

# 2016 Q4

Quarterly Report

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## 1. Highlights Q4 2016

- Q4'16 underlying Domestic revenue growing 0.9% YoY in spite of regulation impact and competitive setting.
- Strong uptake of new product portfolio launched mid-October. 124,000 Tuttimus/Bizz All-In subscriptions end-January 2017.
- Cost reduction plan well on track. Q4'16 Group expenses lowered by 4.6%.
- Achieved solid 5.3% underlying Domestic EBITDA growth, driving a 5.5% increase in underlying Group EBITDA to EUR 441 million for Q4'16.
- Full-year 2016 FCF of EUR 559 million, up 23% versus 2015 on like-for-like basis.
- Dividend of EUR 1.50 gross per share over the result of 2016

- For the last quarter of 2016, Proximus posted **Domestic underlying revenue of EUR 1,127 million, 0.9% higher than the previous year**. This was driven by a continued sound revenue growth for Fixed Data, TV and ICT, and higher Mobile device sales at lower margin. This was in part offset by a 2.1% decline in Mobile Services revenue, including Postpaid revenue which, however, was stable in spite of the regulation-driven price pressure on Roaming.  
Proximus' carrier services **BICS posted EUR 363 million revenue, 5.6% less** compared to the same period of 2015. In aggregate, the **Group revenue totaled EUR 1,490 million, 0.8% lower** compared to the same period of 2015.
- **Proximus Domestic posted a fairly flattish fourth quarter underlying Direct Margin** of EUR 830 million, -0.2% from the prior year. This included lower Wholesale Direct Margin, impacted by the regulated decrease in Fixed Termination Rates since 1 November 2016. For Consumer and Enterprise, the roaming regulation impact was offset by margin growth from Fixed services. **BICS posted fourth quarter 2016 direct margin of EUR 68 million, a 3.9% year-on-year increase**. All combined, the **underlying Proximus Group direct margin was slightly up by 0.1%**, totaling EUR 897 million.
- Proximus' **underlying Domestic expenses for the last quarter of 2016 totaled EUR 425 million, a reduction by 4.9% from the prior year**, driven by the benefit from initiatives launched to structurally reduce the Proximus Domestic cost base. The fourth quarter 2016 included Proximus' share in the settlement agreement with the Walloon region, however nearly offset by the reversal of the 2016 Tax on Pylons provision. BICS posted fairly stable fourth quarter operating expenses. As a result, the **Proximus Group underlying operating expenses for the last quarter of 2016 were down by 4.6%** from the previous year.
- Proximus' fourth-quarter 2016 underlying **Group EBITDA progressed by 5.5% to EUR 441 million**. This increase was mainly driven by another solid growth for Proximus' **Domestic EBITDA, which grew by 5.3%** from the previous year to EUR 405 million driven by lower expenses. **BICS' fourth quarter 2016 EBITDA increased by 8.0%** on an easing comparable base.
- In the last quarter of 2016 **Proximus invested a total amount of EUR 314 million, bringing the full-year capex to EUR 949 million**. In line with its Fit for Growth strategy, Proximus invested to further improve its customer experience by enhancing speed and capacity for both its Mobile and Fixed networks: 4G indoor coverage at 97.7%, 4G+ coverage at 39.4% and 38.3 Mbps average downlink speed on a 4G device. Vectoring coverage reached 72% and Proximus is able to offer 100 Mbps on copper to 50% of the Belgian population. Furthermore, Proximus also invested in a comprehensive entertainment offering, as well as in its IT-systems, in simplification and transformation which all contributed to a more efficient cost structure.
- **Full-year 2016 FCF totaled EUR 559 million**, up by 23% excluding the net impact of major one-off cash items in 2015. This was mainly driven by the growth in underlying EBITDA, less cash needed for capex and active working capital management.

- The launch of the new product portfolio mid-October 2016 followed by a commercial year-end campaign led to a continued solid growth in Proximus' customer base for Fixed Internet, TV and especially Mobile Postpaid. Notwithstanding the intense competitive environment, Proximus maintained firm market shares: 46.3% for Fixed Internet, 35.9% and for Digital TV and 40.7% for Mobile.

+17,000<sup>1</sup> unique TV-customers, total of 1,489,000  
 +15,000 Fixed Internet lines, total of 1,920,000  
 -8,000 Fixed Voice lines, total of 2,688,000 lines  
 +45,000 Mobile Postpaid Voice cards  
 -45,000 Mobile Prepaid cards  
 -24,000 M2M & Internet Everywhere  
 +17,000 3 & 4-Play HH/SO<sup>2</sup>, total of 1,363,000, i.e. 46.3% of total base  
 54.5% Convergent HH/SO, +1.4 p.p. year-on-year

- The Board of Directors approved to propose to the Annual General Shareholder meeting of 19 April 2017 to return over the result of 2016 a gross dividend of EUR 1.50 per share, of which EUR 0.50 per share was paid in December 2016.
  - ex-coupon date: 26 April 2017
  - record date: 27 April 2017
  - payment date: 28 April 2017
- As announced 16 December 2016, Proximus intends to return a stable dividend of EUR 1.50/share over the period 2017-2019.

## Dominique Leroy, CEO of Proximus Group

### **BB** We closed the year with another solid quarter and achieved EBITDA growth for the second year in a row.

In 2016, we continued to deliver our Fit for Growth strategy, transforming Proximus into a more customer oriented, agile and efficient organization. In an intensive competitive market with fast changing customer needs, we further grew our customer base. In the first 3 months since its launch mid-October, 124,000 customers were appealed by our new Tuttimus and Bizz All-In offer. This accelerated the penetration of 4-play in our customer base and further enriched it with more valuable and loyal multi-play customers. Moreover, our efforts to transform our company resulted into a solid reduction of our cost base. This translates in a fourth quarter underlying Group EBITDA growth of a solid 5.5%, ending 2016 with a 3.6% increase in Group EBITDA, in spite of a significant impact from roaming regulation. Delivering upon our plans, we invested EUR 949 million to upgrade our networks, improve customer experience and in TV content. This all resulted in a very healthy Free Cash Flow of EUR 559 million, up 23% versus 2015 on like-for-like basis.

Over the next three years we are strengthening our ambition and aim at accelerating our transformation towards a digital service provider, delivering superior customer experience. We will make our organization fitter, focusing on efficiency and simplification efforts to further structurally reduce our costs and hence finance our ambitious investment program. We will grow our core business offering convergent solutions and a large variety of entertainment to our customers. We will build the future by bringing fiber to our customers, using the digital platforms and applications for better service and developing meaningful innovations such as Smart Mobility, Smart Retail, IoT, Security, in partnership with start-ups. This will enable us to deliver sustainable, profitable growth and a stable shareholder return.



<sup>1</sup> Not including second or third TV settop boxes.

<sup>2</sup> Households/Small Office, with Small Office being all customers of Consumer-SE. These are small enterprises with up to 10 employees.

## 2. Financial review Proximus Group

- Q4'16 Domestic underlying revenue +0.9% YoY mainly driven by growth of TV, Fixed Internet, ICT and device sales, offsetting lower revenue from roaming due to new EU regulation.
- BICS revenue -5.6% driven by continued high volatility in the voice business.
- Q4'16 underlying Group EBITDA progressed by 5.5% to EUR 441 million.
- Full-year 2016 free cash flow of EUR 559 million, + 23% YoY on like-for-like basis.

### 2.1. Group financials

Table 1: Underlying Group P&L

Underlying  
Group P&L

(EUR million)	4th Quarter			Year-to-date		
	2015	2016	% Change	2015	2016	% Change
TOTAL INCOME (*)	1,502	1,490	-0.8%	5,994	5,871	-2.1%
Costs of materials and charges to revenues (**)	-605	-593	-2.1%	-2,377	-2,242	-5.7%
TOTAL DIRECT MARGIN	896	897	0.1%	3,617	3,628	0.3%
Direct margin %	59.7%	60.2%	0.5 p.p.	60.3%	61.8%	1.5 p.p.
TOTAL EXPENSES	-478	-456	-4.6%	-1,884	-1,832	-2.7%
TOTAL EBITDA	418	441	5.5%	1,733	1,796	3.6%
Segment EBITDA margin %	27.8%	29.6%	1.8 p.p.	28.9%	30.6%	1.7 p.p.

