2016 Q2

Quarterly Report

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

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1. Highlights Q2 2016

Brussels, 29 July 2016
7.00 (CET)
Regulated Information

- **Solid 4.1% underlying Domestic EBITDA growth, driving a 1.7% increase of the underlying Group EBITDA to EUR 463 million for Q2'16**
- **Q2'16 underlying Domestic revenue +0.7% driven by favorable revenue evolution for Fixed services and ICT, more than offsetting new roaming regulation impact and lower device sales**
- **Group operating expenses reduced by 2.6% from prior year, Domestic -2.9%**
- **Strong free cash flow of EUR 255 million for first six months of 2016**
- **2016 full-year guidance reiterated**

In the second quarter of 2016, **Proximus increased its underlying Domestic revenue by 0.7% to EUR 1,101 million**. The favorable revenue evolution for Fixed Data (+7.2%), TV (+7.6%) and ICT (+13.4%) more than offset the revenue pressure on Mobile services (-1.1%) driven by the reduced roaming pricing, and on low-margin mobile devices. **BICS posted EUR 359 million revenue**, 12.7% less compared to the same period of 2015, due to negative volatility in the Voice business, in a context of a declining market influenced by a shift from voice to data. **In aggregate, Proximus Group generated underlying revenue of EUR 1,460 million** in the second quarter of 2016, 3.0% lower compared to the same period of 2015.

Proximus' **underlying Domestic direct margin increased by 0.5% to a total of EUR 844 million** for the second quarter of 2016, resulting from a favorable variance for Consumer and Enterprise. **BICS' direct margin totaled EUR 67 million, 11.2% less than its record-high margin in the second quarter of last year**. This resulted, for the **Proximus Group, in a slight decline in direct margin of 0.5%, totaling EUR 911 million** for the second quarter of 2016.

Executing Proximus' strategy to reduce its cost base, the second quarter of 2016 **underlying Domestic operating expenses decreased by 2.9%,** with efficiency gains lowering both workforce and non-workforce expenses. Supporting future growth domains, **BICS' operating expenses were slightly up by 1.8%** from last year. Combined, the **Proximus Group underlying operating expenses were down by 2.6%** from the previous year.

Proximus' second-quarter 2016 **underlying Group EBITDA progressed by 1.7% to EUR 463 million,** entirely driven by a 4.1% increase for Domestic. The Domestic EBITDA margin improved by 1.3pp, reaching 38.6% in the second quarter. On a record-high comparable base, BICS' EBITDA of EUR 38 million was 19.3% lower year-on-year.

The Proximus Group invested EUR 215 million in the second quarter of 2016, further improving its customer experience in line with its Fit for Growth strategy. Investments led to increased Fixed and Mobile speeds and improved coverage: Vectoring at 57%, 4G outdoor coverage of 99.7% and indoor coverage of 97.6%. Proximus also continued to roll-out 4G+, with population coverage increasing to 35%.

In the second quarter of 2016, Proximus posted **free cash flow of EUR 122 million, bringing the total year-to-date June'16 to a strong EUR 255 million**. The improvement from the previous year was largely due to lower cash needs for business working capital, higher underlying EBITDA, and lower income tax payments.

In the context of Proximus' transformation to become a more competitive, efficient and agile company, on 27 April 2016, a **voluntary early leave plan prior to retirement was approved** by the social partners and Board of Directors. In total, 1,855 FTEs subscribed to the plan, leaving Proximus over the next 5 years.

In the second quarter of 2016, Proximus continued to grow its customer base for Fixed Internet, TV and Mobile Postpaid, for both the Proximus and Scarlet brand. As a result, Proximus maintains solid market shares of 46.3% for Fixed Internet, 35.6% for Digital TV and 46.7% for Mobile Postpaid.

Consumer strengthened its portfolio further, shifting towards high value and low-churn triple and quad-play households/small offices.

Enterprise added new large contracts, supporting the revenue growth in Data connectivity and especially ICT. Moreover, Proximus' Enterprise segment activated another 116,000 M2M cards in the second quarter of 2016, mainly related to the Road User Charging project which is now fully operational.

+21,000[1] TV subscriptions, total of 1,816,000

+14,000 Fixed Internet lines, total of 1,892,000

-29,000 Fixed Voice lines, total of 2,723,000 lines

+112,000 Mobile cards, total base at 6,508,000[2]

- +30,000 Mobile Postpaid Voice cards
- -34,000 Mobile Prepaid cards
- +116,000 M2M & Internet Everywhere

+13,000 3 & 4-Play HH/SO[3], total of 1,335,000, i.e. 45% of total base

53.5% Convergent HH/SO, +1.6 p.p. year-on-year

Dominique Leroy, CEO of Proximus Group

With a Domestic revenue growth of 0.7% and a Group underlying EBITDA growth of 1.7% for the second quarter, we remain well on track to meet our full year guidance.

I'm especially proud that we achieved this through an improved EBITDA growth for our Domestic business, up by a sound 4.1%. In spite of a changing competitive environment, we continued to grow our customer base, increased our market shares for Internet and TV, and improved our customer mix by shifting towards higher value 3-and 4-Play offers. We continued our transformation in line with our Fit for Growth Strategy with a focus on reducing costs, simplifying, and becoming a more customer-focused, agile and efficient company. With the early leave plan now activated, we secured an important enabler for our ambition to reduce our cost base by EUR 100 million by 2018.

Analyst conference call details

Proximus will host a conference call for investors and analysts on Friday 29th July 2016.

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

Dial-in UK	+44 20 7750 9926
Dial-in USA	+1 914 885 0779
Dial-in Europe	+32 2 404 03 05
Code	30504419#

[1] Total number of settop boxes.

[2] Including Voice and Data Mobile cards sold through Consumer, and M2M cards in Enterprise, Mobile cards from the Tango, MVNO and Wholesale segment are included as well.

[3] Households/Small Office, with Small Office being all customers of Consumer-SE. These are small enterprises with 10 employees or less.

2. Financial review Proximus Group

- **Domestic underlying revenue +0.7% YoY driven by growth of Fixed services and ICT, offsetting lower revenue from roaming due to new EU regulation, and device sales.**
- **BICS revenue -12.7% due to lower voice volumes in context of a shift from voice to data**
- **Group underlying expenses 2.6% lower benefitting from cost reduction initiatives**
- **Underlying group EBITDA +1.7% YoY driven by a 4.1% growth in Domestic EBITDA**
- **Strong year to date June'16 free cash flow of EUR 255 million**

2.1. Group financials

From underlying Group revenue to EBITDA

Table 1: Group P&L

	2nd Quarter			Year-to-date		
(EUR million)	**2015**	**2016**	**% Change**	**2015**	**2016**	**% Change**
TOTAL INCOME	1,505	1,460	-3.0%	2,984	2,893	-3.1%
Costs of materials and charges to revenues (*)	-590	-550	-6.8%	-1,180	-1,080	-8.4%
TOTAL DIRECT MARGIN	915	911	-0.5%	1,805	1,813	0.4%
Direct margin %	*60.8%*	*62.4%*	*1.6 p.p.*	*60.5%*	*62.7%*	*2.2 p.p.*
TOTAL EXPENSES	-460	-448	-2.6%	-942	-932	-1.1%
TOTAL EBITDA	455	463	1.7%	863	881	2.1%
Segment EBITDA margin %	*30.2%*	*31.7%*	*1.5 p.p.*	*28.9%*	*30.4%*	*1.5 p.p.*

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

2.1.1. Group revenue

In the second quarter of 2016, **Proximus posted EUR 1,101 million Domestic underlying revenue, 0.7% higher than the previous year.** This resulted from a favorable revenue evolution for Fixed Data (+7.2%), TV (+7.6%) and ICT (+13.4%). This more than offset the pressure on Mobile Services revenue (-1.1%) caused by the lowered roaming rates since end-April 2016 in line with the EU roaming regulation[4], and a less favorable destination mix following a change in customers' travel behavior. Revenue from low-margin mobile device sales remained below the previous year. (*See table 3*)

In a context of a declining Voice market, influenced by a shift from voice to data, Proximus' carrier services **BICS posted for the second quarter of 2016 EUR 359 million revenue**, 12.7% or EUR 52 million less compared to the same period of 2015. As a result, the Proximus **Group** generated **underlying revenue of EUR 1,460 million in the second quarter of 2016,** 3.0% lower compared to the same period of 2015.

Table 2: Group revenue by segment

	2nd Quarter			Year-to-date		
(EUR million)	**2015**	**2016**	**% Change**	**2015**	**2016**	**% Change**
Group Reported	1,511	1,463	-3.2%	2,994	2,896	-3.3%
Incidentals	*-7*	*-3*		*-10*	*-3*	
Group underlying by Segment	1,505	1,460	-3.0%	2,984	2,893	-3.1%
Domestic	1,094	1,101	0.7%	2,174	2,178	0.2%
Consumer	727	718	-1.2%	1,439	1,429	-0.7%
Enterprise	326	345	5.8%	654	674	3.0%
Wholesale	53	49	-7.3%	103	97	-6.1%
Other (incl. eliminations)	-12	-11	7.2%	-23	-21	8.4%
International Carrier Services (BICS)	411	359	-12.7%	811	715	-11.8%

[4] See page 12 for more information

More precisely, the second-quarter of 2016 Group underlying revenue variance was the result of the following segment changes:

- **Consumer revenue of EUR 718 million, or -1.2% versus the previous year.** The consumer revenue from Fixed showed a fairly stable sequential growth of 3.5%, driven by a solid progress for Fixed Data and TV. This was more than offset by lower revenue from mobile device sales and the pressure of the EU roaming regulation on Mobile service revenue. While revenue from mobile Postpaid continued to show growth (+ 2.3%), the overall mobile service revenue was down by 1.6% on a continued decline in Prepaid by 19%.
- **A solid 5.8% revenue growth for Enterprise,** largely driven by a 14.2% growth in ICT revenue and a positive contribution from the Smart Mobility company of which Proximus is the majority shareholder since mid-March 2016. Moreover, in spite of the regulatory impact on roaming pricing and a less favorable travel destination mix, the Enterprise mobile services revenue remained slightly positive at +0.3%.

- **A 7.3% decline in Wholesale revenue** to EUR 49 million for the second quarter of 2016. Compared to one year ago, Proximus posted lower wholesale revenue due to the outphasing of Snow and ongoing pressure on the traditional wholesale business.
- **Operating in a declining voice market, BICS revenues decreased for the second quarter of 2016 by 12.7% year-on-year.** As in the first quarter of 2016, the decline was driven by less voice traffic carried to African regions, lowering the voice revenue. With voice usage shifting to data usage, the voice revenue pressure was partly compensated for by a solid 10.4% increase in non-voice revenue.

Table 3: Group revenue by product group

	2nd Quarter			Year-to-date		
(EUR million)	2015	2016	% Change	2015	2016	% Change
Revenues	1,505	1,460	-3.0%	2,984	2,893	-3.1%
Domestic	1,094	1,101	0.7%	2,174	2,178	0.2%
Fixed	604	631	4.5%	1,206	1,246	3.3%
Voice	198	191	-4.0%	401	386	-3.9%
Data (Internet & Data Connectivity)	200	214	7.2%	396	423	6.8%
TV	82	88	7.6%	160	174	9.0%
Terminals (excl. TV)	10	9	-10.4%	19	17	-10.7%
ICT	115	130	13.4%	229	246	7.2%
Mobile Services	335	331	-1.1%	660	662	0.3%
Postpaid	288	293	1.8%	567	586	3.3%
Prepaid	47	38	-19.0%	93	76	-18.4%
Mobile Terminals	44	36	-18.3%	90	65	-28.1%
Subsidiaries (Tango)	31	30	-3.7%	62	61	-1.8%
Other Products	39	36	-8.9%	75	68	-9.2%
Wholesale	53	49	-7.3%	103	97	-6.1%
Other segment (incl. eliminations)	*-12*	*-11*	*7.2%*	*-23*	*-21*	*8.4%*
International Carrier Services (BICS)	*411*	*359*	*-12.7%*	*811*	*715*	*-11.8%*

Year-to-date June 2016 Proximus posted EUR 2,893 million underlying Group revenue, including a 0.2% growth to EUR 2,178 million for its Domestic business, and EUR 715 million for BICS, 11.8% lower.

