFL	404	414	Level 2
Leasing and similar obligations	OFL	2	2	
Interest-bearing liabilities				
Other loans	OFL	160	160	
Trade payables	OFL	1,275	1,275	
Other current payables				
Derivatives held-for-hedging	HeAc	12	12	Level 1
Other derivatives	FVTPL	1	1	Level 1
Other debt	OFL	34	34	Level 3
Other amounts payable	OFL	237	237	

(1) The categories according to IAS 39 are the following :

AFS: Available-for-sale financial assets

HTM: Financial assets held-to-maturity

LaR: Loans and Receivables financial assets

FVTPL: Financial assets/liabilities at fair value through profit and loss

OFL: Other financial liabilities

Hedge activity

HeAc: Hedge accounting

As of 31 December 2016 (EUR million)	Category according to IAS 39 (1)	Carrying amount	Fair value	Level
ASSETS				
Non-current assets				
Other participating interests	AFS	10	10	
Other non-current assets				
Other derivatives	FVTPL	6	6	Level 2
Other financial assets	LaR	30	30	
Current assets				
Trade receivables	LaR	1,149	1,149	
Other current assets				
Derivatives held-for-hedging	HeAc	-1	-1	Level 1
Other derivatives	FVTPL	2	2	Level 1
Other receivables	N/A	22	22	
Investments	AFS	1	1	Level 1
Investments	HTM	5	5	
Cash and cash equivalents				
Short-term deposits	LaR	297	297	
LIABILITIES				
Non-current liabilities				
Interest-bearing liabilities				
Unsubordinated debentures not in a hedge relationship	OFL	1,755	1,906	Level 2
Leasing and similar obligations	OFL	2	2	
Other derivatives	FVTPL	6	6	Level 2
Non-interest-bearing liabilities				
Other non-current payables	OFL	169	169	
Current liabilities				
Interest-bearing liabilities, current portion				
Leasing and similar obligations	OFL	2	2	
Other loans	OFL	405	405	
Trade payables	OFL	1,381	1,381	
Other current payables				
Other debt	OFL	34	34	Level 3
Other amounts payable	OFL	266	266	

(1) The categories according to IAS 39 are the following :

- AFS: Available-for-sale financial assets
- HTM: Financial assets held-to-maturity
- LaR: Loans and Receivables financial assets
- FVTPL: Financial assets/liabilities at fair value through profit and loss
- OFL: Other financial liabilities

Hedge activity

- HeAc: Hedge accounting

Valuation technique

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

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

Other derivatives in Level 2

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

Unsubordinated debentures

The unsubordinated debentures are recognized at amortized costs.

In case of anticipated settlement, in the context of the Group portfolio restructuring, those debentures are measured at their transaction price once the transaction is binding for the Group. Their fair values, calculated for each debenture separately, were obtained by discounting the interest rates at which the Group could borrow at 30 June 2017 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.

7.9. Contingent liabilities

Compared to the 2016 annual accounts no changes occurred during the first half of 2017 in the contingent liabilities.

7.10. Post balance sheet events

The Brussels Region publicly announced to withdraw the Tax On Pylons and request a contribution instead by the operators. As the modalities are not clear yet, management assesses the current positions to correctly reflect the most probable outcome.

7.11. Others

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

8. Additional information

8.1. Reporting remarks

8.1.1. IFRS impact on revenue per product

In line with Proximus' strategy, most products are sold through multi-Play Packs, a trend reinforced by the launch of the converged offers Tuttimus and Bizz All-in since mid-October 2016. The Packs are sales arrangements with multiple deliverables. The revenue is allocated to the different products such as Internet, Voice, TV and Mobile, based on their relative fair value, being the amount for which the product could be sold separately and considering the cash cap. The revenue allocation per product as reported in this report might be impacted by changes in the composition of multi-Play offers.

The resulting product ARPU as reported in this document for TV, Internet, Fixed Voice and Mobile, 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.