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

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

#### 2.1.1. Underlying Group revenue

For the last quarter of 2016, Proximus posted Domestic underlying revenue of EUR 1,127 million, 0.9% higher than the previous year. Revenue from Fixed was up by 0.8%, resulting from continued growth in Fixed Data (+3.1%), TV (+11.2%) and ICT (+1.3%). The fourth quarter Domestic revenue also benefitted from higher Mobile device sales in the Consumer segment. Mobile Services revenue for the Consumer and Enterprise segment combined ended 2.1% below the prior year. This was due to a decline in revenue from Prepaid while Postpaid revenue remained stable in spite of the pressure on Roaming as a result of regulated price decreases<sup>3</sup> and a less favorable destination mix following a change in customers' travel behavior.

Proximus' carrier services BICS posted EUR 363 million revenue, 5.6% less compared to the same period of 2015. As a result, Proximus' fourth quarter underlying revenue for the Group totaled EUR 1,490 million, 0.8% lower compared to the same period of 2015.

For full-year 2016, Proximus Group posted EUR 5,871 million underlying revenue, 2.1% lower than for 2015. The Domestic revenue grew by 0.7% in 2016 while revenue from BICS ended 9.6% below that of 2015.

<sup>3</sup> See page 12 for more information

Table 2: Group revenue by segment

(EUR million)	4th Quarter			Year-to-date		
	2015	2016	% Change	2015	2016	% Change
<b>Group Reported</b>	<b>1,509</b>	<b>1,490</b>	<b>-1.2%</b>	<b>6,012</b>	<b>5,873</b>	<b>-2.3%</b>
<i>Incidentals</i>	-7	0		-17	-3	
<b>Group underlying by Segment</b>	<b>1,502</b>	<b>1,490</b>	<b>-0.8%</b>	<b>5,994</b>	<b>5,871</b>	<b>-2.1%</b>
Domestic	1,117	1,127	0.9%	4,379	4,410	0.7%
Consumer	733	742	1.3%	2,892	2,905	0.4%
Enterprise	350	352	0.8%	1,335	1,360	1.9%
Wholesale	48	46	-3.3%	202	194	-3.6%
Other (incl. eliminations)	-13	-14	-5.1%	-50	-49	2.7%
International Carrier Services (BICS)	385	363	-5.6%	1,616	1,460	-9.6%

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

- **The Consumer revenue growing by 1.3% to a total of EUR 742 million.** Following the launch of its new product portfolio mid-October, Proximus posted an accelerated growth in its 4-Play HH/SO base, further increasing the value and loyalty of its customer base. The revenue increased for Fixed products (+1.7%), and Mobile device sales were higher. The Mobile Services decline was kept stable at -1.6% for the third quarter in a row. In spite of regulatory pressure on roaming prices, Mobile Postpaid remained positive though was offset by lower revenue from Prepaid. The latter is facing a higher net customer loss, showing a preliminary impact from the Royal Decree making prepaid card identification compulsory.
- **The Enterprise segment posting EUR 352 million revenue, + 0.8% from the prior year.** This resulted from growing revenue from ICT and Be-Mobile NV, created mid-March 2016, though this was tempered by the erosion of legacy Fixed Voice, and the pressure of roaming regulation on Mobile Services revenue.
- **A 3.3% decrease in Wholesale revenue to EUR 46 million** for the fourth quarter of 2016, reflecting the revenue impact from the regulated decrease in Fixed Termination Rates since 1 November 2016. This was in part compensated for by Roaming-in for which revenue is up on higher data volumes.
- **The revenue decrease for BICS was mitigated to a 5.6% year-on-year decline** versus an easing comparable base. Like for prior quarters, the revenue decline was driven by a continued high volatility in the voice business, with a less favorable destination mix. This was in part offset by a continued solid growth in non-voice revenue driven by higher messaging volumes.

Table 3: Group revenue by product group

(EUR million)	4th Quarter			Year-to-date		
	2015	2016	% Change	2015	2016	% Change
<b>Revenues</b>	<b>1,502</b>	<b>1,490</b>	<b>-0.8%</b>	<b>5,994</b>	<b>5,871</b>	<b>-2.1%</b>
<b>Domestic</b>	<b>1,117</b>	<b>1,127</b>	<b>0.9%</b>	<b>4,379</b>	<b>4,410</b>	<b>0.7%</b>
<b>Fixed</b>	<b>633</b>	<b>638</b>	<b>0.8%</b>	<b>2,456</b>	<b>2,509</b>	<b>2.2%</b>
Voice	198	186	-6.1%	799	761	-4.7%
Data (Internet & Data Connectivity)	207	213	3.1%	808	849	5.2%
TV	85	94	11.2%	327	360	10.0%
Terminals (excl. TV)	9	9	-3.7%	38	35	-9.1%
ICT	135	136	1.3%	484	503	4.0%
<b>Mobile Services</b>	<b>332</b>	<b>325</b>	<b>-2.1%</b>	<b>1,330</b>	<b>1,318</b>	<b>-0.8%</b>
Postpaid	293	293	-0.1%	1,155	1,175	1.7%
Prepaid	40	33	-16.7%	174	144	-17.6%
<b>Mobile Terminals</b>	<b>43</b>	<b>60</b>	<b>40.5%</b>	<b>163</b>	<b>167</b>	<b>2.5%</b>
<b>Subsidiaries (Tango)</b>	<b>35</b>	<b>34</b>	<b>-2.9%</b>	<b>130</b>	<b>127</b>	<b>-1.9%</b>
<b>Other Products</b>	<b>39</b>	<b>37</b>	<b>-5.1%</b>	<b>149</b>	<b>144</b>	<b>-3.7%</b>
<b>Wholesale</b>	<b>48</b>	<b>46</b>	<b>-3.3%</b>	<b>202</b>	<b>194</b>	<b>-3.6%</b>
<i>Other segment (incl. eliminations)</i>	-13	-14	-5.1%	-50	-49	2.7%
<b>International Carrier Services (BICS)</b>	<b>385</b>	<b>363</b>	<b>-5.6%</b>	<b>1,616</b>	<b>1,460</b>	<b>-9.6%</b>

## 2.1.2. Underlying Group direct margin

Table 4: Group direct margin by segment

(EUR million)	4th Quarter			Year-to-date		
	2015	2016	% Change	2015	2016	% Change
Group Reported	903	897	-0.7%	3,635	3,631	-0.1%
Incidentals	-7	0		-18	-3	
Group underlying by Segment	896	897	0.1%	3,617	3,628	0.3%
Domestic	831	830	-0.2%	3,340	3,354	0.4%
Consumer	545	546	0.0%	2,200	2,214	0.6%
Enterprise	241	242	0.4%	947	954	0.7%
Wholesale	41	40	-3.6%	174	169	-2.6%
Other (incl. eliminations)	4	3	-27.6%	19	17	-9.4%
International Carrier Services (BICS)	65	68	3.9%	278	274	-1.3%

**Proximus Domestic** posted a fairly flattish Direct Margin of EUR 830 million, -0.2% from the prior year with only minor year-on-year variances for all segments. Domestic direct margin as a percentage of revenue was 73.6%. With the last quarter being typically a more intense commercial quarter, the Consumer Direct margin of EUR 546 million was sequentially lower but stable in relation to the same period of 2015. The Enterprise Direct Margin was somewhat higher than that of the prior year supported by the contribution of BeMobile NV and a strong quarter for ICT. For Consumer and Enterprise combined, the roaming-out regulation negatively impacted the Direct Margin by an estimated EUR 9 million<sup>4</sup> in the last quarter of 2016. Wholesale, however, benefitted from higher roaming-in margin on high volumes. This was more than offset though by the impact from the regulated decrease in Fixed Termination Rates since 1 November 2016.

**BICS** posted solid fourth quarter 2016 direct margin, totaling EUR 68 million, a 3.9% year-on-year increase. This included a higher level of settlements with foreign operators compared to the prior year, resulting in a double digit growth in the non-voice direct margin.

In aggregate, the underlying Proximus Group direct margin was slightly up by 0.1%, totaling EUR 897 million for the last quarter of 2016.

Over the full-year 2016, the Proximus Group posted an underlying direct margin of EUR 3,628 million, or 0.3% higher than for 2015. The growth for Domestic was partly offset by a lower BICS direct margin.

## 2.1.3. Underlying Group expenses<sup>5</sup>

Proximus' Domestic expenses for the last quarter of 2016 totaled EUR 425 million, a decrease of EUR 22 million or 4.9% from the prior year. This includes a continued benefit from initiatives launched to structurally reduce the Proximus Domestic cost base. BICS posted fourth quarter operating expenses of EUR 31 million, with -0.5% fairly stable in relation to one year ago.