2.1.2. Group direct margin

Table 4: Group direct margin by segment

	2nd Quarter			Year-to-date		
(EUR million)	**2015**	**2016**	**% Change**	**2015**	**2016**	**% Change**
Group Reported	922	913	-0.9%	1,815	1,815	0.0%
Incidentals	*-7*	*-3*		*-10*	*-3*	
Group underlying by Segment	915	911	-0.5%	1,805	1,813	0.4%
Domestic	840	844	0.5%	1,665	1,679	0.8%
Consumer	553	555	0.5%	1,095	1,106	1.1%
Enterprise	235	240	2.1%	471	478	1.5%
Wholesale	46	43	-5.4%	89	86	-3.6%
Other (incl. eliminations)	6	5	-16.5%	11	10	-12.8%
International Carrier Services (BICS)	75	67	-11.2%	140	134	-4.4%

The **underlying Domestic direct margin increased by 0.5%** to a total of EUR 844 million for the second quarter of 2016. This increase resulted from a favorable variance for Consumer, up by 0.5%, and a 2.1% increase in Enterprise direct margin. This was in part offset by a lower Wholesale direct margin mainly related to the halt of Snow. The Domestic direct margin as a percentage of revenue was 76.6%.

BICS' second quarter 2016 direct margin totaled EUR 67 million. This is 11.2% less compared to its record-high margin posted in the second quarter of 2015, during which BICS' voice business benefited from temporary high-margin traffic to African regions, and from favorable but volatile market conditions. These advantageous conditions lasted until the third quarter of 2015, after which BICS' voice business fell back to its usual levels. BICS' direct margin as percentage of revenue increased by 0.3pp to 18.6% for the second quarter of 2016.

In aggregate, the **underlying Proximus Group direct margin was slightly off by 0.5%, totaling EUR 911 million** for the second quarter of 2016.

Over the **first-half of 2016,** the Proximus Group posted an underlying direct margin of EUR 1,813 million, or 0.4% higher than for the same period of 2015.

2.1.3. Group expenses[5]

Proximus maintains a strong focus on decreasing its Domestic cost. Initiatives launched to reduce Proximus' expenses are gradually being reflected in its cost base, with for the second quarter of 2016 **a 2.9% decrease in its underlying Domestic operating expenses to reach a total of EUR 419 million.** This positive evolution resulted from both lower workforce and non-workforce expenses, driven by the implementation of company-wide cost reduction programs. **BICS' operating costs were slightly up by 1.8%** from last year, supporting investments in new geographies and future growth domains.

As a result, the **Proximus Group underlying operating expenses were down by 2.6%** from the previous year, including a 4.0% decline in non-workforce expenses and a 1.9% decrease in workforce expenses. The favorable evolution in workforce expenses is a consequence from both lower external and internal workforce expenses, with Proximus' Internal headcount totaling at end-June 2016, 13,922 FTEs, or 61 FTEs less compared to one year ago.

[5] Excluding Cost of Sales and not including incidentals.

Table 5: Workforce versus non-workforce

(EUR million)	2nd Quarter			Year-to-date		
	2015	2016	% Change	2015	2016	% Change
Group Underlying	460	448	-2.6%	942	932	-1.1%
Workforce expenses	299	293	-1.9%	601	588	-2.0%
Non Workforce expenses	161	155	-4.0%	341	344	0.6%
Domestic Underlying	431	419	-2.9%	888	871	-1.9%
Workforce expenses	285	280	-2.0%	575	562	-2.3%
Non Workforce expenses	146	139	-4.9%	313	309	-1.1%
BICS Underlying	29	29	1.8%	54	61	12.5%
Workforce expenses	14	13	-1.2%	25	26	3.9%
Non Workforce expenses	15	16	4.5%	29	34	20.0%

Table 6: Opex by nature

(EUR million)	2nd Quarter			Year-to-date		
	2015	2016	% Change	2015	2016	% Change
Group Underlying by nature	460	448	-2.6%	942	932	-1.1%
Domestic by nature	431	419	-2.9%	888	871	-1.9%
Marketing Sales & Servicing	230	221	-3.8%	455	440	-3.4%
Network & IT	140	139	-0.6%	302	300	-0.7%
General and Administrative (G&A)	62	59	-5.1%	131	132	0.6%
BICS	29	29	1.8%	54	61	12.5%

2.1.4. Group EBITDA

Table 7: Operating income before depreciation and amortization

(EUR million)	2nd Quarter			Year-to-date		
	2015	2016	% Change	2015	2016	% Change
Group Reported	456	428	-6.2%	881	845	-4.1%
Incidentals	*-1*	*35*		*-18*	*36*	
Group underlying	455	463	1.7%	863	881	2.1%
Domestic	408	425	4.1%	777	808	4.0%
International Carrier Services (BICS)	47	38	-19.3%	86	73	-15.0%

(1) Underlying Group EBITDA

Compared to the same period of 2015, Proximus' **second-quarter 2016 underlying Group EBITDA progressed by 1.7% to EUR 463 million.** This increase was entirely driven by **Domestic, for which the EBITDA growth further improved by 4.1%** from the previous year to EUR 425 million driven by a higher Domestic direct margin, and especially by lower expenses. The Domestic EBITDA margin improved year-on-year by 1.3p.p. to reach 38.6% for the second quarter.
On a high comparable base, **BICS' second quarter 2016 EBITDA of EUR 38 million was 19.3% lower year-on-year. This was driven by a lower direct margin** compared to its record-high margin posted in the second quarter of 2015.

Over the first six months of 2016, Proximus' underlying Group EBITDA progressed by 2.1% to a total of EUR 881 million, driven by a 4.0% growth in Domestic EBITDA, more than offsetting the 15.0% lower BICS EBITDA.

(2) Reported Group EBITDA

In the second quarter of 2016, the Proximus Group recorded EUR -35 million net EBITDA incidentals. These included, the **Proximus Group reported EBITDA totaled EUR 428 million**, compared to EUR 456 million for the year before, i.e. -6.2%.

The EUR 35 million negative incidentals recorded in the second quarter results from a net non-recurring cost related to the voluntary early leave plan and the collective agreement, in part offset by a positive incidental related to the reversal of the 2015 pylon tax provision and a limited capital gain on building sales. See page 14 for more information on the voluntary early leave plan and page 36 for incidentals.

2.1.5. Net income

Depreciation and amortization

The second quarter 2016 **depreciation and amortization totaled EUR 234 million**, bringing the total over the first six months of 2016 to EUR 460 million. This compares to EUR 432 million for the same period of 2015, with the increase mainly due to a higher asset base to depreciate.

Net finance cost

The **year- to-date June 2016** net finance cost was **EUR 48 million**, at the same level as last year. 2015 was positively impacted by the premium received from the partial buyback of the JPY loan maturing in 2026. This was mainly offset by a lower effective interest rate in 2016.

Tax expenses

The second quarter **tax expenses amounted to EUR 38 million**, bringing the total over the first-half of 2016 to EUR 86 million or representing an effective tax rate of 25.5% The second quarter effective tax rate, in particular, was low (22%) due to one-off expenses related to the early leave plan which were tax deductible

Net income (Group share)

With EUR 126 million net income (Group share) for the second quarter of 2016, Proximus brings its half-year net income (Group share) to EUR 239 million. The year-on-year decline versus EUR 274 million for the comparable period of 2015, is mainly explained by a negative impact from incidentals, and higher depreciation & amortization. This was partly offset by a lower tax expense.

Table 8: From EBITDA as reported to net income

	2nd Quarter			Year-to-date		
(EUR million)	**2015**	**2016**	**% Change**	**2015**	**2016**	**% Change**
EBITDA	456	428	-6.3%	881	845	-4.1%
Depreciation and amortization	-218	-234	7.4%	-432	-460	6.5%
Operating income (EBIT)	238	194	-18.8%	449	385	-14.3%
Net finance costs	-27	-23	-15.4%	-48	-48	-0.8%
Share of loss on associates	-1	0	-	-2	0	-
Income before taxes	210	170	-19.0%	399	337	-15.6%
Tax expense	-58	-38	-34.8%	-111	-86	-22.8%
Non-controlling interests	8	7	-11.7%	14	12	-11.0%
Net income (Group share)	145	126	-12.9%	274	239	-12.9%

2.1.6. Investments

Proximus invested a total of **EUR 215 million in the second quarter of 2016**, bringing the total **over the first-half of 2016 to EUR 452 million.** This is EUR 28 more than the EUR 424 million invested in the comparable period of 2015, excluding the EUR 75 million capex related to spectrum renewal.

Proximus continued to improve its customer experience through network investments

In the second quarter of 2016, Proximus continued its investments in order to provide customers with the best mobile experience. The mobile network was further enhanced by building additional mobile sites, by increasing capacity to support the mobile data growth and by further rolling-out the 4G technology. This improved the 4G outdoor coverage to 99.7% and indoor coverage to 97.6%[6] in the second quarter of 2016.

Bringing the best mobile experience translates in bringing the highest speeds where and when it matters across technologies. A Proximus customer with a 4G device gets on average 33 Mbps[7] downlink speed, this is 45% more compared to the second operator in line, and even 50% higher versus number three. Therefore, Proximus continues to deliver its customers a premium quality, combining a ubiquitous footprint with a great mobile surfing experience.

The smartphone penetration on the Proximus network reached 61% by end-June 2016, with a 4G-device penetration of 39%, up 16pp from one year ago. These trends resulted in a 55% year-on-year increase in the mobile data usage, now at an average of 799 Mb/month/user, across the Proximus base. For a 4G-device user, the average usage reached 1,080 Mb/month.

Proximus, as first operator in Belgium, launched the 4G+ technology, with a population coverage now reaching 35%[8]. With an increasing number of compatible devices on the market today, more and more customers will have access to Mobile data speeds of up to 225 Mbps.

Proximus further continued the roll-out of the vectoring technology on its Fixed network, bringing its coverage to 57%. This has a direct impact on the speed experience of the customer, who now has 57Mbps on average on a VDSL Line. Through the combination of DLM and vectoring, Proximus can connect 40% of the Belgian population to 100 Mbps on copper.

2.1.7. Cash flows

Table 9: cash flow

	2nd Quarter			Year-to-date		
(EUR million)	**2015**	**2016**	**% Change**	**2015**	**2016**	**% Change**
Cash flows from operating activities	480	350	-27%	716	763	7%
Cash paid for Capex (*)	-278	-231	-16.8%	-508	-508	0.1%
Cash flows from / (used in) other investing activities	5	3	-	7	-1	-
Cash flow before financing activities (FCF)	**207**	**122**	**-41%**	**215**	**255**	**18%**
Net cash used in financing activities(**)	-413	-342	-17%	-407	-339	-17%
Net decrease of cash and cash equivalents	**-205**	**-221**	**7%**	**-192**	**-85**	**-56%**

(*) 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.

The transversal cash management initiative launched mid-2015 in view of optimizing a long-term sustainable level of free cash flow, continues to contribute to a strong **FCF, totaling EUR 255 million by end-June 2016.** This is EUR 40 million more than the EUR 215 million of FCF for the comparable period of 2015, largely due to lower cash needs for business working capital driven by a favorable evolution in trade receivables and in payables. In addition the FCF was supported by higher underlying EBITDA and lower income tax payments.

[6] Based on Q2 2016 Comm Square drive tests
[7] Based on Q2 2016 Comm Square drive tests
[8] Coverage 4G+ refers to population coverage where customers actually enjoy the full benefit from carrier aggregation, i.e. where the customer has both LTE800 and LTE1800 coverage.

2.1.8. Balance sheet and shareholders' equity

The goodwill increased by EUR 10 million to EUR 2,283 million due to the preliminary purchase price allocation as a result of the acquisition of Flow NV and Be-Mobile NV.[9]
The intangible and tangible fixed assets decreased by EUR 9 million to EUR 3,962 million as a consequence of the invested capex which was lower than the amount of depreciation and amortization.
The shareholders' equity decreased from EUR 2,801 million end-2015 to EUR 2,633 million end-June 2016, mainly due to the return of the dividend (EUR 323 million) and the re-measurement of post-employment liabilities[10] (EUR 78 million net of taxes) exceeding the net income Group share (EUR 239 million) generated over the first six months.
The outstanding long-term debt amounted to EUR 2,440 million. The net debt increased to EUR 2,005 million by end-June 2016.

Table 10: Net financial position

(EUR million)	As of 31 December 2015	As of 30 June 2016
Cash and cash equivalents (*)	510	427
Derivatives	6	9
Assets	**516**	**436**
Non-current liabilities (**)	-1,761	-1,765
Current liabilities (**)	-674	-676
Liabilities	**-2,435**	**-2,440**
Net financial position	**-1,919**	**-2,005**

(*) investments included
(**) LT bonds related derivatives included

2.2. Regulation

International Roaming
On 30 April 2016 the transitory period to the European "Roam-Like-At-Home" regulation started and runs until 14 June 2017. During this period, operators can apply a surcharge up to the current regulated wholesale rates.

As of 30 April 2016, Proximus has lowered its rates in Europe significantly for calling, mobile texting and mobile surfing and also made roaming options more interesting for its customers by extending the EU roaming options with top destinations such as Canada, the United States, Turkey, Morocco and Indonesia. For the employees of Proximus' professional customers the 'Travel Passport Credit' was launched.[11]
Scarlet, Proximus' low-cost telecom provider, completely abolished its roaming costs for all EU countries as of 29 April 2016. This action fits in with the company's philosophy of offering simple packages at the best price.