8.1.2. 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. Incidentals

(EUR million)	GROUP Revenue		GROUP EBITDA		GROUP Revenue		GROUP EBITDA	
	Q2'16	Q2'17	Q2'16	Q2'17	YTD'16	YTD'17	YTD'16	YTD'17
Reported	1,463	1,417	428	445	2,896	2,861	845	874
Underlying	1,460	1,417	463	464	2,893	2,861	881	914
Incidentals	3	0	-35	-19	3	0	-36	-40
Incidentals:	3	0	-35	-19	3	0	-36	-40
Capital gains on building sales	3	0	3	0	3	0	3	0
Early Leave Plan and Collective Agreement	0	0	-53	-19	0	0	-53	-38
Restructuring program in subsidiary	0	0	0	0	0	0	-1	0
M&A-related transaction costs	0	0	0	-1	0	0	0	-3
Reversal Pylon Tax provision 2015	0	0	15	0	0	0	15	0
Reversal UK rent provision 2014	0	0	0	1	0	0	0	1

Proximus reviewed the presentation of the income statement by removing the section "non recurring" and classifying the related items according to their nature. These items remain excluded from "underlying¹⁴" figures.

The incidentals definition remained unchanged, however, 'non recurring', formally reported in the Group financials, is no longer reported separately to simplify incidentals in one single category.

¹⁴ See part 8.6 Definitions

8.3. Quarterly results tables

8.3.1. Group – Financials

(EUR million)	Q116	Q216	Q316	Q416	2016	Q117	Q217
REPORTED							
Revenues	1,433	1,463	1,488	1,490	5,873	1,444	1,417
EBITDA	417	428	441	447	1,733	428	445
UNDERLYING							
Revenues per Segment	1,433	1,460	1,487	1,490	5,871	1,443	1,417
Domestic	1,077	1,101	1,105	1,127	4,410	1,111	1,105
Consumer	706	715	730	737	2,889	720	727
Enterprise	333	349	338	357	1,376	348	342
Wholesale	48	49	51	46	194	52	48
Other (incl. eliminations)	-10	-11	-14	-14	-49	-9	-13
International Carrier Services (BICS)	356	359	382	363	1,460	332	312
Costs of materials and charges to revenues	-531	-550	-569	-593	-2,242	-545	-516
Direct Margin	902	911	918	897	3,628	898	901
<i>Direct Margin %</i>	63.0%	62.4%	61.7%	60.2%	61.8%	62.2%	63.6%
Total expenses before D&A	-484	-448	-444	-456	-1,832	-449	-436
EBITDA	418	463	474	441	1,796	449	464
<i>Segment EBITDA margin %</i>	29.2%	31.7%	31.9%	29.6%	30.6%	31.1%	32.8%

Consumer – Financials

X-Play view

(EUR million)	Q116	Q216	Q316	Q416	2016	Q117	Q2'17
Revenues	706	715	730	737	2,889	720	727
Revenues X-Play	578	580	589	585	2,331	590	599
4-Play	189	192	197	201	779	215	228
3-Play	182	183	185	181	730	175	174
2-Play	80	79	79	77	315	76	75
1-Play	128	126	128	125	507	124	123
Prepaid	38	38	34	30	139	27	28
Terminals sales	32	34	43	60	169	47	49
Tango	27	26	28	29	111	27	29
Other	31	36	36	34	137	29	22

Product view

(EUR million)	Q116	Q216	Q316	Q416	2016	Q117	Q217
REPORTED							
Revenues	706	715	730	737	2,889	720	727
UNDERLYING							
Revenues	706	715	730	737	2,889	720	727
Fixed	379	381	383	384	1,526	388	387
Voice	134	131	131	128	524	130	126
Data (Internet & Data Connectivity)	147	151	150	151	599	153	154
TV	87	88	91	94	360	95	96
Terminals (excl. TV)	4	4	4	4	15	4	4
ICT	7	7	7	7	29	7	7
Mobile Services	248	250	251	246	995	242	247
Postpaid	210	213	218	215	856	215	219
Prepaid	38	38	34	30	139	27	28
Mobile Terminals	25	30	37	53	146	39	42
Subsidiaries (Tango)	27	26	28	29	111	27	29
Other Products	28	27	30	26	110	24	23
Of which Installation & Activation	5	4	6	4	18	3	4
Costs of materials & charges to revenues	-158	-162	-170	-194	-684	-174	-175
Direct Margin	548	553	560	543	2,204	547	552
Direct Margin %	77.6%	77.4%	76.7%	73.6%	76.3%	75.9%	75.9%