As a result, the Proximus Group underlying operating expenses for the last quarter of 2016 were down by 4.6% from the previous year. Workforce expenses declined by 2.0% year-on-year to EUR 282 million, supported by a lower internal headcount which was enabled by the voluntary early leave plan ahead of retirement<sup>6</sup>. The favorable effect this had on Proximus' cost base, was however partly offset by the impact of an inflation-based salary increase in July 2016. Proximus employed end-2016 a total of 13,633 FTEs. This was 457 fewer FTEs compared to one year ago mainly through a combination of employees having left the company under the early leave plan and regular retirement, while strengthening its human resources by hiring some business critical profiles supporting a.o. new domains.

**Non-workforce expenses** totaled EUR 174 million, or 8.5% less versus a high comparable base in 2015.

In the fourth quarter 2016, following the settlement agreement reached in December 2016 between the 3 Belgian mobile operators and the Walloon Region with respect to the Tax on Pylons, Proximus reversed the associated

<sup>4</sup> National roaming impact, not including impact on Tango.

<sup>5</sup> Excluding Cost of Sales and not including incidentals.

<sup>6</sup> For detailed information, see second quarter 2016 results release

2016 provision. At the same time, Proximus recorded its share in the above mentioned settlement. Both operations nearly offset one another, leaving only a limited negative net impact on the fourth quarter underlying expenses. The reversal of the 2014 Tax on Pylons provision was qualified as an incidental and hence was not included in the underlying expenses.<sup>7</sup>

**Year-to-date December 2016** the underlying expenses of the **Proximus Group** amounted to EUR 1,832 million, a **2.7% or EUR 52 million decline** versus 2015. With its Domestic expenses decreasing in 2016 by 3.4% or EUR 59 million, Proximus is well on track to deliver upon its cost reduction plan, aiming for a EUR 150 million net decrease by 2019. This resulted from an overall improved efficiency and productivity. The cost base benefitted from the optimization of Proximus' physical sales channels (integration of The Phone House), simplification of the product portfolio and network. Volumes to contact centers decreased following improved customer interactions (first-time-right) and enhanced digital solutions encouraging self-care and further digitization of billing and ordering. **For BICS, the 2016 operating costs were up by 6.6%**, or EUR 8 million, from last year, supporting investments in new geographies and future growth domains.

Table 5: Workforce versus non-workforce

(EUR million)	4th Quarter			Year-to-date		
	2015	2016	% Change	2015	2016	% Change
<b>Group Underlying</b>	<b>478</b>	<b>456</b>	<b>-4.6%</b>	<b>1,884</b>	<b>1,832</b>	<b>-2.7%</b>
Workforce expenses	288	282	-2.0%	1,199	1,159	-3.3%
Non Workforce expenses	190	174	-8.5%	685	673	-1.7%
<b>Domestic Underlying</b>	<b>447</b>	<b>425</b>	<b>-4.9%</b>	<b>1,766</b>	<b>1,707</b>	<b>-3.4%</b>
Workforce expenses	273	269	-1.6%	1,146	1,106	-3.5%
Non Workforce expenses	173	156	-10.0%	620	601	-3.1%
<b>BICS Underlying</b>	<b>32</b>	<b>31</b>	<b>-0.5%</b>	<b>118</b>	<b>125</b>	<b>6.6%</b>
Workforce expenses	15	13	-9.8%	53	53	0.2%
Non Workforce expenses	17	18	7.5%	64	72	12.0%

Table 6: Opex by nature

(EUR million)	4th Quarter			Year-to-date		
	2015	2016	% Change	2015	2016	% Change
<b>Group Underlying by nature</b>	<b>478</b>	<b>456</b>	<b>-4.6%</b>	<b>1,884</b>	<b>1,832</b>	<b>-2.7%</b>
<b>Domestic by nature</b>	<b>447</b>	<b>425</b>	<b>-4.9%</b>	<b>1,766</b>	<b>1,707</b>	<b>-3.4%</b>
Marketing Sales & Servicing	247	236	-4.5%	933	891	-4.5%
Network & IT	146	138	-5.5%	592	575	-2.9%
General and Administrative (G&A)	53	51	-4.9%	241	241	-0.2%
<b>BICS</b>	<b>32</b>	<b>31</b>	<b>-0.5%</b>	<b>118</b>	<b>125</b>	<b>6.6%</b>

## 2.1.4. Group EBITDA

(EUR million)	4th Quarter			Year-to-date		
	2015	2016	% Change	2015	2016	% Change
<b>Group Reported</b>	<b>421</b>	<b>447</b>	<b>6.1%</b>	<b>1,646</b>	<b>1,733</b>	<b>5.3%</b>
Incidentals	-3	-6		87	63	
<b>Group underlying</b>	<b>418</b>	<b>441</b>	<b>5.5%</b>	<b>1,733</b>	<b>1,796</b>	<b>3.6%</b>
Domestic	384	405	5.3%	1,573	1,647	4.7%
International Carrier Services (BICS)	34	36	8.0%	160	149	-7.2%

Table 7: Operating income before depreciation and amortization

<sup>7</sup> See page 38 for detailed overview of the incidentals. The 2015 Tax on Pylons provision, reversed in Q2 2016, was also recorded as incidental.



### (1) Underlying Group EBITDA

Proximus' fourth-quarter 2016 underlying Group EBITDA progressed by 5.5% to EUR 441 million. This increase was mainly driven by another solid growth for Proximus' underlying Domestic EBITDA, up by 5.3% on the previous year to EUR 405 million driven by lower expenses. The Domestic EBITDA margin, seasonally low for the fourth quarter, improved year-on-year by 1.5p.p. to reach 35.9%.

In contrast to prior quarters, BICS also contributed to the Group EBITDA growth. Following higher posted Direct Margin, and on an easing comparable base and higher settlements, BICS' fourth quarter 2016 EBITDA increased by 8.0% to EUR 36 million.

For the full-year 2016, Proximus posted underlying Group EBITDA of EUR 1,796 million, or an increase of 3.6% compared to 2015. This is driven by a 4.7% growth in Domestic EBITDA, more than offsetting the 7.2% lower EBITDA for BICS.

### (2) Reported Group EBITDA

In the fourth quarter of 2016, the Proximus Group recorded EUR 6 million net EBITDA incidentals. If including these, the Proximus Group's reported EBITDA totaled EUR 447 million, compared to EUR 421 million for the year before, i.e. +6.1%. See section 8.1 for more information on the incidentals.

## 2.1.5. Net income

### Depreciation and amortization

The fourth-quarter 2016 depreciation and amortization totaled EUR 229 million, bringing the total for 2016 to EUR 917 million. This compares to EUR 869 million for 2015, with the increase being mainly due to a higher asset base to depreciate.

### Net finance cost

The year-to-date December 2016 net finance cost was EUR 101 million, EUR 19 million lower versus last year's level of EUR 120 million. This was mainly the result of a lower effective interest rate on a fairly stable net finance debt. Moreover 2015 included the premium paid for partial buy backs of bonds, partly offset by positive re-measurements to fair value of financial instruments.

### Tax expenses

The full-year 2016 tax expenses amounted to EUR 167 million. This represents an effective tax rate of 23.3%, fairly stable in relation to the 23.8% of 2015. The 2016 effective tax rate results from applying the current Belgian tax law and was below the corporate tax rate of 33.99% following some tax deductions and one off transactions.

### Net income (Group share)

Proximus reported a net income (Group share) of EUR 125 million for the last quarter of 2016 bringing the total for 2016 to EUR 523 million. The year-on-year increase by EUR 41 million or 8.5% is mainly explained by higher Group EBITDA and lower finance costs, partly offset by higher depreciation and amortization and tax expenses.