The lowered roaming prices since end-April 2016 impacted the Group's Mobile services revenue. In the second quarter of 2016, the Mobile service revenue decreased year-on-year by 1.1%, down from a 1.7% growth in the first quarter. This is the combined effect from the regulation on roaming prices, as well as a less favorable travel destination mix, with European destinations getting more traction.
Proximus estimates for full-year 2016 a negative EUR 28 million impact from the lowered roaming pricing on revenue and EBITDA, of which EUR 6 million due to the two months impact in the second quarter. It is however expected that the lowered pricing will trigger a positive elasticity effect on usage.

As from 15 June 2017, 'Roam-Like-At-Home' will be implemented in the EU zone with the obligation to charge retail roaming within the EU at domestic retail price, except for the consumption beyond the Fair Use Policy to be defined by December 2016 by the European Commission. For roaming that goes beyond Fair Use, a small surcharge that cannot be higher than the maximum regulated wholesale rates may be applied. The wholesale rates are currently under revision by the Commission.

Proximus access to cable wholesale prices
Pursuant the judgments of the Brussels court of appeal of November 2014 and May 2015, Proximus has a principle authorization to use coax access, be it that regulation foresees that Proximus' request must be

[9] See page 27
[10] See section 7.1 page 28
[11] Complete pricing overview is available on www.proximus.be

'reasonable'. In November 2014 (Telenet) and May 2015 (Brutélé/Nethys), Proximus requested access to complement its own extensive reach and efforts in network investment. Cable operators have refused access arguing that Proximus' request is 'not reasonable'. In Proximus' view, this refusal is not justified, as it is simply an economic reality that Proximus cannot cover certain areas, while cable has an historical presence there. The file is currently in the hands of the regulators.

Broadband regulation

On 29 June 2016, following to an appeal lodged by Proximus in February 2015, the Brussels Appeal Court annulled the decision taken by the Belgian regulators on 18 December 2014 confirming the regulation of Proximus in the broadband market and imposing a.o. VDSL access at cost based prices and an obligation to offer multicast. The Court annulled this decision for procedural reasons: the BIPT did not notify it to the European Commission. Such notification would have been required if the BIPT had conducted a full market analysis, necessary to adequately address the Court's earlier ruling on the issue. The BIPT is currently in the process of conducting a new market analysis (draft expected for consultation beginning 2017). In this analysis, the BIPT will need to take into account the existence of cable when analyzing the wholesale broadband market in order to address the profound critics on the market definition and designation of significant market power contained in the Court's earlier rulings.

Consumer protection

On 13 July 2016, the draft law concerning the identification of the old and new prepaid SIM cards was adopted by the Infrastructure Commission of the Parliament. The draft Royal Decree (RD) detailing these conditions has already been approved in first reading by the Government in May and must now be submitted to the Council of State and the Privacy Commission On 29 March 2016, the BIPT submitted to a public consultation the draft law and the draft Royal Decree (RD) defining the conditions of the identification of the prepaid SIM cards. The RD provides also rules regarding the identification methods, the prohibition to transfer an active card to a third person (except to the family or another identified user), the notification to the operator within 24 hours in case of theft or loss and the prohibition for an operator to activate a card for a user who has not been duly identified. The new measures should enter into force this autumn.

2.3. Outlook 2016

The execution of our Fit-for-Growth strategy in 2016, aimed at delivering sustainable growth for Proximus, has delivered a good progress in our Domestic EBITDA, growing by 4.1% over the first six months of 2016. As we expected, the high comparable base for BICS in part offsets the realized Domestic growth. With our Group EBITDA growing by 2.1% over the first six months of 2016, and taking into account the benefits from our ongoing cost reduction initiatives, we feel comfortable in reiterating our outlook, and estimate to end the year 2016 with a slight growth for Group EBITDA.

Our Domestic underlying revenue progressed over the first-half 2016 by 0.2%, with the solid revenue growth realized for fixed services being offset by lower revenues from mobile devices and the new roaming regulation. This in mind, we expect a fairly similar revenue trend to the first-half of 2016 for the remainder of the year.

The 2016 capex level is expected to be around EUR 950 million. This includes investments in the Fixed network, with special focus on Fiber to the Business.

We expect to return over 2016 a total gross dividend per share of €1.50, in line with our previously announced 3-year commitment

2016 Outlook	Q2'16 Actuals	YTD June'16 Actuals	Outlook 2016
Domestic* underlying revenue	+0.7%	+0.2%	Slight growth
Group underlying EBITDA	+1.7%	+2.1%	Slight growth
Capex (excl. Spectrum)	€215m	€452m	Around €950m

2.4. Voluntary early leave plan

In the context of Proximus transformation to become a more competitive, efficient and agile company, on 27 April 2016, a voluntary early leave plan and a collective agreement were approved by the social partners and the Board of Directors.
The new collective agreement updates and harmonizes some legacy advantages of the past and foresees some measures that help employees to find a better work-life balance.
The voluntary early leave plan allows employees as from the age of 60 to stay home voluntarily until their earliest pension date. The plan also foresees a reduction of their working time to 80% during the last 2 years of their active career. Until their earliest pension date they benefit from a replacement income entirely funded by Proximus, including the full social contributions. A very limited group of employees above the age of 58, who currently are without a job adapted to their skills, was also be eligible to take part in the voluntary leave plan.

Outcome of the voluntary early leave plan

In total, 2.172 employees (equivalent to 1.855 FTEs) subscribed to the plan and will leave Proximus over the next 5 years, starting 1 July 2016. In addition, for a significant number of employees (both eligible and non-eligible to the plan) the earliest legal retirement date is already close. Proximus' total outflow over the next years will be a combination of leavers through the plan and employees retiring. In total, the expected outflow by 2020 is about 2,750 FTEs. This will be offset in a limited way by external hiring as for some domains it will not be possible to absorb the total outflow by workload reduction only, and specific skills might be needed for new domains.

Financial implications

Non-recurring expenses

All costs related to the voluntary leave plan related are and will be accounted for as non-recurring expenses. For the second quarter of 2016 this relates to the employees for whom the plan had an immediate effect. For employees who opted for the plan but are still active, under IFRS the cost will be spread over their respective activity period, as from the second quarter of 2016. The one-off balance sheet impacts of the collective agreement will also be accounted for through non-recurring expenses in the second quarter of 2016.

Expected non-recurring expenses related to the early leave plan[12] (in Mio EUR)

(EUR million)	Q2 2016	Q3 2016	Q4 2016	2017	2018	2019	Total
Non-recurring expenses	53	33	33	74	44	19	255

Cumulated over the period 2016-2019, Proximus will report EUR 255 million in non-recurring expense. This is below the initial estimated amount of around EUR 400 million mainly due to:

- a lower take-up rate, largely compensated by natural retirement
- a shorter than expected average period of inactivity

EBITDA and Cash-flow impact

The lower headcount going forward will be reflected in the underlying EBITDA as a decrease in workforce expenses. The first benefits of the early leave plan will be realized in the second-half of 2016 and will gradually build up in line with the expected headcount reduction.
As announced during Proximus' Capital Markets Day on 26 February 2016, these cost benefits are part of the EUR 100 million net cost reduction over the period 2015-2018. As a reminder, the difference with the expected gross saving of EUR 260 million over the 3-year period is due to higher expenses related to: new hires, capacity-driven maintenance costs, automatic wage indexations, new taxes on e.g. electricity and real estate, and opex linked to mobile spectrum licenses.
The net cash-flow impact, taking into account the replacement income to be paid and the net saving from the headcount reduction related to the plan, will be slightly positive as of 2016 and will build up over the years.

[12] Except for Q2 2016 which also includes a one-off balance sheet impacts of the collective agreement

3. Consumer

- **Solid Fixed revenue on continued growth for Fixed Data and TV**
- **Revenue from low-margin mobile device sales EUR 10 million lower YoY**
- **Mobile postpaid service revenue up by 2.3%, in spite of roaming regulation impact and less favorable travel destination mix. Total Mobile service revenue -1.6%.**
- **Customer mix enhanced, adding 13,000 3&4-Play HH/SO, now 45.3% of total base**
- **Direct margin as % of revenue up 1.3pp to 77.3% due to better product mix**

Table 11: Consumer revenue and direct margin

	2nd Quarter			Year-to-date		
(EUR million)	**2015**	**2016**	**% Change**	**2015**	**2016**	**% Change**
TOTAL SEGMENT INCOME	727	718	-1.2%	1,439	1,429	-0.7%
Costs of materials and charges to revenues	-174	-163	-6.4%	-345	-323	-6.4%
TOTAL SEGMENT DIRECT MARGIN	553	555	0.5%	1,095	1,106	1.1%
Direct margin %	*76.0%*	*77.3%*	*1.3 p.p.*	*76.0%*	*77.4%*	*1.4 p.p.*

Consumer Revenue

Consumer posted **EUR 718 million underlying revenue for the second quarter of 2016**, 1.2% lower versus the comparable period of 2015. Revenue from Fixed showed a fairly stable sequential growth of 3.5%, driven by a solid growth for Fixed Data revenue (+10%) and TV (7.6%), in part offset by the lower Fixed Voice revenue (-4.5%)
Proximus' Mobile Service revenue showed the impact from the lowered roaming pricing since end-April 2016. While revenue from Postpaid was still up by 2.3%, it was not sufficient to offset the decline in Prepaid by 19%. As a result, Consumer's Mobile Service revenue declined by 1.6% in the second quarter of 2016.
The main driver for the lower Consumer revenue however, remained the decrease in low-margin Mobile device revenue, which was 24.6% down from the previous year.
By end June 2016, the Consumer segment serviced 2,950,000 HH/SO. This is 11,000 more than one year ago, including an increase of 77,000 for 3- and 4 Play HH/SO. By end-June 2016, the number of HH/SO having 3- or 4 Plays increased to 45.3% of the total, which is a 2.4pp improvement on the previous year.

Over the first six months of 2016, Proximus' Consumer underlying revenue totaled EUR 1,429 million, or 0.7% lower than the previous year, largely driven by a decrease in mobile devices sales.

3.1. Consumer reporting by product group

In line with Proximus' strategy, most products are sold through multi-play Packs. Therefore, the revenue and ARPU[13] of standalone products are largely the result of the allocation of revenue and discounts to the respective products included in the Packs, as required by IFRS rules.

[13] Slight changes of the quarterly ARPU's and YoY variances are linked to 2016 new reporting.

Table 12: Consumer revenue by product group

(EUR million)	2nd Quarter 2015	2nd Quarter 2016	% Change	Year-to-date 2015	Year-to-date 2016	% Change
Revenues	727	718	-1.2%	1,439	1,429	-0.7%
Fixed	368	381	3.5%	732	760	3.7%
Voice	137	131	-4.5%	276	265	-4.0%
Data (Internet & Data Connectivity)	137	151	10.0%	272	298	9.5%
TV	82	88	7.6%	160	174	9.0%
Terminals (excl. TV)	5	4	-19.4%	10	8	-20.6%
ICT	7	7	0.5%	15	15	0.5%
Mobile Services	254	250	-1.6%	501	498	-0.5%
Postpaid	208	213	2.3%	408	423	3.6%
Prepaid	47	38	-19.0%	93	76	-18.4%
Mobile Terminals	40	30	-24.6%	80	55	-31.1%
Subsidiaries (Tango)	31	30	-3.7%	62	61	-1.8%
Other Products	33	27	-18.8%	64	54	-14.4%
Of which Installation & Activation	*5*	*4*	*-13.1%*	*10*	*9*	*-15.3%*

Growing internet customer base and ARPU leading to 10% revenue increase

Consumer revenue from **Fixed Data in the second quarter of 2016 totaled EUR 151 million, a 10.0% growth** compared with the previous year. The continued positive Fixed Data revenue trend was driven by the growing customer base, up by 80,000 or 4.8% in a one-year period to reach a total of 1,754,000 Fixed Internet customers by end-June 2016. In the second quarter of 2016 the Consumer fixed internet base grew by 13,000 net adds for its two main brands Proximus and Scarlet. The slow-down versus the prior two quarters resulted from less gross customer adds, with the second quarter being less promotion-driven. However, churn-levels remained sequentially stable, in spite of an increase in competitive pressure. The second quarter Broadband ARPU of EUR 28.8 improved by 4.5% compared to the same period in 2015, and was slightly up from the previous quarter, including the effect of the 1 July 2015 and 1 January 2016 price adjustments. This more than offset the impact of discounts following a higher Pack penetration.

Year-to-date June 2016, the revenue from Fixed internet totaled EUR 298 million, up by 9.5% from the previous year.