8.3.2. Consumer Operationals

X-play view

	Q116	Q216	Q316	Q416	2016	Q117	Q217
Households/Small Offices per Play - Total (thousands)	2,951	2,951	2,951	2,952	2,952	2,947	2,956
4 - Play	555	564	574	605	605	640	662
3 - Play	768	771	774	760	760	750	748
2 - Play	451	448	445	437	437	427	419
1 - Play	1,177	1,167	1,158	1,150	1,150	1,130	1,127
Fixed Voice	398	384	372	358	358	342	330
Fixed Internet	122	123	124	126	126	129	130
TV	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Mobile Postpaid	657	659	661	665	665	659	666
Average revenue x - play (in EUR)	65.3 €	65.5 €	66.6 €	66.0 €	65.8 €	66.7 €	67.7 €
4 - Play	114.2 €	114.3 €	115.5 €	114.6 €	114.7 €	115.0 €	116.5 €
3 - Play	79.3 €	79.1 €	79.8 €	78.3 €	79.1 €	77.4 €	77.2 €
2 - Play	58.8 €	58.4 €	58.9 €	58.3 €	58.6 €	58.9 €	58.6 €
1 - Play	35.9 €	35.9 €	36.8 €	36.1 €	36.2 €	36.1 €	36.5 €
Average #RGUs per household/Small Office - Total	2.61	2.62	2.63	2.66	2.66	2.69	2.71
4 - Play	4.83	4.83	4.83	4.84	4.84	4.85	4.86
3 - Play	3.34	3.34	3.34	3.33	3.33	3.33	3.32
2 - Play	2.21	2.21	2.21	2.21	2.21	2.20	2.20
1 - Play	1.23	1.23	1.24	1.24	1.24	1.24	1.24
Annualized full churn rate (household/Small Office level) - Total	13.4%	12.0%	12.6%	13.5%	12.9%	13.7%	11.7%
4 - Play	2.8%	2.7%	2.4%	2.7%	2.6%	2.8%	2.5%
3 - Play	10.4%	9.6%	9.6%	10.3%	10.0%	10.2%	8.9%
2 - Play	12.1%	10.3%	10.9%	11.6%	11.2%	12.3%	10.5%
1 - Play	20.8%	18.7%	20.3%	21.9%	20.4%	22.6%	19.3%
% Convergent HH / SO - Total	53.2%	53.5%	54.2%	54.9%	54.9%	55.6%	56.1%
(i.e. % of HH/SO having Mobile + Fixed component)							
4 - Play	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
3 - Play	36.8%	37.1%	37.8%	36.9%	36.9%	35.9%	35.4%
2 - Play	23.5%	23.4%	23.5%	23.7%	23.7%	23.7%	23.8%

Product view

	Q116	Q216	Q316	Q416	2016	Q117	Q217
From Fixed							
Number of access channels (thousands)	3,837	3,832	3,824	3,841	3,841	3,872	3,885
Voice	2,096	2,078	2,058	2,060	2,060	2,066	2,063
Broadband	1,741	1,754	1,767	1,781	1,781	1,806	1,821
TV unique customers (thousands)	1,440	1,458	1,472	1,489	1,489	1,516	1,533
ARPU (EUR)							
ARPU Voice	21.3	20.9	21.2	20.8	21.0	21.0	20.4
ARPU broadband	28.3	28.8	28.4	28.3	28.4	28.4	28.3
ARPU TV	20.2	20.2	20.7	21.1	20.6	20.9	20.8
From Mobile							
Number of active customers (thousands)	3,717	3,704	3,689	3,679	3,679	3,646	3,631
Prepaid	1,268	1,235	1,178	1,119	1,119	1,057	998
Postpaid	2,449	2,470	2,511	2,560	2,560	2,589	2,633
Annualized churn rate							
Prepaid	35.0%	35.0%	38.1%	37.7%	36.7%	39.0%	38.5%
Postpaid	15.2%	14.0%	15.6%	16.5%	15.2%	15.1%	13.3%
Blended	22.4%	21.5%	23.4%	23.6%	22.7%	22.7%	21.0%
Net ARPU (EUR)							
Prepaid	9.8	10.1	9.3	8.8	9.5	8.1	9.0
Postpaid	28.7	28.8	29.2	28.4	28.8	27.9	28.0
Blended	22.1	22.5	22.7	22.3	22.4	22.0	22.6
Average Mobile data usage user/month (Mb)							
4G	1,039	1,090	1,107	1,197		1,303	1,407
Blended	725	790	842	945		1,083	1,192