Table 8: From Group EBITDA (as reported) to net income

(EUR million)	4th Quarter			Full Year		
	2015	2016	% Change	2015	2016	% Change
EBITDA	421	447	6.1%	1,646	1,733	5.3%
Depreciation and amortization	-221	-229	3.2%	-869	-917	5.5%
<b>Operating income (EBIT)</b>	<b>199</b>	<b>218</b>	<b>9.3%</b>	<b>777</b>	<b>816</b>	<b>5.1%</b>
Net finance costs	-24	-27	9.2%	-120	-101	-15.8%
Share of loss on associates	0	0	77.9%	-2	-1	-68.3%
<b>Income before taxes</b>	<b>175</b>	<b>191</b>	<b>9.2%</b>	<b>655</b>	<b>715</b>	<b>9.1%</b>
Tax expense	-38	-60	56.7%	-156	-167	6.8%
Non-controlling interests	-3	6	>100%	17	25	46.6%
<b>Net income (Group share)</b>	<b>139</b>	<b>125</b>	<b>-10.6%</b>	<b>482</b>	<b>523</b>	<b>8.5%</b>

## 2.1.6. Investments

In the last quarter of 2016 Proximus invested EUR 314 million. This brought the full-year capex to a total of EUR 949 million, fully in line with the provided capex outlook for 2016. This compares to a total capex of EUR 1,002 million for 2015, which included EUR 75 million capex related to spectrum renewal.

**Throughout the year Proximus invested heavily to the benefit of its overall customer experience.**

Proximus wants to bring its customers the best mobile experience, providing the highest mobile speeds where and when it matters, and this across technologies. To this end, Proximus has further enhanced its mobile network over the past year by building additional mobile sites, by increasing capacity to support the mobile data growth, and by continuing the roll-out of 4G and 4G+ technology.

Proximus offers its customers an outstanding mobile experience, with very high 4G availability across the country. By end-2016 the 4G outdoor coverage reached 99.7% and especially the indoor coverage improved over the past 12 months, reaching 97.7%<sup>8</sup>. Furthermore, Proximus has a 39.4%<sup>9</sup> of 4G+ population coverage. With an increasing amount of compatible devices on the market today, more and more customers will have access to Mobile data speeds of up to 225 Mbps.

On average, Proximus mobile customers with a 4G device enjoy a downlink speed of 38.3 Mbps, a 68% improvement from the 22.8 Mbps end-2015, and keeping Proximus in a solid pole position compared to its competitors. A growing number of customers will be enjoying these high mobile speeds as the smartphone penetration on the Proximus network moves up, reaching 65% by end- 2016. Moreover, 4G devices are gaining ground fast. End-2016, they reached a penetration rate of 48%, up 16pp from one year ago. These trends resulted in a 51% year-on-year increase in the mobile data usage, now at an average of 952 Mb/month/user, across the Proximus base. For a 4G-device user, the average usage reached 1.2 Gb/month.

Proximus also invested in further enhancing its Fixed network, improving the speed experience of its broadband customers. Building upon its 93% Fiber-to-the-Curb penetration, Proximus upgraded its network with the roll-out of the vectoring technology, increasing its coverage by 29pp in the space of one year to reach 72% end-2016. Through the combination of DLM and vectoring, Proximus is able to offer 100 Mbps<sup>10</sup> on copper to 50% of the Belgian population.

Furthermore, Proximus successfully started its Fiber-to-the-Business roll-out in 2016, deployed greenfield fiber projects for new-builds, and initiated a brownfield project in Brussels (Bld. Anspach).

Proximus also continued to invest in attractive TV-content for its customers. Furthermore, IT-systems were renewed and simplified, as part of Proximus' overall simplification and transformation efforts, which all contributed to the decreasing cost base.

<sup>8</sup> Source Comm Square results Q4 2016

<sup>9</sup> 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.

<sup>10</sup> Customers can consult their individual speed on [www.proximus.be/internetspeed](http://www.proximus.be/internetspeed)

## 2.1.7. Cash flows

Table 9:  
Cash flows

(EUR million)	4th Quarter			Full Year		
	2015	2016	% Change	2015	2016	% Change
Cash flows from operating activities	149	242	63%	1,386	1,521	10%
Cash paid for Capex (*)	-266	-239	-10.1%	-1,000	-962	-3.8%
Cash flows from other investing activities	3	0	-93%	22	0	<-100%
<b>Cash flow before financing activities (FCF)</b>	<b>-114</b>	<b>3</b>	<b>&gt;100%</b>	<b>408</b>	<b>559</b>	<b>37%</b>
Net cash provided by / (used in) financing activities (**)	-204	-320	57%	-608	-764	26%
<b>Net decrease of cash and cash equivalents</b>	<b>-317</b>	<b>-316</b>	<b>0%</b>	<b>-200</b>	<b>-205</b>	<b>3%</b>

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

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

Proximus' FCF for the year 2016 totaled EUR 559 million, supported by the transversal cash management initiative launched mid-2015 in view of optimizing free cash flow generation. The 2016 FCF was up by EUR 151 million from the EUR 408 million FCF reported for 2015. When excluding the net impact of major one-off cash items in 2015, the FCF increased year-on-year by EUR 105 million, i.e. 23% on like-for-like basis. This was mainly driven by the growth in underlying EBITDA, less cash needed for capex and active working capital management. Inventories, however, increased year-on-year, with its level normalizing from a low 2015.

Cash used in financing activities totaled EUR 764 million for 2016, or EUR 156 million more than for 2015. This mainly resulted from a reduced use of external financing.

## 2.1.8. Balance sheet and shareholders' equity

Goodwill increased by EUR 7 million to EUR 2,279 million due to the purchase price allocation resulting from the acquisition of Flow NV and Be-Mobile Tech NV.<sup>12</sup>

Tangible and intangible fixed assets increased by EUR 38 million to EUR 4,009 million as a consequence of the invested Capex which was higher than the amount of depreciation and amortization.

The shareholders' equity increased from EUR 2,801 million end-2015 to EUR 2,819 million end-December 2016. This mainly results from the net income Group Share (EUR 523 million) generated in 2016 exceeding the dividend of EUR 483 million.

End-2016 Proximus' outstanding long-term debt amounted to EUR 1,763 million. Two bonds matured in November 2016 for a total amount of EUR 675 million, which the company refinanced with a combination of cash and short term debt, generating a net cash outflow of EUR 270 million in the fourth quarter of 2016. The net debt decreased to EUR 1,861 million at the end of 2016.

Table 10: Net financial position

(EUR million)	As of 31 December 2015	As of 31 December 2016
Investments, Cash and cash equivalents (*)	510	302
Derivatives	6	7
<b>Assets</b>	<b>516</b>	<b>309</b>
Non-current liabilities (**)	-1,761	-1,763
Current liabilities (**)	-674	-407
<b>Liabilities</b>	<b>-2,435</b>	<b>-2,170</b>
<b>Net financial position</b>	<b>-1,919</b>	<b>-1,861</b>

(\*) investments included

(\*\*) LT bonds related derivatives included

<sup>11</sup> Net impact of: major settlement agreements cash paid for subsidiaries, disposal of buildings and other tangible assets

<sup>12</sup> See page 28

## 2.2. Regulation

Table 11: estimated year-on-year impact from regulation in EUR million:

(EUR million)	Q4'16 Actuals		FY'16 Actuals		FY'17 Estimate	
	Roaming -out	FTR	Roaming -out	FTR	Roaming -out	FTR
<b>REVENUE</b>	<b>-11</b>	<b>-4</b>	<b>-36</b>	<b>-4</b>	<b>-61</b>	<b>-20</b>
National	-9	-4	-29	-4	-50	-20
Tango	-2		-7		-11	
<b>EBITDA</b>	<b>-11</b>	<b>-2</b>	<b>-36</b>	<b>-2</b>	<b>-61</b>	<b>-8</b>
National	-9	-2	-29	-2	-50	-8
Tango	-2		-7		-11	

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

### International Roaming

On 30 April 2016 the transitory period to the complete abolition of the roaming surcharges, so-called European “Roam-Like-At-Home”, 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 significantly lowered its rates in Europe 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.

Scarlet, Proximus’ low-cost telecom provider, completely abolished its roaming costs for all EU countries on 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 fourth quarter of 2016, the Mobile service revenue decreased year-on-year by 2.1%. This was the combined effect of the regulation on roaming prices as well as a less favorable travel destination mix, with European destinations getting more traction, partly offset by higher usage.

For the Consumer and Enterprise segments combined, Proximus estimates the full-year 2016 impact from the regulated year-on-year roaming price decrease at EUR -29 million on its EBITDA<sup>[2]</sup>. Tango too was impacted by an estimated amount of EUR -7 million. The lowered pricing however has triggered a positive elasticity effect on roaming usage, with an overall increase of active roamers, especially for data, and an increase in average consumption per user for data.