+21,000 TV net adds in Q2, revenue up 7.6% from previous year

Revenue from **TV totaled EUR 88 million** for the **second quarter of 2016**, up 7.6% from the same period of 2015. Consumer's TV revenue continued to do well, driven by the continued subscriber growth, with both the Proximus and Scarlet brands increasing their customer base. Consumer ended June 2016 with a total TV customer base of 1,816,000[14], up by 123,000 customers or +7.3% from the previous year. In the second quarter of 2016, a total of 21,000 TV subscribers were added, of which 18,000 were unique customers, i.e. fairly in line with the same period of 2015 when adjusting for the 6,000 migrated Snow customers at that time.
The recurring TV ARPU was slightly up year-on-year at EUR 20.2 (+0.4%).

Over the **first six months of 2016**, the revenue from TV totaled EUR 174 million, or 9% higher than the previous year.

-18,000 Consumer Fixed Voice lines in Q2, revenue -4.5%

By end-June 2016, the Consumer **Fixed Voice** customer base totaled 2,078,000, i.e. equating to a net loss of 18,000 lines in the **second quarter of 2016**. The same period of 2015 showed a limited net loss of 5,000 lines, due to the positive impact of the migration of former Snow customers, mainly to the Scarlet TRIO offer.

[14] Incl. multi-settop boxes

The Fixed Voice ARPU for the second quarter of 2016 was EUR 20.9, i.e. a stable decline of 2.2% from the previous year, due to a higher multi-play Pack penetration, with customers benefiting from a discount. This was in part offset by the price adjustments of 1 July 2015[15] and 1 January 2016[16].
The lower Fixed Voice customer base combined with the lower ARPU resulted in a -**4.5% year-on-year revenue decline for Fixed Voice**, ending the second quarter of 2016 with EUR 131 million.

Year-to-date June 2016, Consumer's Fixed Voice revenue amounted to EUR 265 million, down 4% versus the comparable period of 2015.

Roaming regulation reduced Mobile service revenue by -1.6%. Postpaid service revenue +2.3%.
Consumer's Mobile service revenue totaled EUR 250 million for the second quarter of 2016, or 1.6% less versus the same period of 2015, mainly driven by the lowered EU roaming rates since 30 April 2016. Nonetheless, Mobile postpaid revenue grew by 2.3%, but could not offset the fairly stable decrease in Prepaid revenue of 19%. Moreover, a less favorable travel destination mix, with European destinations gaining traction, put some additional pressure on roaming revenues.

In the second quarter of 2016, Proximus' Consumer segment added 17,000 **Postpaid cards**, excluding Internet Everywhere data cards. By end-June 2016, Consumer counted a total of 2,950,000[17] Postpaid cards, up by 3.4% from the previous year. The second quarter of 2016 Consumer postpaid ARPU of EUR 28.9 was 2.1% lower year-on-year, but remained fairly stable compared with the EUR 28.8 for the first quarter of 2016. Compared with the previous year, the postpaid ARPU was impacted by the reduced roaming pricing, and to a lesser degree by the revamped mobile offers since mid-August 2015 which provided more data abundance.

Reflecting a more attractive offer, the loss of **Prepaid cards** was limited to -29,000 for the second quarter of 2016, in a declining market. Moreover, the communication campaign launched mid-June on Proximus' fully revamped Prepaid offer "Full-Control", started to show its benefits.
In addition to the lower prepaid customer base, the revenue was also pressured by a 9.6% decrease in Prepaid ARPU to EUR 10.1, mainly due to lower year-on-year SMS usage.
When combining Prepaid and Postpaid, Consumer's Mobile customer base ended June 2016 with a total of 4,189,000 cards, and a blended ARPU of 22.6, 0.6% lower versus one year ago but slightly up from the EUR 22.2 for the first quarter of 2016.
The Postpaid/Prepaid customer mix improved to 70%/30% from 67%/33% one year ago.

The growth in average data usage per customer persisted, resulting from a higher smartphone penetration at 61%, and in particular an increasing number of customers with a 4G-device. The usage by 4G users showed an accelerated growth in the second quarter of 2016 and increased by 28% to 1.090Mb[18]per month on average. This increased the blended data usage to 790 Mb, up 55% from one year ago. The average data consumption of 4G users was four times greater than that of non-4G users.

Over the **first six months of 2016**, the mobile service revenue of Consumer totaled EUR 498 million, 0.5% less than in the same period of 2015.

Revenue Tango
For the second quarter of 2016, Tango posted revenue of EUR 30 million, -3.7% from the previous year. In addition to the effect from the end of anonymity on prepaid, Tango's revenue was impacted by lowered EU roaming pricing following the EU regulation.
Over a one-year period, Tango added 11,000 active postpaid cards, of which 4,000 in the second quarter of 2016. However, similar to the first quarter of 2016, Tango saw its prepaid base reduced by 6,000 cards due to the end of anonymity on prepaid users. Overall, Tango's mobile customer base totaled 281,000 cards by end-June 2016.
In spite of the growing number of smartphone subscriptions, the second quarter ARPU decreased by 3.9% due to roaming regulation.

[15] On 1 July 2015 prices increased for standalone Fixed Voice and Internet, as well as for old Packs.

[16] On 1 January 2016 prices increased for some of the Proximus Packs

[17] Mobile base end 2015 adjusted for cleaning of inactive cards. 17,000 Internet Everywhere cards have been removed from the base.

[18] On the 4G and 3G networks

Table 13: Tango

(EUR million)	2nd Quarter 2015	2nd Quarter 2016	2nd Quarter % Change	Year-to-date 2015	Year-to-date 2016	Year-to-date % Change
Revenue (in EUR mio) (1)	31	30	-3.7%	62	61	-1.8%
Total active mobile customers (in '000)	287	281	-2.1%	287	281	-2.1%
Blended mobile net ARPU (EUR/month)	29.4	28.2	-3.9%	28.5	28.2	-0.9%

(1) Total Tango revenues (i.e. Fixed and Mobile revenues)

Table 14: Consumer operationals by product group

	Q2'15	Q2'16	Change (in abs. Amount)
From Fixed			
Number of access channels (thousands)	**3,810**	**3,832**	**22**
Voice	2,136	2,078	-58
Broadband	1,674	1,754	80
TV (thousands)	**1,692**	**1,816**	**124**
Unique Customers	1,365	1,458	93
of which multiple settop boxes	327	357	30
ARPU (EUR)			
ARPU Voice	21.3	20.9	-0.5
ARPU broadband	27.5	28.8	1.3
ARPU TV	20.1	20.2	0.1
From Mobile			
Number of active customers (thousands)	4,229	4,189	-40
Prepaid	1,376	1,239	-137
Postpaid	2,853	2,950	97
Among Which Paying cards	2,359	2,455	96
Among Which Internet Everywhere cards	494	495	1
Annualized churn rate			
Prepaid	32.7%	35.0%	2.3 p.p.
Postpaid	13.4%	14.0%	0.6 p.p.
Blended	20.9%	21.5%	0.6 p.p.
Net ARPU (EUR)			
Prepaid	11.2	10.1	-1.1
Postpaid	29.6	28.9	-0.6
Blended	22.7	22.6	-0.1
Average Mobile data usage user/month (Mb)			
4G	851	1,090	239
Blended	511	790	279

3.2. Consumer reporting by X-Play

In line with its convergence strategy, Proximus also reports its consumer revenue and ARPU per Household/Small Office. As of 2016, Scarlet revenue and operationals have been integrated. The 2015 figures have been restated accordingly.

Table 15: Consumer revenue by X-Play

	2nd Quarter			Year-to-date		
(EUR million)	2015	2016	% Change	2015	2016	% Change
Revenues	727	718	-1.2%	1,439	1,429	-0.7%
Revenues X-Play	565	582	3.1%	1,120	1,162	3.7%
4-Play	179	193	8.2%	351	383	9.2%
3-Play	175	183	4.5%	346	365	5.5%
2-Play	81	79	-2.9%	164	159	-3.0%
1-Play	129	127	-2.1%	259	255	-1.8%
Prepaid	47	38	-19.0%	93	76	-18.4%
Terminals sales	47	34	-26.7%	93	67	-28.5%
Tango	31	30	-3.7%	62	61	-1.8%
Other	38	34	-9.3%	71	63	-10.5%

+3.1%

Revenue from X-Play on continuously growing base

Over the second quarter of 2016, Consumer generated EUR 582 million revenue from HH/SO, a 3.1% or EUR 17 million increase compared to the same period of 2015. This was driven by the year-on-year increase (+11,000) of HH/SO, reaching 2,950,000 at end-June 2016 and a further improvement in the customer mix. Proximus' strategy to focus on attractive multi-play offers resulted in a more valuable and stickier customer base. The average ARPH increased by 2.5% to EUR 65.7, including a favorable impact from the July 2015 and January 2016 price increases. At the same time, the average annualized full-churn rate of 12.0% was stable compared to one year ago, and decreased from the 13.4% for the first quarter. The average RGU[19] per HH/SO progressed to 2.62 for the second quarter of 2016, up from 2.55 one year ago.

+8.2%

4-Play revenue 9,000 HH/SO added in Q2

The continued volume increase in 4-Play HH/SO was Consumer's main revenue growth driver. For the second quarter of 2016, Consumer posted EUR 193 million revenue from 4-Play, making up 27% of the total Consumer revenue. The increase in 4-Play revenue of 8.2% from the previous year resulted from the ongoing expansion of the 4-Play HH/SO base, increasing by 43,000 in one year's time, to reach 564,000 HH/SO by end-June 2016. In the second quarter of 2016, 9,000 4-Play HH/SO were added. On average, a 4-Play HH/SO generates a stable ARPH of EUR 114.9/month. The second-quarter 2016 annualized full-churn rate was 2.7%.

+4.5%

3-Play revenue 4,000 HH/SO added in Q2

The second-largest revenue driver for Consumer is the growth in 3-Play. The second-quarter 2016 revenue for 3-Play grew by 4.5% to a total of EUR 183 million. This was driven by a volume increase, up by 34,000 in one year, of which 4,000 in the second quarter of 2016. The ARPH in the second quarter of 2016 was EUR 79.3, or slightly lower (-0.8%) versus the comparable period of 2015, reflecting a higher proportion of Scarlet TRIO customers after the migration of former SNOW customers in the first half of 2015 and the roaming regulation impact on Mobile postpaid revenue.

[19] Revenue generating Units

Table 16: Consumer operationals by X-Play

	Q215	Q216	val	%
Households/Small Offices per Play - Total (thousands)	**2,939**	**2,950**	**11**	**0.4%**
4 - Play	521	564	**43**	8.3%
3 - Play	738	771	**34**	4.6%
2 - Play	468	449	**-19**	-4.1%
1 - Play	1,212	1,166	**-46**	-3.8%
Fixed Voice	444	384	**-60**	-13.5%
Fixed Internet	115	123	**9**	7.5%
TV	N/A	N/A		
Mobile Postpaid	653	658	**5**	0.7%
Average revenue x - play (in EUR)	**64.1 €**	**65.7 €**	**1.6 €**	**2.5%**
4 - Play	115.4 €	114.9 €	-0.5 €	-0.4%
3 - Play	79.9 €	79.3 €	-0.6 €	-0.8%
2 - Play	57.7 €	58.5 €	0.9 €	1.5%
1 - Play	35.4 €	36.0 €	0.6 €	1.7%
Average #RGUs per househould/Small Office - Total	**2.55**	**2.62**	**0.06**	**2.5%**
4 - Play	4.82	4.82	0.00	0.0%
3 - Play	3.34	3.33	-0.01	-0.2%
2 - Play	2.22	2.21	-0.01	-0.4%
1 - Play	1.22	1.23	0.01	0.5%
Annualized full churn rate (household/Small Office level) - Total	**12.1%**	**12.0%**	**-0.0p.p.**	
4 - Play	2.5%	2.7%	0.2p.p.	
3 - Play	9.6%	9.6%	-0.1p.p.	
2 - Play	10.7%	10.3%	-0.4p.p.	
1 - Play	18.1%	18.8%	0.7p.p.	
% Convergent HH / SO - Total (i.e. % of HH/SO having Mobile + Fixed component)	**51.9%**	**53.5%**	**1.6 p.p.**	
4 - Play	100.0%	100.0%		
3 - Play	36.1%	37.0%	0.9p.p.	2.6%
2 - Play	23.3%	23.4%	0.0p.p.	0.2%

Consumer direct margin

0.5% year-on-year segment direct margin growth

The revenue growth for Consumer's Fixed services in the second quarter of 2016 resulted in a continued positive direct margin evolution compared with last year. For the **second quarter of 2016 the underlying direct margin totaled EUR 555 million, i.e. 0.5% more** than for the same period in 2015. This resulted in an underlying direct margin of 77.3 % of revenue, a 1.3 p.p. increase year-on-year due to an overall better product mix.