8.3.3. Enterprise – Financials

(EUR million)	Q116	Q216	Q316	Q416	2016	Q117	Q217
REPORTED							
Revenues	333	349	338	357	1,376	348	342
UNDERLYING							
Revenues	333	349	338	357	1,376	348	342
Fixed	237	250	241	254	982	250	243
Voice	61	60	58	58	237	57	55
Data (Internet & Data Connectivity)	63	63	63	62	251	62	62
TV	0	0	0	0	0	0	0
Terminals (excl. TV)	5	5	5	5	19	5	5
ICT	108	123	115	129	475	126	121
Mobile Services	83	80	80	80	323	79	79
Mobile Terminals	4	5	5	7	21	6	5
Advanced Business Services	2	5	5	7	18	6	6
Subsidiaries (Tango)	4	4	4	5	16	4	4
Other Products	3	4	4	4	15	3	4
Of which Installation & Activation	1	1	1	1	3	1	1
Costs of materials and charges to revenues	-93	-106	-100	-113	-413	-110	-104
Direct Margin	240	242	237	244	964	238	238
Direct Margin %	72.0%	69.6%	70.3%	68.3%	70.0%	68.4%	69.7%

8.3.4. Enterprise – Operationals

	Q116	Q216	Q316	Q416	2016	Q117	Q217
From Fixed							
Number of access channels (thousands)	784	774	768	758	758	746	735
Voice	647	637	630	620	620	609	599
Broadband	137	137	138	138	138	137	137
ARPU (EUR)							
ARPU Voice	31.1	31.1	30.7	30.8	30.9	31.2	30.5
ARPU Broadband	43.4	43.6	43.8	43.3	43.5	42.8	43.3
From Mobile							
Number of mobile cards (thousands)	1,881	2,006	2,084	2,108	2,108	2,132	2,155
Among which voice and data cards	903	911	926	939	939	952	965
Among which M2M	978	1,094	1,158	1,169	1,169	1,180	1,190
Annualized churn rate (blended)	10.8%	10.7%	8.9%	9.9%	10.0%	10.6%	10.5%
Net ARPU (EUR)							
Postpaid	29.8	28.5	28.1	27.5	28.5	26.9	26.6
Average Mobile data usage user/month (Mb)							
4G	973	1,045	1,074	1,170		1,266	1,345
Blended	756	833	880	982		1,094	1,180

8.3.5. Wholesale – Financials

(EUR million)	Q116	Q216	Q316	Q416	2016	Q117	Q217
REPORTED							
Revenues	48	49	51	46	194	52	48
UNDERLYING							
Revenues	48	49	51	46	194	52	48
Direct Margin	43	43	44	40	169	45	41
Direct Margin %	88.4%	88.4%	85.8%	86.0%	87.1%	86.4%	86.2%

8.3.6. Retail Operationals and MVNO customers reported in Wholesale

	Q116	Q216	Q316	Q416	2016	Q117	Q217
From Fixed							
Number of access channels (thousands)							
Voice (1)	9	9	8	8	8	8	8
Broadband (1)	1	1	1	1	1	1	1
From Mobile							
Number of active Mobile customers (thousands)							
Retail (1)	10	10	9	9	9	9	9
MVNO	13	14	15	16	16	17	19