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 within the Fair Use Policy (FUP) aimed at avoiding abusive usage. The Commission adopted the Fair Use Policy on 15 December 2016. Fair Use is based on ‘stable links’ or residence that an end user has with the country of his/her home provider. Safeguards for abuses are included based on prevailing presence or usage in the home country. For large and unlimited data bundles, volume restrictions can be set by the operator if the national price is lower than the wholesale cap.

On 31 January 2017, a compromise was reached on regulated roaming wholesale prices, which was a prerequisite for the introduction of RLAH. For data caps, it foresees a step by step reduction over 5 years, decreasing from EUR 7.7/GB as of 15 June 2017 to EUR 2.5/GB as of 1 January 2022. The EU Council and Parliament have now to formally endorse the deal. The Commission is tasked to review these rates every two years with its first report due at the end of 2019.

### Fixed termination rates

On 25 August 2016, the Belgian regulator, the BIPT, issued a decision regarding the fixed termination rates (FTR) setting these tariffs at 0.092 eurocent/min. (from 0.502 eurocent/min. for local, 0.709 eurocent/min. for regional (intra access area) and 0.909 eurocent/min. for national (extra access area) previously), as from 1 November 2016. The BIPT has decided to align the national termination rate with the rates of local and regional termination services. On 26 October 2016, Proximus lodged an appeal requesting the annulment of the BIPT decision. A ruling is expected end March 2017.

<sup>[2]</sup> National roaming impact, not including impact on Tango

In Luxembourg, new maximum FTR were set by a Regulation of 28 November 2016 at 0.131 eurocent/min for 2017, 0.135 eurocent/min for 2018 and 0.138 eurocent/min for 2019 (from 0.14 eurocent/min previously).

#### Mobile Termination Rates

Mobile Termination Rates (MTR) in Belgium have been set at 1.18 eurocent/min (incl. inflation) for the three mobile operators since 1 January 2013. The BIPT is currently reviewing these rates. The final decision is expected in 2017.

In Luxembourg, the maximum MTR of the three mobile operators (EPT, Tango and Orange), based on a LRIC cost model, were set by the regulator, ILR, at 0.97 eurocent/min as from 1 April 2015. ILR is also reviewing the MTR. The decision is expected in 2017.

Since the level of MTR has already come down significantly in 2013, the financial impact of a further reduction in the rates is expected to be minor in the total of Proximus, and would have limited impact on margin.

### 2.3. Achievement versus outlook 2016

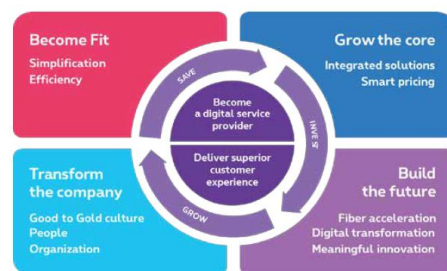
Guidance metrics	FY2015 Actuals	FY2016 Actuals	Revised outlook Oct. 2016	2016 Achievement
Domestic* underlying revenue	€ 4,379m	€4,410m	Slight growth	0.7%
Group underlying EBITDA	€ 1,733m	€1,796m	3% to 4% growth	3.6%
Capex (excl. Spectrum)	€926m	€949m	Around €950m	€949m

### 2.4. Accelerating Fit for Growth strategy

After a successful execution of its 3-year 'Fit for Growth' strategy launched in 2014, Proximus will further build on its achievements.

Proximus aims to become a digital service provider, connecting everyone and everything so people live better and work smarter. The ultimate objective is to provide customers a superior experience through Proximus' quality integrated networks, easy-to-use and innovative solutions, best accessibility & local reach, and proactive servicing.

Connecting everyone and everything so people **live better** and **work smarter**



**Become fit:** Proximus will make its organization fitter, transforming towards a more lean and agile structure with higher efficiency and continuing its simplification efforts to drive cost reduction. This will support its cost reduction ambition of lowering its domestic expenses by a net amount of EUR 150 million over the period 2015-2019.

**Grow the core:** Proximus will grow the value of its core business offering relevant integrated solutions for residential and business customers and developing smart pricing.

**Build the future:** Proximus will build a future-proof Fixed network for its customers, Fiber for Belgium, as was announced mid-December 2016. Proximus will also be driving the digital transformation of its processes & customer interactions and deploying meaningful, application-led innovation.

**Transform the company:** This will be enabled by the company's Good to Gold culture, its organization and a growth mindset, inspired by its core values: agility, collaboration and accountability.

## 2.5. Outlook 2017

In 2017, Proximus will execute its renewed 'Fit for Growth' strategy, aiming at delivering sustainable growth. Proximus will continue to grow a valuable and loyal customer base, and further deliver upon its cost reduction plan. Regulatory measures however, and especially Roam-like-at-Home, are expected to mitigate Proximus' financial growth in 2017, with a EUR -81 million impact on revenue and EUR -69 million on EBITDA.

Although facing a greater negative regulatory impact, and highly competitive market, Proximus expects its Domestic revenue for 2017 to remain nearly stable to the prior year. The Proximus Group EBITDA is expected to slightly grow compared to 2016, supported by its cost reduction plan. Proximus' Group capex for the year 2017 is expected to be around EUR 1 billion, in line with Proximus' 'Fiber for Belgium' announcement on 16 December 2016.

Guidance metrics	Actuals 2016	Outlook 2017
<b>Domestic*</b> underlying revenue	€4,410m	Nearly stable
<b>Group</b> underlying EBITDA	€1,796m	Slight growth
<b>Capex</b> (excl. Spectrum)	€949m	Around €1Bn

In line with the announced three-year commitment on 16 December 2016, Proximus expects to return over 2017-2019 a stable gross dividend per share of €1.50.

\*Proximus Group excluding BICS

## 3. Consumer

- Growing customer base driving higher revenue from Fixed Internet and TV.
- Mobile postpaid service revenue + 1.2%, in spite of roaming regulation, more than offset by loss in Prepaid. Total Mobile Services revenue -1.6% YoY, i.e. sequentially stable decline.
- Tuttimus-offer increased 4-Play by 30,000 in Q4. Overall ARPH increased by 1.8% to EUR 66.2 vs. Q4'15.
- Stable underlying direct margin at EUR 546 million, i.e. 73.5% of revenue, including impact higher device sales.

Table 12: Consumer revenue and direct margin

(EUR million)	4th Quarter			Year-to-date		
	2015	2016	% Change	2015	2016	% Change
<b>TOTAL SEGMENT INCOME</b>	<b>733</b>	<b>742</b>	<b>1.3%</b>	<b>2,892</b>	<b>2,905</b>	<b>0.4%</b>
Costs of materials and charges to revenues	-187	-197	5.2%	-692	-691	-0.2%
<b>TOTAL SEGMENT DIRECT MARGIN</b>	<b>545</b>	<b>546</b>	<b>0.0%</b>	<b>2,200</b>	<b>2,214</b>	<b>0.6%</b>
<i>Direct margin %</i>	<i>74.5%</i>	<i>73.5%</i>	<i>-1.0 p.p.</i>	<i>76.1%</i>	<i>76.2%</i>	<i>0.1 p.p.</i>

### 3.1. Consumer underlying revenue

Consumer posted **EUR 742 million underlying revenue for the last quarter of 2016**, 1.3% above that of the comparable period of 2015. Revenue from Fixed showed continued growth in the fourth quarter, up by 1.7%. This results from higher revenue of both Internet and TV following the ongoing expansion of Proximus' customer base, and higher ARPUs. This more than offset the Fixed Voice revenue erosion and a drop in 'Other' revenue, including lower revenue from Directory Services and lower reconnection fees following an improved collection process.

The Consumer Mobile Services revenue ended 1.6% lower compared to the last quarter 2015, a stable decline for the third quarter in a row since roaming prices were lowered end-April 2016, in line with the European regulation. In spite of the pressure on roaming, the revenue trend for Mobile Postpaid revenue remained positive, up by 1.2%, benefitting from a growing Postpaid park, higher mobile data consumption and uptiering of customers.

Proximus' commercial year-end campaign including attractive joint-offers on high-end devices, and especially an increased level devices sold to indirect channels since mid-2016, drove revenue from Mobile terminals up in the last quarter of 2016 versus one year ago.

The launch mid-October 2016 of Proximus' new product portfolio has shown promising results so far, creating value by moving customers to 4-Play, improving the price tiering for both Fixed and Mobile, and for a first time since long, growing Fixed Voice lines in the fourth quarter 2016. The Tuttimus offer strongly contributed to the solid growth of 30,000 HH/SO in the 4-Play customer base and triggered positive tiering. Of a total of 2,943,000 HH/SO serviced by Proximus, 1,363,000 are taking 3- or 4-Play, or 46.3% of the total, which is a 2.2pp improvement on the previous year.