4. Enterprise

- 2016 second quarter revenue up by 5.8% mainly driven by strong quarter for ICT
- Mobile services revenue remaining stable year-on-year, in spite of significant impact from EU-roaming regulation, changed travel mix and competitive pressure.
- Segment direct margin +2.1% YoY, driven by ICT Direct margin and by the newly created Smart mobility company[19], more than offsetting the pressure on mobile direct margin

Table 17: Enterprise revenue and direct margin

	2nd Quarter			Year-to-date		
(EUR million)	**2015**	**2016**	**% Change**	**2015**	**2016**	**% Change**
TOTAL SEGMENT INCOME	326	345	5.8%	654	674	3.0%
Costs of materials and charges to revenues	-91	-105	15.5%	-184	-196	6.8%
TOTAL SEGMENT DIRECT MARGIN	235	240	2.1%	471	478	1.5%
Direct margin %	*72.2%*	*69.6%*	*-2.6 p.p.*	*71.9%*	*70.9%*	*-1.0 p.p.*

Enterprise Revenue

For the second quarter of 2016, the underlying Enterprise revenue totaled EUR 345 million, up by 5.8% from the comparable period of 2015. This increase was largely driven by a solid 14.2% growth in ICT revenue. Furthermore, Enterprise benefited from the creation of a Smart Mobility company[20] mid-March 2016, combining the activities of Be-Mobile and Flow with Proximus' subsidiary Mobile-For. Being the majority shareholder, Proximus consolidates the turnover of the company.
Enterprises' second quarter revenue growth was realized in spite of the regulatory impact on roaming pricing, a change in customer travel behavior and competitive pressure, tempering the mobile services revenue growth to +0.3%

Year-to-date June 2016, the revenue from the Enterprise segment totaled EUR 674 million, posting a solid 3% growth compared to the same period of 2015.

Table 18: Enterprise revenue by product group

	2nd Quarter			Year-to-date		
(EUR million)	2015	2016	% Change	2015	2016	% Change
Revenues	326	345	5.8%	654	674	3.0%
Fixed	236	250	6.0%	474	487	2.8%
Voice	62	60	-2.8%	125	121	-3.7%
Data (Internet & Data Connectivity)	62	63	1.1%	124	125	1.1%
Terminals (excl. TV)	5	5	-1.7%	10	10	-1.0%
ICT	107	123	14.2%	215	231	7.7%
Mobile Services	80	80	0.3%	159	163	2.6%
Mobile Terminals	3	5	54.9%	9	9	-2.1%
Other Products	6	9	45.3%	12	14	18.7%

Lower Fixed Voice revenue due to Fixed Voice customer base erosion

For the second quarter of 2016, Enterprise reported EUR 60 million revenue in Fixed Voice, showing a year-on-year decline of 2.8%, an improvement versus the previous quarters. The Fixed line erosion fell back in the second quarter to -10,000 lines, i.e. fairly stable to the previous year. The line loss

[20]As a result of the transaction, Proximus Group retained a 61% share in Mobile-For. The revenue of Mobile-For and its subsidiaries are fully included in Proximus and 39% of their net income is attributed to non-controlling interests. The company offers innovative mobility solutions to increase the accessibility of cities and to manage and optimize traffic flows through services such as traffic monitoring, dynamic traffic control, electronic toll collecting, and electronic ticketing for parking services.

continues to be triggered by customers rationalizing on Fixed line connections, technology migrations to VoIP and competitive pressure. This brought the Enterprise total Fixed Voice Line customer base to 637,000 by end- June 2016, i.e. a year-on-year line loss of -6.0%.
The second quarter Fixed Voice ARPU of EUR 31.1 was up 3.2% from the previous year strengthened by price changes since 1 July 2015.

Year-to-date June 2016, Fixed Voice revenue totaled EUR 121 million, a 3.7% decline from the previous year.

Stable 1.1% increase in Fixed Data revenue driven by continued growth from data connectivity services

The second-quarter 2016 revenue from Fixed Data, consisting of Fixed Internet and, for a greater part, Data Connectivity, totaled EUR 63 million, 1.1% higher than the same period of 2015.

This was driven by the favorable revenue trend from Data Connectivity services. In particular, the roll-out of a number of large customer projects on the Proximus Explore platform and newly acquired large customers for fiber projects in the last quarter of 2015 contributed to the favorable revenue evolution.

The revenue from Fixed Internet was slightly down in the second quarter. The Enterprise segment counted 137,000 internet lines by end-June 2016, stable compared to the previous quarter, and only slightly down (-0.5%) from one year ago. The ARPU for the second quarter of 2016 was EUR 43.6, i.e. slightly up from the previous quarter, but down by -0.5% compared to one year ago. This reflects the impact of the outphasing and migration of legacy products in the context of simplification programs towards new solutions at more attractive pricing for the customers. However, this effect was partly offset by the positive effect from the 1 July 2015 price adjustments.

Year-to-date June 2016, the revenue from Fixed Data totaled 125 million, 1.1% up from the previous year.

Solid growth for ICT revenue, 14.2% up from the previous year

In the second quarter of 2016, Enterprise ICT benefited from large product deals and an increase in ICT services, leading to a strong EUR 123 million revenue, 14.2% more than for the same period of 2015. In spite of the lower-margin product deals, the favorable revenue evolution resulted in an increased margin from ICT, and hence contributed to the Enterprise's second quarter overall direct margin rise.

Over the **first-half of 2016**, the Enterprise segment generated EUR 231 million of ICT revenue, i.e. 7.7% above the same period of 2015.

Mobile Service revenue growth tempered by roaming regulation, changed travel destination mix and competition

The Enterprise segment maintained its **second quarter 2016** Mobile Services revenue stable (+0.3%) on the previous year. This in spite of the lowered EU roaming rates since 30 April 2016 and a changed traveling behavior from customers. The combination of less travelers, a shift in the destination mix in favor of European destinations and lowered roaming pricing reduced the mobile ARPU by 3.7% to EUR 28.6 in the second quarter.

The pressure on roaming revenue was offset by the continued favorable evolution of the Enterprise customer base, growing in a one-year timeframe by 3.5%, M2M cards excluded, to total of 910,000 cards. In the second quarter of 2016, 9,000 mobile cards other than M2M were added. The sustained growth in the mobile customer base was once more supported by a low Mobile churn of 10.7%, reflecting the good customer experience of Proximus' mobile network and service levels, and increasing customer satisfaction.

Moreover, Proximus' Enterprise segment activated another 116,000 M2M cards in the second quarter, mainly as part of the Road User Charging project[21] that became effective on 1 April 2016, bringing the total number of M2M cards to 1,105,000 by end-June 2016. The Road User Charging

[21] Road User Charging is a project in which Proximus acts as a subcontractor for "Satellic" offering data center, M2M and Explore services to implement distance-based road charging in Flanders, Wallonia and Brussels for trucks as from April 2016.

project is now fully operational, the park should have reached its peak and could encounter fluctuations over the following quarters.

Besides a positive customer impact, the Mobile Service revenue continues to benefit from an improved tiering in the Medium Enterprise segment, high-end pricing plans gaining traction, and increased data usage. This results from a greater smartphone penetration and a growing number of 4G-users, up by 54% compared to one year ago. In the second quarter of 2016, Enterprise customers with a 4G-device had an average monthly data consumption of 1,045 Mb, 39% more than during the same period of 2015. Customers with a 4G device use more than three times as much data per month as customers with a non-4G device.

Year-to-date June 2016, revenue from Mobile services amounted to EUR 163 million, a 2.6% favorable evolution compared to the previous year.

Enterprise direct margin

For the **second quarter of 2016**, Enterprise posted an underlying direct margin of EUR 240 million, i.e. a 2.1% improvement over the same period of 2015, and an improvement on the first quarter. This was mainly attributable to the better margin from ICT and the Smart mobility margin, more than offsetting the pressure on mobile.

+2.1%

direct margin YOY

Year-to-date June 2016, the Enterprise segment direct margin totaled EUR 478 million, 1.5% above that of the previous year.

Table 19: Enterprise operationals

	Q2'15	Q2'16	Change (in abs. Amount)
From Fixed			
Number of access channels (thousands)	**815**	**774**	**-41**
Voice	677	637	-40
Broadband	138	137	-1
ARPU (EUR)			
ARPU Voice	30.1	31.1	1.0
ARPU Broadband	43.8	43.6	-0.2
From Mobile			
Number of active customers (thousands)	1,200	2,014	814
Among which voice and data cards	879	910	31
Among which M2M (including a limited number of Internet Everywhere cards)	321	1,105	784
Annualized churn rate (blended)	10.0%	10.7%	
Net ARPU (EUR)			
Postpaid	29.7	28.6	-1.1
Average Mobile data usage user/month (Mb)			
4G	752	1,045	293
Blended	529	833	304

5. Wholesale

Table 20: Wholesale revenue and direct margin

	2nd Quarter			Year-to-date		
(EUR million)	2015	2016	% Change	2015	2016	% Change
TOTAL SEGMENT INCOME	53	49	-7.3%	103	97	-6.1%
Costs of materials and charges to revenues	-7	-6	-19.6%	-14	-11	-21.7%
TOTAL SEGMENT DIRECT MARGIN	46	43	-5.4%	89	86	-3.6%
Direct margin %	*86.6%*	*88.4%*	*1.8 p.p.*	*86.0%*	*88.4%*	*2.3 p.p.*

Proximus' Wholesale segment reported EUR 49 million revenue for the **second quarter of 2016**, slightly up from the previous two quarters though 7.3% lower compared the same period of 2015. This was mainly related to the ceased revenue stream from Snow, with Snow customers fully outphased by mid-2015, though for a large part appealed by Proximus' Scarlet offer. This besides the ongoing pressure on the traditional wholesale business.

Year-to-date June 2016, Proximus' Wholesale revenue totaled EUR 97 million, or 6.1% lower than for the same period of 2015.

6. International Carrier Services – BICS

- **BICS Q2'16 results facing a high comparable base with record margins achieved in 2015**
- **Negative volatility in the Voice business, in a context of a declining market influenced by a shift from voice to data**
- **In line with internal projections, BICS' Q2'16 direct margin decreased year-on-year by 11.2% and its segment result by 19.3%**

Table 21: BICS P&L

	2nd Quarter			Year-to-date		
(EUR million)	2015	2016	% Change	2015	2016	% Change
TOTAL SEGMENT INCOME	411	359	-12.7%	811	715	-11.8%
Costs of materials and charges to revenues	-336	-292	-13.0%	-671	-581	-13.4%
TOTAL SEGMENT DIRECT MARGIN	75	67	-11.2%	140	134	-4.4%
Direct margin %	*18.3%*	*18.6%*	*0.3 p.p.*	*17.2%*	*18.7%*	*1.4 p.p.*
TOTAL EXPENSES	-29	-29	1.8%	-54	-61	12.5%
Workforce expenses	-14	-13	-1.2%	-25	-26	3.9%
Non Workforce expenses	-15	-16	4.5%	-29	-34	20.0%
TOTAL SEGMENT RESULT	47	38	-19.3%	86	73	-15.0%
Segment contribution margin	*11.3%*	*10.5%*	*-0.9 p.p.*	*10.6%*	*10.2%*	*-0.4 p.p.*

BICS Revenue

The **second-quarter 2016** underlying revenue from BICS totaled EUR 359 million, down -12.7% compared to the previous year. Similar to the first quarter, BICS' revenue decline was driven by continued high volatility in the voice business. Compared to the same period of

2015, BICS carried less voice traffic to African regions, which led to a 17% decline in voice revenue. Operating in a declining Voice market, with a shift from voice to data, BICS transported 6,575 million voice minutes in the second quarter of 2016, 4.1% less than the previous year.
Messaging volumes on the other hand grew both sequentially and year-on-year, up by 28% from the second quarter of 2015. This led to a solid 10.4% increase in non-voice revenue.

Year-to-date June 2016, the revenue of BICS totaled EUR 715 million, a decline of 11.8% from the previous year.

Table 22: BICS revenue

	2nd Quarter			Year-to-date		
(EUR million)	**2015**	**2016**	**% Change**	**2015**	**2016**	**% Change**
Voice	347	288	-17.0%	682	574	-15.8%
Non Voice	64	71	10.4%	129	141	9.2%
Total revenues	411	359	-12.7%	811	715	-11.8%

Table 23: BICS volumes

	2nd Quarter			Year-to-date		
Volumes (in million)	**2015**	**2016**	**% Change**	**2015**	**2016**	**% Change**
Voice	6,859	6,575	-4.1%	13,363	12,609	-5.6%
Non Voice (Messaging)	710	909	28.0%	1,366	1,742	27.5%

BICS direct margin

BICS' **second quarter 2016** direct margin totaled EUR 67 million, which is 11.2% less than its record-high margin posted in the second quarter of 2015. Indeed, one year back, BICS' voice business benefited from temporary high-margin traffic as a result of favorable but volatile market conditions. These advantageous conditions lasted until the third quarter of 2015, after which BICS' voice business fell back to its usual levels. In the second quarter of 2016, BICS posted a voice direct margin of EUR 30 million, or 22% below the previous year. This loss could not be mitigated by the non-voice direct margin which remained stable year-on-year, despite volume growth, reflecting the intense price pressure on some of its markets.
Over the **first six months of 2016**, BICS' direct margin of EUR 134 million was 4.4% below the previous year.