(1) i.e. Proximus retail products sold via Wholesale (OLO's own usage and reselling)

8.3.7. BICS – Financials

(EUR million)	Q116	Q216	Q316	Q416	2016	Q117	Q217
REPORTED							
Revenues	356	359	382	363	1,460	332	312
Segment Result	35	38	40	37	149	31	33
UNDERLYING							
Revenues	356	359	382	363	1,460	332	312
Revenues from Voice	286	288	303	291	1,169	262	241
Revenues from non-Voice	70	71	79	72	292	70	71
Costs of materials and charges to revenues	-289	-292	-310	-296	-1,186	-268	-245
Direct Margin	67	67	73	68	274	64	67
Direct Margin %	18.8%	18.6%	19.1%	18.6%	18.8%	19.4%	21.5%
Total expenses before D&A	-32	-29	-33	-31	-125	-31	-33
Workforce expenses	-13	-13	-14	-13	-53	-14	-14
Non Workforce expenses	-19	-16	-20	-18	-72	-17	-19
Segment result	35	38	40	36	149	33	34
Segment contribution margin %	9.9%	10.5%	10.3%	10.0%	10.2%	9.9%	11.0%

8.3.8. BICS - Operationals

Volumes in million	Q116	Q216	Q316	Q416	2016	Q117	Q217
Voice	6,034	6,575	6,948	6,667	26,224	6,118	5,907
Non-Voice (Messaging)	833	909	903	913	3,558	879	939



8.4. Definitions

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

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

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

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

ARPU: Average Revenue per Unit

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

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

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

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

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

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

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

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

Domestic: defined as the Proximus Group excluding BICS

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

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

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

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

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

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

General and Administrative expenses (G&A): Domestic expenses excluding Marketing, Sales and Servicing and Network and IT expenses, i.e. mainly overhead.

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 companies, gains and losses on disposal of buildings, M&A (acquisition, merger, divestment,...) related transaction costs, deferred M&A purchase price, pre-identified one shot projects (such as rebranding costs), changes of accounting treatments (such as the application of IFRIC 21), financial impacts of litigation files, fines and penalties, financial impact of law changes (one-off impact relative to previous years), recognition of previously unrecognized assets and impairment losses.

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

Marketing, Sales and Servicing expenses: all expenses related to Consumer, Enterprise and Wholesale customers, including remote servicing.

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

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

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

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

Network and IT expenses: all IT and Network related expenses, including interventions at customer premises.

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

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

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

Reported Revenues: this corresponds to the TOTAL INCOME.

TV ARPU: includes only customer-related underlying revenue and takes into account promotional offers, excluding activation and installation fees, divided by the number of households with Proximus or Scarlet TV.

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

Wholesale: Proximus' unit addressing the telecom wholesale market including other telecom operators (incl. MVNO) and ISP's.

Workforce expenses: Workforce expenses are expenses related to own employees (personnel expenses and pensions) as well as to external employees. For subsidiaries, Workforce expenses include internal personnel expenses and pensions only.

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

8.5. Management statement

The Proximus Executive Committee declares that to the best of its knowledge, the condensed consolidated financial statements, established in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU, give a true and fair view of the assets, financial position and results of Proximus and of the entities included in the consolidation. The financial report gives an accurate overview of the information that needs to be disclosed. The Executive Committee is represented by Dominique Leroy, Chief Executive Officer, Sandrine Dufour, Chief Financial Officer, Bart Van Den Meersche, Chief Enterprise Market Officer, 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.

8.6. Financial calendar

9 October 2017	Start of quiet period ahead of the Q3 2017 results
27 October 2017	Announcement of Q3 2017 results
22 January 2018	Start of quiet period ahead of the Q4 2017 results
2 March 2018	Announcement of Q4 2017 results

Dates could be subject to change

8.7. Contact details

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8.8. Investor & analyst conference call

Analyst conference call details

Proximus will host a conference call for investors and analysts on Friday 28 July 2017.

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

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