**Over the full-year 2016**, Proximus' Consumer underlying revenue totaled EUR 2,905 million, or 0.4% up from the previous year.

**NOTE:** In line with Proximus' strategy, most products are sold through multi-Play Packs, a trend reinforced by the launch of the converged offers Tuttimus and Bizz All-in since mid-October 2016. The packs are sales arrangements with multiple deliverables. The revenue is allocated to the different products such as Internet, Voice, TV and Mobile, based on their relative fair value, being the amount for which the product could be sold separately and considering the cash cap. The revenue allocation per product as reported below might be impacted by changes in the composition of multi-Play offers. The resulting product ARPUs as reported in this document for TV, Internet, Fixed Voice and Mobile, and the variances compared to preceding periods, are therefore partly the mere mathematical consequence of the application of this accounting policy to a changed pack composition.

Table 13: Consumer revenue by product group

(EUR million)	4th Quarter			Year-to-date		
	2015	2016	% Change	2015	2016	% Change
<b>Revenues</b>	<b>733</b>	<b>742</b>	<b>1.3%</b>	<b>2,892</b>	<b>2,905</b>	<b>0.4%</b>
<b>Fixed</b>	<b>377</b>	<b>384</b>	<b>1.7%</b>	<b>1,484</b>	<b>1,526</b>	<b>2.8%</b>
Voice	137	128	-6.3%	551	524	-4.9%
Data (Internet & Data Connectivity)	144	151	4.9%	558	599	7.3%
TV	85	94	11.2%	327	360	10.0%
Terminals (excl. TV)	4	4	-7.3%	19	15	-17.8%
ICT	8	7	-11.3%	29	29	-3.2%
<b>Mobile Services</b>	<b>250</b>	<b>246</b>	<b>-1.6%</b>	<b>1,006</b>	<b>995</b>	<b>-1.0%</b>
Postpaid	210	213	1.2%	831	852	2.5%
Prepaid	40	33	-16.7%	174	144	-17.6%
<b>Mobile Terminals</b>	<b>36</b>	<b>53</b>	<b>45.8%</b>	<b>145</b>	<b>146</b>	<b>1.0%</b>
<b>Subsidiaries (Tango)</b>	<b>35</b>	<b>34</b>	<b>-2.9%</b>	<b>130</b>	<b>127</b>	<b>-1.9%</b>
<b>Other Products</b>	<b>34</b>	<b>26</b>	<b>-24.7%</b>	<b>128</b>	<b>110</b>	<b>-14.1%</b>
<i>Of which Installation &amp; Activation</i>	4	4	-11.4%	20	18	-9.8%

#### 4.9% Fixed Data revenue increase on growing customer base and higher ARPU

In the last quarter of 2016 the Consumer revenue from **Fixed Data was up by 4.9%** from the previous year, **totaling EUR 151 million**. The Fixed Data revenue was supported by the growing Internet customer base, up by 64,000 or 3.5% in a one-year period to reach a total of 1,781,000 Fixed Internet customers by end-2016. In a seasonally intensive and promotional quarter, Proximus grew its Consumer Fixed Internet base for its two main brands Proximus and Scarlet by 15,000 net adds. The net customer growth was up from the prior two quarters, supported by the launch of the 4-Play offer Tuttimus in October and the year-end promotion.

The Internet ARPU progressed year-on-year by 0.8% reaching EUR 28.3 for the fourth quarter, including the effect of the 1 January 2016 price adjustment, and including the IFRS allocation of pack discounts. (see note above)

**Over the full-year 2016**, the revenue from Fixed internet totaled EUR 599 million, up by 7.3% from the previous year.

#### +17,000 TV households in Q4, revenue up 11.2% from previous year

Consumer's TV revenue continued to do well, driven by the subscriber and ARPU growth. This resulted in a solid increase in revenue, up by 11.2% to **total EUR 94 million** for the **fourth quarter of 2016**. In a one year timeframe, the Proximus and Scarlet brands combined grew their customer base by 75,000 TV households. This includes a net growth of 17,000 TV households for the last quarter of 2016. Benefitting from the new Tuttimus and Familus offer, providing customers with more extensive TV content, the recurring TV ARPU further increased year-on-year by 5.1% to EUR 21.1. (see IFRS note above)

The ongoing upgrade of settopboxes to ensure an optimal TV-experience resulted in a cleaning of multi-settopboxes, which led for the fourth quarter 2016 to a decreased by 2,000. End 2016 the Proximus park of second/third TV settopboxes totaled 359,000.

**The full-year 2016** revenue from TV totaled EUR 360 million, or 10.0% higher than the previous year.



### **+2,000 Fixed Voice lines in Q4, positively impacted by the new converged product portfolio**

The launch of Tuttimus, the converged offer, and Familus, the new fixed multi-play offer, both led to successful upselling of Fixed Voice. This resulted in a net growth of 2,000 Fixed Voice lines in the fourth quarter 2016. By end-2016, the Consumer **Fixed Voice** customer base totaled 2,060,000.

The Fixed Voice ARPU for the last quarter of 2016 was EUR 20.8, i.e. a decline of 3.5% from the previous year, due to a higher multi-play Pack penetration, with customers benefiting from a discount and gradual decline in use of voice traffic. This was partly offset by the price adjustments<sup>13</sup>

A lower Fixed Voice customer base versus one year ago, combined with a lower ARPU resulted in a **-6.3% year-on-year revenue decline for Fixed Voice**, reaching EUR 128 million for the last quarter of 2016.

**For the full-year 2016**, Consumer's Fixed Voice revenue amounted to EUR 524 million, down 4.9% compared to 2015.

### **Mobile Services revenue stable decline at -1.6%, Postpaid service revenue year-on-year remaining positive**

Consumer's Mobile Services revenue totaled EUR 246 million for the **last quarter of 2016**, or a stable decline of -1.6%, with the lowered EU roaming rates since 30 April 2016 reflected in the year-on-year variance. In spite of the roaming pressure, Mobile postpaid revenue continued to grow, up by 1.2%, benefitting from a growing base of mobile Voice cards. This could not, however, fully offset the 16.7% decrease in Prepaid revenue. Moreover, a less favorable travel destination mix, with a higher traction for European destinations, continued to put some additional pressure on roaming revenues.

Within a seasonally promotional last quarter of the year, Proximus' Consumer segment added a solid 27,000 **Postpaid cards** (excluding M2M and Internet Everywhere data cards). This brought the total to 2,494,000, i.e. an increase of 2.7% year-on-year. The postpaid ARPU for the fourth quarter of 2016 was EUR 28.7. Compared with the previous year, the postpaid ARPU was impacted by the reduced roaming pricing, though the 1.6% decline was somewhat more limited versus the prior two quarters. The Postpaid ARPU was supported by an uptiering of customers triggered by the newly launched product portfolio and by an uptake in data consumption.

Mobile 'joint offers', combining a mobile handset with a monthly subscription, pushed the smartphone penetration to 65%. In particular, the number of customers with a 4G device is increasing fast. This has a beneficial effect on overall mobile data usage as the average data consumption of 4G users is almost 5 times greater than that of non-4G users. As a result, in the space of one year, blended monthly data usage went up by 51% to an average of 945 Mb. Usage by 4G users in the last quarter of 2016 increased by 27% to 1,197 Mb<sup>14</sup> per month on average

The legislation on Prepaid card identification, as published in the Belgian Official Journal on 7 December 2016, accelerated the erosion of Proximus' Prepaid base, down by 40,000 Prepaid cards in the last quarter of 2016. In the first half of 2017, Prepaid will also be impacted by a disconnection of customers who failed to respond during the identification process.

However, a part of the former Prepaid customers swapped to Proximus' "FullControl" offer, launched mid-June 2016, or migrated to Postpaid. Besides a lower prepaid customer base, the revenue was also pressured by a 7.3% decrease in Prepaid ARPU to EUR 9.2, mainly due to lower year-on-year SMS usage.

When combining Prepaid and Postpaid, Consumer's Mobile customer base ended 2016 with a total of 3,665,000 Mobile cards (free data cards excluded) with a fourth quarter blended ARPU of EUR 22.4, 0.2% more than one year ago.