Table 24: BICS direct margin

	2nd Quarter			Year-to-date		
(EUR million)	**2015**	**2016**	**% Change**	**2015**	**2016**	**% Change**
Voice	39	30	-22.0%	68	59	-13.5%
Non Voice	37	37	0.2%	71	74	4.3%
Total Direct margin	75	67	-11.2%	140	134	-4.4%

BICS segment result

BICS' underlying segment result totaled EUR 38 million for the **second quarter of 2016**, 19.3% below that of its record posted in the same period of 2015. This was driven by the lower direct margin, while BICS second quarter expenses where slightly up compared to the same period of 2015, with continued investments in new geographies and growth initiatives. The underlying segment margin for the second quarter of 2016 was 10.5%, 0.9 p.p. lower compared to the year before.

Year-to-date June 2016, the segment result of BICS amounted to EUR 73 million, 15% lower than during the same period of 2015.

7. Condensed consolidated financial statements

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

Accounting policies

The accounting policies and methods of the Group used as of 2016 are consistent with those applied in the 31 December 2015 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 2016. These have only a limited impact.

To improve the relevancy of reported figures, Proximus reviewed its presentation of the "personnel expenses and pensions" and "other operating expenses" by splitting their total between two new captions, "Workforce" and "Non Workforce". Some other additional changes were applied to the segment reporting. For more information see section 8.2.

Judgments and estimates

The Group does not make any significant judgments and estimates other than those mentioned under note 2 in the 31 December 2015 consolidated financial statements and other than those mentioned below in this report.
Compared to December 2015 there has been no evolution that would require a change in judgment and estimates with respect to the "excess profit ruling" liability".

Significant events or transactions

Acquisition of Be-Mobile NV and Flow NV

In the first-quarter of 2016, Mobile-For, a fully owned Proximus Group subsidiary, acquired control of Be-Mobile NV and Flow NV . The purpose is to create a leading player of Smart Mobility solutions in Belgium and abroad. As a result of the transaction, Proximus Group retained a 61% share in Mobile-For. The purchase price allocation has not been performed at June 30, 2016. Therefore, goodwill has been provisionally determined at EUR 10 million. The transaction generated an equity decrease of EUR 19 million mainly as a result of recognition of a financial instrument on the non controlling shares.

Early leave plan and collective agreement

On 27 April 2016, the social partners and the Board of Directors approved a voluntary early leave plan and a collective agreement. For a description and status of the Early Leave Plan see section 2.4.

All voluntary leave plan related costs are and will be accounted for as non-recurring expenses. For the second quarter of 2016 this relates to the employees for which the plan had an immediate effect. For employees who have opted for the plan but are still remaining active, the cost will be spread over their respective activity period, as from the second quarter of 2016. The one-off balance sheet impacts of the collective agreement are also accounted for through non-recurring expenses in the second quarter of 2016. The non-recurring expense is expected to evolve as follows:

(In EUR million)

Q2 2016	Q3 2016	Q4 2016	2017	2018	2019	Total
53	33	33	74	44	19	255

Before determining the impacts ("past service cost") of such plans on pensions and other post-employment benefits, the net defined benefit liability was re-measured for all plans using updated discount rates leading to an increase of the net defined benefit liability for EUR 106 million accounted for through Other Comprehensive Income (EUR 79 million net of taxes).
After all these changes the net liability for termination benefits, pensions and other post-employment benefits amounts to EUR 596 million, compared to EUR 464 million end-2015.

7.1. Consolidated income statement

(EUR million)	2nd Quarter 2015	2nd Quarter 2016	% Change	Year-to-date 2015	Year-to-date 2016	% Change
Net revenue	1,491	1,450	-2.8%	2,961	2,873	-3.0%
Other operating income	20	13	-37.8%	33	23	-31.3%
TOTAL INCOME	**1,511**	**1,463**	**-3.2%**	**2,994**	**2,896**	**-3.3%**
Costs of materials and services related to revenue	-590	-550	-6.8%	-1,179	-1,080	-8.4%
Workforce expenses	-299	-293	-1.9%	-600	-588	-2.0%
Non workforce expenses	-166	-139	-16.0%	-332	-329	-1.1%
Non-recurring expenses	-1	-53	-	-1	-54	-
TOTAL OPERATING EXPENSES before depreciation & amortization	**-1,055**	**-1,035**	**-1.9%**	**-2,113**	**-2,051**	**-2.9%**
OPERATING INCOME before depreciation & amortization	**456**	**428**	**-6.2%**	**881**	**845**	**-4.1%**
Depreciation and amortization	-218	-234	7.4%	-432	-460	6.5%
OPERATING INCOME	**238**	**194**	**-18.7%**	**449**	**385**	**-14.3%**
Finance income	8	1	-87.4%	15	2	-89.5%
Finance costs	-35	-24	-31.6%	-63	-49	-22.2%
Net finance costs	**-27**	**-23**	**-15.4%**	**-48**	**-48**	**-0.8%**
Share of loss on associates	-1	0	-	-2	0	-
INCOME BEFORE TAXES	**210**	**171**	**-18.9%**	**399**	**337**	**-15.6%**
Tax expense	-58	-38	-34.8%	-111	-86	-22.8%
NET INCOME	**153**	**133**	**-12.9%**	**288**	**251**	**-12.8%**
Non-controlling interests	8	7	-11.7%	14	12	-11.0%
Net income (Group share)	145	126	-12.9%	274	239	-12.9%
Basic earnings per share	0.45 EUR	0.39 EUR	-13.1%	0.85 EUR	0.74 EUR	-13.1%
Diluted earnings per share	0.45 EUR	0.39 EUR	-13.0%	0.85 EUR	0.74 EUR	-13.0%
Weighted average number of outstanding shares	321,723,103	322,349,426	0.2%	321,564,813	322,224,889	0.2%
Weighted average number of outstanding shares for diluted earnings per share	322,244,036	322,630,849	0.1%	322,167,994	322,539,109	0.1%

7.2. Consolidated statements of other comprehensive income

(EUR million)	As of 30 June 2015	As of 30 June 2016
Net income	288	251
Other comprehensive income:		
Items that may be reclassified to profit and loss		
Cash flow hedges:		
Gain/(loss) taken to equity	-5	-1
Transfer to profit or loss for the period	4	0
Total before related tax effects	-1	0
Related tax effects		
Cash flow hedges:		
Gain/(loss) taken to equity	2	0
Transfer to profit or loss for the period	-1	0
Income tax relating to items that may be reclassified	0	0
Items that may be reclassified to profit and loss, net of related tax effects	0	0
Items that will not be reclassified to profit and loss		
Remeasurement of defined benefit obligations	0	-106
Total before related tax effects	0	-106
Related tax effects		
Remeasurement of defined benefit obligations	0	26
Income tax relating to items that will not be reclassified	0	26
Items that may be reclassified to profit and loss, net of related	0	-79
Total comprehensive income	287	172
Attributable to:		
Equity holders of the parent	273	160
Non-controlling interests	14	11

7.3. Consolidated balance sheet

(EUR million)	As of 31 December 2015	As of 30 June 2016
ASSETS		
NON-CURRENT ASSETS	**6,386**	**6,377**
Goodwill	2,272	2,283
Intangible assets with finite useful life	1,162	1,113
Property, plant and equipment	2,809	2,849
Investments in associates	2	3
Other participating interests	9	10
Deferred income tax assets	89	76
Other non-current assets	43	43
CURRENT ASSETS	**1,897**	**1,863**
Inventories	108	117
Trade receivables	1,140	1,163
Current tax assets	14	14
Other current assets	124	142
Investments	8	10
Cash and cash equivalents	502	417
TOTAL ASSETS	**8,283**	**8,240**
LIABILITIES AND EQUITY		
EQUITY	**2,965**	**2,782**
Shareholders' equity	**2,801**	**2,633**
Issued capital	1,000	1,000
Treasury shares	-448	-435
Restricted reserve	100	100
Remeasurement reserve	-112	-190
Stock compensation	5	5
Retained earnings	2,255	2,153
Non-controlling interests	**164**	**149**
NON-CURRENT LIABILITIES	**2,663**	**2,793**
Interest-bearing liabilities	1,761	1,765
Liability for pensions, other post-employment benefits and termination benefits	464	596
Provisions	157	158
Deferred income tax liabilities	96	88
Other non-current payables	185	186
CURRENT LIABILITIES	**2,655**	**2,665**
Interest-bearing liabilities	674	676
Trade payables	1,330	1,254
Tax payables	82	124
Other current payables	570	612
TOTAL LIABILITIES AND EQUITY	**8,283**	**8,240**

7.4. Consolidated cash flow statement

(EUR million)	2nd Quarter 2015	2nd Quarter 2016	Year-to-date 2015	Year-to-date 2016
Cash flow from operating activities				
Net income	153	133	288	251
Adjustments for:				
Depreciation and amortization on intangible assets and property, plant and equipment	218	234	432	460
Increase / (Decrease) in provisions	4	-1	2	1
Deferred tax expense	-4	39	-2	32
Loss from investments accounted for using the equity method	1	0	2	0
Fair value adjustments on financial instruments	-3	0	-10	0
Loans amortization	4	2	5	3
Gain on disposal of fixed assets	-6	-3	-10	-3
Other non-cash movements	1	0	2	0
Stock option outstanding	*1*	*0*	*2*	*0*
Operating cash flow before working capital changes	**367**	**404**	**710**	**745**
Decrease / (increase) in inventories	11	20	-21	-9
Decrease / (increase) in trade receivables	15	-40	-26	-9
Decrease / (increase) in other current assets	57	14	31	-18
Increase / (decrease) in trade payables	9	-11	-73	-36
Increase / (decrease) in income tax payables	39	-11	90	43
Increase / (decrease) in other current payables	-9	-62	22	10
Increase / (decrease) in net liability for pensions, other post-employment benefits and termination benefits	-10	28	-16	27
Increase in other non-current payables and provisions	0	10	0	10
Decrease / (increase) in working capital, net of acquisitions and disposals of subsidiaries	113	-54	6	18
Net cash flow provided by operating activities	**480**	**350**	**716**	**763**
Cash flow from investing activities				
Cash paid for acquisitions of intangible assets and property, plant and equipment	-278	-231	-508	-508
Cash paid for acquisitions of other participating interests	-1	-2	-1	-2
Cash paid for acquisition of consolidated companies, net of cash acquired	0	0	0	-6
Cash received from sales of consolidated companies, net of cash disposed of	0	0	-3	0
Cash received from sales of intangible assets and property, plant and equipment	8	4	12	4
Cash received from sales of other participating interests and enterprises accounted for using the equity method	-2	0	-1	2
Net cash used in investing activities	**-273**	**-229**	**-501**	**-509**
Cash flow before financing activities (FCF)	**207**	**122**	**215**	**255**
Cash flow from financing activities				
Dividends paid to shareholders	-324	-323	-327	-323
Dividends paid to non-controlling interests	-36	-26	-36	-26
Net sale of treasury shares	6	8	15	13
Net purchase of investments	-2	0	-2	-1
Repayment of long term debt (2)	-57	-1	-57	-1
Net cash used in financing activities (1)	**-413**	**-342**	**-407**	**-339**
Net decrease of cash and cash equivalents	**-205**	**-221**	**-192**	**-85**
Cash and cash equivalents at 1 January	702	502	702	502
Cash and cash equivalents at 30 June	510	417	510	417

(1) Gains and losses from debt restructuring are part of the Cash used in financing activities.
(2) The repayment of long term debt is the net of cash received and paid for the debt and related derivatives