With the newly launched product portfolio no longer including free Internet Everywhere data cards, and the active migration of customers on the new portfolio, the park of free data cards will gradually reduce. The data allowance previously allocated to these Internet Everywhere cards has been integrated in our new Proximus offer, removing the need for the extra card. Consequently the park of free data cards declined by 34,000 in the fourth quarter 2016, however without having an impact on value or ARPU.

**For the full-year 2016**, the Mobile Services revenue of Consumer totaled EUR 995 million, 1.0% lower than for 2015. This included a 2.5% revenue growth for mobile Postpaid and a 17.6% decline in Prepaid.

<sup>13</sup> Price changes on 1 January 2016 and 1 July 2016

<sup>14</sup> On the 4G and 3G networks.

## Tango revenue

For the fourth quarter of 2016, Tango posted revenue of EUR 34 million, or 2.9% lower versus the prior year. In addition to the effect of the end of anonymity on prepaid cards, Tango's revenue was impacted by lowered EU roaming pricing following the EU regulation.

Over a one-year period, Tango added 17,000 active postpaid cards, driven by its new Tango Smart subscriptions, with solid growth by 5,000 in the fourth quarter of 2016. For Prepaid however, Tango saw its customer base decline by 6,000 cards in the fourth quarter of 2016 due to the end of anonymity for prepaid users. Overall, Tango's mobile customer base totaled 277,000 cards by end-December 2016. With the effects of the Roaming price regulation offsetting the increased roaming usage, the fourth quarter blended mobile ARPU decreased by 3.9% to EUR 29.8.

For full-year 2016, Tango's revenue totaled EUR 127 million, 1.9% less than the prior year. This was mainly driven by a decline in Prepaid revenue and a negative impact from roaming regulation, in part offset by the benefits of a growing Mobile postpaid customer base, as well as a growing customer base for TV and Internet.

Table 14: Tango

(EUR million)	4th Quarter			Year-to-date		
	2015	2016	% Change	2015	2016	% Change
Revenue (in EUR mio) (1)	35	34	-2.9%	130	127	-1.9%
Total active mobile customers (in '000)	288	277	-4.0%	288	277	-4.0%
Blended mobile net ARPU (EUR/month)	31.0	29.8	-3.9%	29.5	29.0	-1.9%

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

Table 15: Consumer operationals by product group

	Q4'15	Q4'16	Change (in abs. Amount)
<b>From Fixed</b>			
<b>Number of access channels (thousands)</b>	<b>3,830</b>	<b>3,841</b>	<b>11</b>
Voice	2,112	2,060	-52
Broadband	1,718	1,781	64
<b>TV (thousands)</b>	<b>1,759</b>	<b>1,848</b>	<b>89</b>
Unique Customers	1,414	1,489	75
of which multiple settop boxes	345	359	14
<b>ARPU (EUR)</b>			
ARPU Voice	21.5	20.8	-0.8
ARPU broadband	28.0	28.3	0.2
ARPU TV	20.1	21.1	1.0
<b>From Mobile</b>			
<b>Number of active customers (thousands)</b>	<b>4,229</b>	<b>4,125</b>	<b>-105</b>
Prepaid	1,307	1,170	-137
Postpaid	2,922	2,955	33
Among which Paying cards	2,428	2,494	66
Among which M2M and Internet Everywhere cards	494	461	-32
Among which M2M	2	2	0
Among which Internet Everywhere cards	492	459	-32
<b>Annualized churn rate</b>			
Prepaid	35.4%	37.2%	1.8 p.p.
Postpaid	15.6%	16.4%	0.8 p.p.
Blended	23.0%	23.5%	0.5 p.p.
<b>Net ARPU (EUR)</b>			
Prepaid	10.0	9.2	-0.7
Postpaid	29.1	28.7	-0.5
Blended	22.3	22.4	0.0
<b>Average Mobile data usage user/month (Mb)</b>			
4G	945	1,197	252
Blended	627	945	318

## 3.2. Consumer revenue reporting by X-Play

### NOTE:

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

With the strategic focus on converged bundles, reinforced by the launch of Proximus' new 4P offers Tuttimus and Bizz All-In on 17 October 2016, the relevance of the X-play view will continue to grow, as opposed to the view per product.

Table 16: Consumer revenue by X-Play

(EUR million)	4th Quarter			Year-to-date		
	2015	2016	% Change	2015	2016	% Change
Revenues	733	742	1.3%	2,892	2,905	0.4%
X-Play-revenues	575	585	1.8%	2,272	2,337	2.9%
4-Play	186	201	8.1%	721	781	8.4%
3-Play	179	182	1.3%	705	732	3.9%
2-Play	81	78	-4.0%	327	316	-3.4%
1-Play	129	125	-3.1%	520	508	-2.3%
Prepaid	40	33	-16.7%	174	144	-17.6%
Terminals sales	46	60	30.2%	175	169	-3.1%
Tango	35	34	-2.9%	130	127	-1.9%
Other	37	31	-17.8%	141	127	-9.8%

**+1.8%**  
Revenue from  
X-Play on growing  
3 & 4 Play base

Out of a total fourth quarter Consumer revenue of EUR 742 million, Proximus generated EUR 585 million revenue from HH/SO, a 1.8% or a EUR 10 million increase compared to the same period of 2015, driven by a further improvement in the customer mix. The number of HH/SO, reached 2,943,000 at end-December. Proximus' strategy to focus on attractive multi-play offers resulted in a more valuable and loyal customer base. The average ARPH increased year-on-year by 1.8% to EUR 66.2, including a favorable impact from the January 2016 price increases, and uptiering of customers. At the same time, the average annualized full-churn rate of 3 & 4 Play improved from one year ago, while that for 1 & 2 Play was somewhat up. The average RGU<sup>15</sup> per HH/SO progressed to 2.65 in the fourth quarter of 2016, up from 2.59 one year ago.

**+8.1%**  
4-Play revenue  
30,000 HH/SO  
added in Q4

The continued volume increase in **4-Play** HH/SO was Consumer's main revenue growth driver. For the fourth quarter of 2016, Consumer posted EUR 201 million revenue from 4-Play, making up 27% of the total Consumer revenue. The increase in 4-Play revenue of 8.1% from the previous year resulted from the ongoing expansion of the 4-Play HH/SO base, increasing by 54,000 in the space of one year, to reach 601,000 HH/SO by end-December 2016. **In the fourth quarter of 2016, 30,000 4-Play HH/SO were added**, driven by the launch of Proximus' new 4-Play offer 'Tuttimus' mid-October 2016. On average, a 4-Play HH/SO generated an ARPH of EUR 115.1/month. The fourth-quarter 2016 annualized full-churn rate reached 2.8%, 0.1pp down from the previous year.

**+1.3%**  
3-Play revenue  
Tuttimus driving  
uptiering to 4-Play

The fourth-quarter 2016 revenue for **3-Play** grew by 1.3% to a total of EUR 182 million. This was driven by a volume increase, up by 8,000 in one year, including the 13,000 loss in the fourth quarter of 2016 which was in a large due to uptiering to 4-Play. The 3-Play ARPH in the fourth quarter of 2016 was EUR 78.5, 1.4% below that of the comparable period of 2015, reflecting a higher proportion of Scarlet TRIO customers in the base and the impact of the roaming regulation on Mobile postpaid revenue.