7.5. Consolidated statements of changes in equity

(EUR million)	Issued capital	Treasury shares	Restricted reserve	Available for sale and hedge reserve	Remeasur-ement reserve	Stock Compen-sation	Retained Earnings	Shareholders' Equity	Non-controlling interests	Total Equity
Balance at 31 December 2014	**1,000**	**-470**	**100**	**2**	**-130**	**8**	**2,270**	**2,779**	**189**	**2,969**
Fair value changes in cash flow hedges	*0*	*0*	*0*	*-1*	*0*	*0*	*0*	*-1*	*0*	*0*
Equity changes not recognised in the income statement	0	0	0	-1	0	0	0	-1	0	0
Net income	0	0	0	0	0	0	274	274	14	288
Total comprehensive income and expense	**0**	**0**	**0**	**-1**	**0**	**0**	**274**	**273**	**14**	**287**
Dividends to shareholders (relating to 2014)	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	-36	-36
Treasury shares										
Exercise of stock options	0	16	0	0	0	0	-1	15	0	15
Stock options										
Exercise of stock options	0	0	0	0	0	-2	2	0	0	0
Total transactions with equity holders	**0**	**16**	**0**	**0**	**0**	**-1**	**-322**	**-307**	**-36**	**-343**
Balance at 30 June 2015	**1,000**	**-454**	**100**	**2**	**-130**	**6**	**2,222**	**2,746**	**167**	**2,913**
Balance at 31 December 2015	**1,000**	**-448**	**100**	**2**	**-114**	**5**	**2,255**	**2,801**	**164**	**2,965**
Remeasurment defined benefit obligations	*0*	*0*	*0*	*0*	*-78*	*0*	*0*	*-78*	*-1*	*-79*
Equity changes not recognised in the income statement	0	0	0	0	-78	0	0	-78	-1	-79
Net income	0	0	0	0		0	239	239	12	251
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	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**

7.6. Segment reporting

Six months ended 30 June 2016

(EUR million)		Group Proximus	BICS	Domestic (Group excl. BICS)	Consumer	Enterprise	Wholesale	Others
Turnover		2,873	713	2,160	*1,419*	*672*	*97*	*-28*
Other revenues		20	1	19	*9*	*2*	*0*	*7*
REVENUES	*underlying*	**2,893**	**715**	**2,178**	***1,429***	***674***	***97***	***-21***
Non-recurring revenue		0	0	0	*0*	*0*	*0*	*0*
Adjustments		3	0	3	*0*	*0*	*0*	*0*
TOTAL INCOME	*reported*	**2,896**	**715**	**2,181**	***1,429***	***674***	***97***	***-21***
Elim intersegment	*included in above revenue figures*							
Turnover		-37	-19	-18	*-2*	*-2*	*0*	*-14*
Other revenues		-6	0	-6	*0*	*0*	*0*	*-6*
COST OF SALES	*underlying*	**-1,080**	**-581**	**-499**	***-323***	***-196***	***-11***	***31***
Adjustments		0	0	0	*0*	*0*	*0*	*0*
COSTS OF MATERIALS AND SERVICES RELATED TO REVENUE	*reported*	**-1,080**	**-581**	**-499**	***-323***	***-196***	***-11***	***31***
Workforce expenses		-588	-26	-562				
Non workforce expenses		-344	-34	-309				
OPERATING EXPENSES	*underlying*	**-932**	**-61**	**-871**				
Non-recurring expenses		-54	0	-54				
Adjustments		15	0	15				
TOTAL OPERATING EXPENSES	*reported*	**-970**	**-61**	**-910**				
OPERATING INCOME before depreciation & amortization	*reported*	**845**	**73**	**772**				
Adjustments & non-recurring		36	0	36				
EBITDA	*underlying*	**881**	**73**	**808**				
Depreciation and amortization	*reported*	**-460**	**-38**	**-422**				
OPERATING INCOME	*reported*	**385**	**35**	**350**				
Net finance costs		**-48**						
INCOME BEFORE TAXES		**337**						
Tax expense		**-86**						
NET INCOME		**251**						
Non-controlling interests		**12**						
Net income (Group share)		**239**						

Six months ended 30 June 2015 - restated

(EUR million)		Group Proximus	BICS	Domestic (Group excl. BICS)	Consumer	Enterprise	Wholesale	Others
Turnover		2,961	810	2,151	*1,426*	*652*	*103*	*-31*
Other revenues		23	0	23	*13*	*2*	*0*	*8*
REVENUES	*underlying*	**2,984**	**811**	**2,174**	***1,439***	***654***	***103***	***-23***
Non-recurring revenue		0	0	0	*0*	*0*	*0*	*0*
Adjustments		10	0	10	*0*	*0*	*0*	*0*
TOTAL INCOME	*reported*	**2,994**	**811**	**2,183**	***1,439***	***654***	***103***	***-23***
Elim intersegment	*included in above revenue figures*							
Turnover		-40	-20	-19	*-3*	*-3*	*0*	*-14*
Other revenues		-6	0	-6	*0*	*0*	*0*	*-6*
COST OF SALES	*underlying*	**-1,180**	**-671**	**-509**	***-345***	***-184***	***-14***	***34***
Adjustments		0	0	0	*0*	*0*	*0*	*0*
COSTS OF MATERIALS AND SERVICES RELATED TO REVENUE	*reported*	**-1,179**	**-671**	**-508**	***-345***	***-184***	***-14***	***34***
Workforce expenses		-601	-25	-575				
Non workforce expenses		-341	-29	-313				
OPERATING EXPENSES	*underlying*	**-942**	**-54**	**-888**				
Non-recurring expenses		-1	0	-1				
Adjustments		10	0	10				
TOTAL OPERATING EXPENSES	*reported*	**-934**	**-54**	**-880**				
OPERATING INCOME before depreciation & amortization	*reported*	**881**	**86**	**795**				
Adjustments & non-recurring		-18	0	-18				
EBITDA	*underlying*	**863**	**86**	**777**				
Depreciation and amortization	*reported*	**-432**	**-39**	**-393**				
OPERATING INCOME	*reported*	**449**	**47**	**402**				
Net finance costs		**-48**						
Share of loss on associates		**-2**						
INCOME BEFORE TAXES		**399**						
Tax expense		**-111**						
NET INCOME		**288**						
Non-controlling interests		**14**						
Net income (Group share)		**274**						

7.7. 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, 2016;
- 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, 2016 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 2015 Financial Statements.
No transfer between Levels occurred during 2016.

As of 30 June 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				
Derivatives held for trading	FVTPL	8	8	Level 2
Other financial assets	LaR	35	35	
Current assets				
Trade receivables	LaR	1,163	1,163	
Other current assets				
Derivatives held for trading	FVTPL	1	1	Level 1
VAT and other receivables	N/A	15	15	
Investments	AFS	5	5	Level 1
Investments	HTM	5	5	
Cash and cash equivalents				
Short-term deposits	LaR	417	417	
LIABILITIES				
Non-current liabilities				
Interest-bearing liabilities				
Unsubordinated debentures not in a hedge relationship	OFL	1,754	1,997	Level 2
Leasing and similar obligations	OFL	2	2	
Credit institutions	OFL	1	1	
Derivatives held for trading	FVTPL	8	8	Level 2
Non-interest-bearing liabilities				
Other non-current payables	OFL	186	186	
Current liabilities				
Interest-bearing liabilities, current portion				
Unsubordinated debentures not in a hedge relationship	OFL	674	687	Level 2
Leasing and similar obligations	OFL	2	2	
Trade payables	OFL	1,254	1,254	
Other current payables				
Other debt	OFL	26	26	Level 3
V.A.T. and other amounts payable	OFL	286	286	

(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 not in a hedge relationship 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 2016 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.

7.8. Contingent liabilities

Compared to the December 2015 report no changes occurred during the first half of 2016 in the contingent liabilities.

7.9. Post balance sheet events

There are no events that occurred after 30 June 2016 that have not been reflected in the interim financial statements.

7.10. 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. From reported to underlying revenue and EBITDA

	GROUP Revenue		GROUP EBITDA		GROUP Revenue		GROUP EBITDA	
(EUR million)	Q2'15	Q2'16	Q2'15	Q2'16	YTD '15	YTD '16	YTD '15	YTD '16
Reported	1,511	1,463	456	428	2,994	2,896	881	845
Underlying	1,505	1,460	455	463	2,984	2,893	863	881
Incidentals - Total	7	3	1	-35	10	3	18	-36
Non Recurring Items	0	0	-1	-53	0	0	-1	-54
Other incidentals	7	3	2	18	10	3	19	18
Non-recurring items:	0	0	-1	-53	0	0	-1	-54
Early Leave Plan and Collective Agreement	0	0	0	-53	0	0	0	-53
Other : mainly resulting from a restructuring program in subsidiary	0	0	-1	0	0	0	-1	-1
Other incidentals:	7	3	2	18	10	3	19	18
Capital gains on building sales	7	3	7	3	10	3	10	3
IFRIC changes	0	0	-5	0	0	0	10	0
Divesture TLS UK	0	0	1	0	0	0	0	0
Reversal 2015 Pylon Tax provision	0	0	0	15	0	0	0	15

8.2. Reporting Changes applied since 2016

All changes described hereafter are applicable since the first quarter 2016 reporting. No additional changes have been applied since then.

Restatement of underlying 2015

While the Proximus Group continues to contest the Regional pylon tax, the application of the IFRIC 21 standard requires a tax liability to be recognized in the period during which the criteria triggering the tax are met. Proximus has therefore recognized on 1 January 2016 the full liability related to the 2016 pylon taxes. In 2015 these were spread over the year. In order to allow a 2015-2016 quarterly comparison on a like-for-like basis, the 2015 "underlying" quarterly figures have been restated through the use of "incidentals", as such not having any impact for the full year.

2015 – Group EBITDA (in million €)	Q1	Q2	Q3	Q4	FY 2015
Communicated underlying EBITDA	423	450	447	414	1.733
Adjustments IFRIC21	-15	5	6	4	0
New underlying EBITDA	408	455	453	418	1.733

Changes in Segment reporting

To improve the relevancy of reported figures, Proximus has applied the changes described below. These are applicable as from 2016, with restatements provided for 2015:

- Provide a split of revenue and direct margin per customer segment:
  Consumer, Enterprise and Wholesale. This resulted in some very minor changes in revenue by product group, and hence ARPU.
- Similar to the past, an EBITDA is provided for Group, Domestic and BICS.
- "Segment results" (contribution to Group EBITDA) will no longer be reported as these figures were non-relevant, given no full cost allocation was applied, a large part of costs remained within TEC and S&S.
- Split Expenses (after direct margin) at Group level only, and in a more relevant manner

  Group Opex: Workforce and Non Workforce

  - Workforce expenses: expenses related to own employees (former HR-expenses) as well as to external employees (part of former non-HR expenses) for Proximus S.A. For subsidiaries, only internal HR expenses are reported under Workforce expenses
  - Non Workforce: all other expenses (part of former non-HR expenses)

  Into Group Opex: by Nature

  - Domestic (previously called 'Core')
  - Marketing, Sales and Servicing": all expenses related to Consumer, Enterprise and Wholesale customers, including remote servicing
  - Network and IT": all IT and Network related expenses, including interventions at customer premises
  - General Services and Administration": remaining domestic expenses; mainly overheads
  - BICS : no change versus previous reporting

Changes in Consumer X-Play reporting

The X-Play reporting has evolved in order to provide more precise figures, integrating Scarlet revenue and operational drivers. 2015 figures have been restated to allow for a like-for-like comparison.

8.3. Quarterly results tables

8.3.1. Group – Financials

(EUR million)	Q115	Q215	Q315	Q415	2015	Q116	Q216
REPORTED							
Revenues	1,482	1,511	1,509	1,509	6,012	1,433	1,463
EBITDA	425	456	344	421	1,646	417	428
UNDERLYING							
Revenues per Segment	1,479	1,505	1,509	1,502	5,994	1,433	1,460
Domestic	1,080	1,094	1,088	1,117	4,379	1,077	1,101
Consumer	712	727	720	733	2,892	710	718
Enterprise	328	326	331	350	1,335	329	345
Wholesale	51	53	51	48	202	48	49
Other (incl. eliminations)	-11	-12	-14	-13	-50	-10	-11
International Carrier Services (BICS)	399	411	420	385	1,616	356	359
Costs of materials and charges to revenues (*)	-590	-590	-592	-605	-2,377	-531	-550
Direct Margin	890	915	917	896	3,617	902	911
Direct Margin %	*60.1%*	*60.8%*	*60.8%*	*59.7%*	*60.3%*	*63.0%*	*62.4%*
Total expenses before D&A	-482	-460	-464	-478	-1,884	-484	-448
EBITDA	408	455	453	418	1,733	418	463
Segment EBITDA margin %	*27.6%*	*30.2%*	*30.0%*	*27.8%*	*28.9%*	*29.2%*	*31.7%*

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

8.3.2. Consumer –Financials

X-Play view

(EUR million)	Q115	Q215	Q315	Q415	2015	Q116	Q2'16
Revenues	712	727	720	733	2,892	710	718
Revenues X-Play	556	565	577	575	2,272	580	582
4-Play	172	179	184	186	721	190	193
3-Play	171	175	179	179	705	182	183
2-Play	83	81	82	81	327	80	79
1-Play	130	129	132	129	520	128	127
Prepaid	46	47	42	40	174	38	38
Terminals sales	46	47	36	46	175	32	34
Tango	31	31	33	35	130	31	30
Other	33	38	33	37	141	29	34
Costs of materials & charges to revenues	-171	-174	-161	-187	-692	-160	-163
Direct Margin	542	553	560	545	2,200	551	555
Direct Margin %	*76.0%*	*76.0%*	*77.7%*	*74.5%*	*76.1%*	*77.5%*	*77.3%*

Product view

(EUR million)	Q115	Q215	Q315	Q415	2015	Q116	Q216
REPORTED							
Revenues	712	727	720	733	2,892	710	718
UNDERLYING							
Revenues	712	727	720	733	2,892	710	718
Fixed	365	368	375	377	1,484	379	381
Voice	139	137	138	137	551	134	131
Data (Internet & Data Connectivity)	135	137	142	144	558	147	151
TV	78	82	82	85	327	87	88
Terminals (excl. TV)	5	5	5	4	19	4	4
ICT	7	7	7	8	29	7	7
Mobile Services	246	254	255	250	1,006	248	250
Postpaid	200	208	213	210	831	210	213
Prepaid	46	47	42	40	174	38	38
Mobile Terminals	40	40	28	36	145	25	30
Subsidiaries (Tango)	31	31	33	35	130	31	30
Other Products	30	33	30	34	128	28	27
Costs of materials & charges to revenues	-171	-174	-161	-187	-692	-160	-163
Direct Margin	542	553	560	545	2,200	551	555
Direct Margin %	*76.0%*	*76.0%*	*77.7%*	*74.5%*	*76.1%*	*77.5%*	*77.3%*

8.3.3. Consumer Operationals

X-play view

	Q215	Q315	Q415	2015	Q116	Q216
Households/Small Offices per Play - Total (thousands)	**2,939**	**2,942**	**2,951**	**2,951**	**2,951**	**2,950**
4 - Play	521	531	547	547	555	564
3 - Play	738	744	755	755	768	771
2 - Play	468	462	455	455	451	449
1 - Play	1,212	1,204	1,194	1,194	1,177	1,166
Fixed Voice	444	430	415	415	398	384
Fixed Internet	115	117	119	119	122	123
TV	N/A	N/A	N/A	N/A	N/A	N/A
Mobile Postpaid	653	658	661	661	657	658
Average revenue x - play (in EUR)	**64.1 €**	**65.5 €**	**65.0 €**	**64.5 €**	**65.5 €**	**65.7 €**
4 - Play	115.4 €	116.6 €	115.1 €	115.5 €	114.9 €	114.9 €
3 - Play	79.9 €	80.7 €	79.6 €	80.2 €	79.6 €	79.3 €
2 - Play	57.7 €	59.0 €	58.7 €	58.3 €	58.9 €	58.5 €
1 - Play	35.4 €	36.4 €	35.8 €	35.7 €	36.0 €	36.0 €
Average #RGUs per househould/Small Office - Total	**2.55**	**2.57**	**2.59**	**2.59**	**2.61**	**2.62**
4 - Play	4.82	4.83	4.83	4.83	4.83	4.82
3 - Play	3.34	3.34	3.34	3.34	3.34	3.33
2 - Play	2.22	2.22	2.21	2.21	2.21	2.21
1 - Play	1.22	1.23	1.23	1.23	1.23	1.23
Annualized full churn rate (household/Small Office level) - Total	**12.1%**	**13.3%**	**13.4%**	**13.3%**	**13.4%**	**12.0%**
4 - Play	2.5%	3.0%	2.9%	2.8%	2.8%	2.7%
3 - Play	9.6%	11.8%	11.2%	10.8%	10.4%	9.6%
2 - Play	10.7%	12.3%	11.3%	11.7%	12.1%	10.3%
1 - Play	18.1%	19.1%	20.3%	19.9%	20.8%	18.8%
% Convergent HH / SO - Total (i.e. % of HH/SO having Mobile + Fixed component)	**51.9%**	**52.5%**	**53.1%**	**53.1%**	**53.2%**	**53.5%**
4 - Play	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
3 - Play	36.1%	36.5%	36.9%	36.9%	36.8%	37.0%
2 - Play	23.3%	23.5%	23.8%	23.8%	23.5%	23.4%

Product view

	Q115	Q215	Q315	Q415	2015	Q116	Q216
From Fixed							
Number of access channels (thousands)	3,789	3,810	3,811	3,830	3,830	3,837	3,832
Voice	2,140	2,136	2,121	2,112	2,112	2,096	2,078
Broadband	1,649	1,674	1,690	1,718	1,718	1,741	1,754
TV (thousands)	1,657	1,692	1,716	1,759	1,759	1,795	1,816
Unique Customers	1,340	1,365	1,384	1,414	1,414	1,440	1,458
of which multiple settop boxes	317	327	332	345	345	354	357
ARPU (EUR)							
ARPU Voice	21.7	21.3	21.7	21.5	21.6	21.3	20.9
ARPU broadband	27.6	27.5	28.2	28.0	27.9	28.3	28.8
ARPU TV	19.8	20.1	20.0	20.1	20.0	20.2	20.2
From Mobile							
Number of active customers (thousands)	4,230	4,229	4,236	4,229	4,229	4,202	4,189
Prepaid	1,416	1,376	1,341	1,307	1,307	1,268	1,239
Postpaid	2,815	2,853	2,895	2,922	2,922	2,934	2,950
Among Which Paying cards	2,333	2,359	2,393	2,430	2,430	2,437	2,455
Among Which Internet Everywhere cards	482	494	502	492	492	496	495
Annualized churn rate (blended)							
Prepaid	33.7%	32.7%	35.0%	35.4%	34.2%	35.0%	35.0%
Postpaid	15.4%	13.4%	13.8%	15.6%	14.5%	15.2%	14.0%
Blended	22.7%	20.9%	21.9%	23.0%	22.1%	22.4%	21.5%
Net ARPU (EUR)							
Prepaid	10.7	11.2	10.4	10.0	10.5	9.8	10.1
Postpaid	28.9	29.6	30.0	29.1	29.4	28.8	28.9
Blended	21.9	22.7	22.8	22.3	22.4	22.2	22.6
Average Mobile data usage user/month (Mb)							
4G	855	851	920	945		1,039	1,090
Blended	474	511	581	627		725	790

8.3.4. Enterprise – Financials

(EUR million)	Q115	Q215	Q315	Q415	2015	Q116	Q216
REPORTED							
Revenues	328	326	331	350	1,335	329	345
UNDERLYING							
Revenues	328	326	331	350	1,335	329	345
Fixed	238	236	242	256	971	237	250
Voice	64	62	61	61	248	61	60
Data (Internet & Data Connectivity)	62	62	63	63	250	63	63
Terminals (excl. TV)	5	5	5	5	19	5	5
ICT	107	107	113	127	455	108	123
Mobile Services	79	80	82	83	324	83	80
Mobile Terminals	6	3	3	6	18	4	5
Other Products	6	6	4	5	21	5	9
Costs of materials and charges to revenues	-93	-91	-95	-109	-388	-91	-105
Direct Margin	235	235	236	241	947	237	240
Direct Margin %	*71.7%*	*72.2%*	*71.4%*	*68.8%*	*71.0%*	*72.2%*	*69.6%*

8.3.5. Enterprise – Operationals

	Q115	Q215	Q315	Q415	2015	Q116	Q216
From Fixed							
Number of access channels (thousands)	825	815	808	798	798	784	774
Voice	686	677	670	660	660	647	637
Broadband	139	138	137	137	137	137	137
ARPU (EUR)							
ARPU Voice	30.8	30.1	30.3	30.7	30.5	31.1	31.1
ARPU Broadband	43.5	43.8	44.5	43.7	43.9	43.4	43.6

	Q115	Q215	Q315	Q415	2015	Q116	Q216
From Mobile							
Number of active customers (thousands)	1,179	1,200	1,338	1,470	1,470	1,889	2,014
Among which voice and data cards	869	879	885	894	894	901	910
Among which M2M (including a limited number of Internet Everywhere cards)	311	321	453	576	576	988	1,105
Annualized churn rate (blended)	11.3%	10.0%	8.9%	10.3%	10.1%	10.8%	10.7%
Net ARPU (EUR)							
Postpaid	29.3	29.7	30.0	30.0	29.7	29.8	28.6
Average Mobile data usage user/month (Mb)							
4G	718	752	811	862		973	1,045
Blended	488	529	590	645		756	833

8.3.6. Wholesale – Financials

(EUR million)	Q115	Q215	Q315	Q415	2015	Q116	Q216
REPORTED							
Revenues	51	53	51	48	202	48	49
UNDERLYING							
Revenues	**51**	**53**	**51**	**48**	**202**	**48**	**49**
Direct Margin	**43**	**46**	**44**	**41**	**174**	**43**	**43**
Direct Margin %	*85.5%*	*86.6%*	*86.3%*	*86.3%*	*86.2%*	*88.4%*	*88.4%*

8.3.7. Retail Operationals and MVNO customers reported in Wholesale

	Q115	Q215	Q315	Q415	2015	Q116	Q116
From Fixed							
Number of access channels (thousands)							
Voice (1)	9	9	9	8	8	9	9
Broadband (1)	1	1	1	1	1	1	1
From Mobile							
Number of active Mobile customers (thousands)							
Retail (1)	11	10	10	10	10	10	10
MVNO	11	11	11	12	12	13	14

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

8.3.8. BICS – Financials

(EUR million)	Q115	Q215	Q315	Q415	2015	Q116	Q216
REPORTED							
Revenues	399	411	420	385	1,616	356	359
Segment Result	39	47	41	34	160	35	38
UNDERLYING							
Revenues	**399**	**411**	**420**	**385**	**1,616**	**356**	**359**
Revenues from Voice	335	347	347	318	1,347	286	288
Revenues from non-Voice	65	64	73	67	269	70	71
Costs of materials and charges to revenues	-335	-336	-348	-320	-1,338	-289	-292
Direct Margin	**65**	**75**	**73**	**65**	**278**	**67**	**67**
Direct Margin %	*16.2%*	*18.3%*	*17.4%*	*16.9%*	*17.2%*	*18.8%*	*18.6%*
Total expenses before D&A	-25	-29	-32	-32	-118	-32	-29
Workforce expenses	-12	-14	-13	-15	-53	-13	-13
Non Workforce expenses	-14	-15	-19	-17	-64	-19	-16
Segment result	**39**	**47**	**41**	**34**	**160**	**35**	**38**
Segment contribution margin %	*9.8%*	*11.3%*	*9.7%*	*8.7%*	*9.9%*	*9.9%*	*10.5%*

8.3.9. BICS - Operationals

Volumes in million	Q115	Q215	Q315	Q415	2015	Q116	Q216
Voice	6,504	6,859	6,398	6,552	26,313	6,034	6,575
Non-Voice (Messaging)	656	710	785	851	3,002	833	909

8.4. Definitions

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

Broadband access channels: containing both ADSL and VDSL lines. For CBU specifically, 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: the Proximus Group placed its international carrier activities under the brand BICS, a joint venture of Proximus, Swisscom and MTN in which Proximus owns 57.6% of BICS.

Business working capital: this corresponds to the working capital related to Trades Receivable, Inventory and Trades Payable

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

Consumer: segment addressing the residential and small businesses (less than 10 employees) market and including Proximus' 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 Proximus Group excluding BICS

EBITDA: Earnings Before Interest, Taxes Depreciations and Amortization; corresponds to Revenue minus Cost of sales minus workforce and non-workforce 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: containing PSTN, ISDN and IP lines. For EBU 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): remaining domestic expenses; excluding Marketing, Sales and Servicing and Network and IT expenses, i.e. mainly overhead.

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

Mobile active customers: includes voice and data cards as well as Machine-to-Machine (EBU). Active 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.

Mobile net ARPU: calculated on the basis of monthly averages for the period indicated. Monthly net ARPU is equal to total Mobile voice and Mobile data revenues, divided by the average number of active Mobile customers for that period, divided by the number of months of that same period. This also includes MVNO's but excludes free data cards and M2M.

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

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 amortisation and non-recurring expenses.

Play: a subscription to either Fixed Voice, Fixed Internet, dTV or Mobile Postpaid (paying Mobile cards).

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 correspond 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: in order to allow like for like comparison, Proximus provides a clear view on the business-driven trends by isolating revenues and cost that are unusual or not directly related to Proximus' business operations, and which had a significant impact on the year-on-year variance on the Proximus Group revenue or EBITDA. Proximus provides a detailed reconciliation from Reported figures to Underlying figures.

Wholesale: Proximus' unit addressing the telecom wholesale market incl. 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. Financial Calendar

07 October 2016	Start of quiet period ahead of the Q3 2016 results
28 October 2016	Announcement of Q3 2016 results 2016
30 January 2017	Start of quiet period ahead of the Q4 2016 results
24 February 2017	Announcement of Q4 2016 results 2016

Dates could be subject to change

8.6. Contact details

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