<sup>15</sup> Revenue Generating Units

Table 17: Consumer operational by X-Play

	Q415	Q416	val	%
<b>Households/Small Offices per Play - Total (thousands)</b>	<b>2,951</b>	<b>2,943</b>	<b>-8</b>	<b>-0.3%</b>
4 - Play	547	601	<b>54</b>	9.9%
3 - Play	755	763	<b>8</b>	1.1%
2 - Play	455	438	<b>-17</b>	-3.7%
1 - Play	1,194	1,141	<b>-53</b>	-4.4%
Fixed Voice	415	358	<b>-56</b>	-13.6%
Fixed Internet	119	127	<b>8</b>	7.0%
TV	N/A	N/A		
Mobile Postpaid	661	656	<b>-5</b>	-0.7%
<b>Average revenue x - play (in EUR)</b>	<b>65.0 €</b>	<b>66.2 €</b>	<b>1.2 €</b>	<b>1.8%</b>
4 - Play	115.1 €	115.1 €	0.0 €	0.0%
3 - Play	79.6 €	78.5 €	-1.1 €	-1.4%
2 - Play	58.7 €	58.3 €	-0.4 €	-0.7%
1 - Play	35.8 €	36.2 €	0.4 €	1.2%
<b>Average #RGUs per household/Small Office - Total</b>	<b>2.59</b>	<b>2.65</b>	<b>0.06</b>	<b>2.3%</b>
4 - Play	4.83	4.82	-0.01	-0.3%
3 - Play	3.34	3.32	-0.02	-0.6%
2 - Play	2.21	2.20	-0.01	-0.6%
1 - Play	1.23	1.23	0.00	0.0%
<b>Annualized full churn rate (household/Small Office level) - Total</b>	<b>13.4%</b>	<b>13.6%</b>	<b>0.2p.p.</b>	
4 - Play	2.9%	2.8%	-0.1p.p.	
3 - Play	11.2%	10.2%	-1.0p.p.	
2 - Play	11.3%	11.6%	0.3p.p.	
1 - Play	20.3%	22.0%	1.7p.p.	
<b>% Convergent HH / SO - Total</b>	<b>53.1%</b>	<b>54.5%</b>	<b>1.4 p.p.</b>	
(i.e. % of HH/SO having Mobile + Fixed component)				
4 - Play	100.0%	100.0%		
3 - Play	36.9%	36.6%	-0.3p.p.	
2 - Play	23.8%	23.5%	-0.3p.p.	

### 3.3. Consumer underlying direct margin

#### Stable Q4 segment direct margin

For the last quarter of 2016 Proximus posted a stable underlying direct margin for its consumer segment, totaling EUR 546 million. The revenue growth for Consumer's Fixed services resulted in a continued positive direct margin evolution compared with the previous year, though this was offset by the cost-effect of higher device sales. This resulted in an underlying direct margin of 73.5% of revenue, a 1.0 p.p. decrease year-on-year due to mobile device revenue (at a lower margin) taking a larger portion of the product mix.

For the full-year 2016, the Consumer direct margin totaled EUR 2,214 million, or a 0.6% increase from the previous year driven by a sound increase in Fixed direct margin.

- Underlying Enterprise revenue totaled EUR 352 million, + 0.8% YoY driven by higher revenue from Be-Mobile and ICT
- Strong mobile customer growth in competitive market: +13,000 Voice cards
- Mobile Services revenue declined by 3.5% reflecting impact of EU-roaming regulation and changed travel mix
- Enterprise direct margin up by 0.4% YoY to EUR 242 million

Table 18: Enterprise revenue and direct margin

(EUR million)	4th Quarter			Year-to-date		
	2015	2016	% Change	2015	2016	% Change
<b>TOTAL SEGMENT INCOME</b>	<b>350</b>	<b>352</b>	<b>0.8%</b>	<b>1,335</b>	<b>1,360</b>	<b>1.9%</b>
Costs of materials and charges to revenues	-109	-111	1.5%	-388	-406	4.7%
<b>TOTAL SEGMENT DIRECT MARGIN</b>	<b>241</b>	<b>242</b>	<b>0.4%</b>	<b>947</b>	<b>954</b>	<b>0.7%</b>
Direct margin %	68.8%	68.5%	-0.2 p.p.	71.0%	70.2%	-0.8 p.p.

## 4.1. Enterprise underlying revenue

In the last **quarter of 2016**, the Proximus' Enterprise segment posted a 0.8% year-on-year increase in underlying revenue, bringing the total to EUR 352 million. This revenue growth, achieved despite regulatory and competitive headwinds, resulted from higher ICT revenue, up by 2.1% from a high comparable base, and from the contribution of Be-Mobile NV<sup>16</sup> which was created mid-March 2016.

The revenue growth of Proximus' Enterprise segment was however tempered by the erosion of legacy Fixed Voice, and continued pressure on Mobile Service revenue. The lowered roaming pricing in line with EU regulation, and a sustained change in customer travel behavior combined with the ongoing competitive pressure, led to a 3.5% year-on-year decline in Mobile Services revenue in spite of continued solid growth in the mobile customer base.

The successful convergence and innovation strategy of the Enterprise segment, supported by a recognized high-quality network, resulted in a **1.9% revenue growth on a full-year basis, bringing the total underlying revenue to EUR 1,360 million for 2016.**

Table 19: Enterprise revenue by product group

(EUR million)	4th Quarter			Year-to-date		
	2015	2016	% Change	2015	2016	% Change
<b>Revenues</b>	<b>350</b>	<b>352</b>	<b>0.8%</b>	<b>1,335</b>	<b>1,360</b>	<b>1.9%</b>
<b>Fixed</b>	<b>256</b>	<b>254</b>	<b>-0.6%</b>	<b>971</b>	<b>982</b>	<b>1.1%</b>
Voice	61	58	-5.5%	248	237	-4.4%
Data (Internet & Data Connectivity)	63	62	-1.0%	250	251	0.5%
Terminals (excl. TV)	5	5	-0.4%	19	19	-0.6%
<b>ICT</b>	<b>127</b>	<b>129</b>	<b>2.1%</b>	<b>455</b>	<b>475</b>	<b>4.5%</b>
<b>Mobile Services</b>	<b>83</b>	<b>80</b>	<b>-3.5%</b>	<b>324</b>	<b>323</b>	<b>-0.3%</b>
<b>Mobile Terminals</b>	<b>6</b>	<b>7</b>	<b>9.8%</b>	<b>18</b>	<b>21</b>	<b>14.9%</b>
<b>Other Products</b>	<b>5</b>	<b>11</b>	<b>&gt;100%</b>	<b>21</b>	<b>34</b>	<b>58.4%</b>

<sup>16</sup> Be-Mobile, active in the Smart Mobility domain, is the combination of the entities of Be-Mobile NV (previously Mobile-For NV), Be-Mobile Tech NV, and Flow NV. Being majority shareholder, Proximus consolidates the turnover of all these entities. The revenue is reported in 'Other products'.

#### Lower Fixed Voice revenue due to Fixed Voice customer base erosion, ARPU slightly up

The Enterprise segment reported for the last quarter of 2016 EUR 58 million revenue for Fixed Voice, showing a year-on-year decline of 5.5%. The Fixed line erosion in the fourth quarter was -10,000 lines, i.e. a stable decline compared to one year ago. The net line loss 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 620,000 at end-2016, i.e. a year-on-year line loss of -6.1%. The Fixed Voice ARPU of EUR 30.8 was up 0.6% from the previous year, benefitting from the limited 1 July 2016 price change.

**The full-year 2016** Fixed Voice revenue totaled EUR 237 million, a 4.4% decline from the previous year.

#### Fixed Data revenue slightly down due to one-offs

**The fourth-quarter 2016** revenue from Fixed Data, consisting of Fixed Internet and, for a greater part, Data Connectivity, totaled EUR 62 million, 1.0% below that of the same period of 2015. This was driven by one-off credit notes posted in the fourth quarter 2016 offsetting the benefit from a growing customer base, better product mix and the further roll-out of P2P fiber.

For the fourth quarter of 2016, the Enterprise segment reported year-on-year flat revenue from Fixed Internet. In a competitive environment, the internet base remained stable in the fourth quarter at 138,000 internet lines, and slightly up by 0.7% from one year ago. The ARPU of EUR 43.3 in the fourth quarter of 2016, was down by -0.8% compared to one year ago. This reflects the impact of the outphasing and migration of legacy products in the context of simplification programs offering customers new solutions at more attractive pricing.

**For the year 2016**, the revenue from Fixed Data totaled EUR 251 million, 0.5% up from the previous year, driven by a growth in connectivity services.

#### ICT revenue up by 2.1% from the previous year

Revenue from ICT grew to EUR 129 million in the last quarter of 2016, up 2.1% compared to a high fourth quarter 2015. This mainly resulted from onsite infrastructure revenue, growing revenue in cloud and storage services, as well as higher recurring revenue from Security services.

The **2016 full-year** ICT revenue totaled EUR 475 million, or up by 4.5% from 2015.

⊕ **2.1%**  
ICT revenue

#### Continued strong Mobile customer growth in competitive setting. Mobile Services revenue trending lower due to roaming regulation and travel destination mix

For the last quarter of 2016, the Enterprise segment posted Mobile Services revenue of EUR 80 million, 3.5% lower versus the previous year. The combination of less travelers, a shift in the destination mix in favor of European destinations and the impact of lowered roaming rates led to a 7.8% decline in the mobile ARPU to EUR 27.6 in the fourth quarter.

**13,000**  
Mobile net  
adds

The pressure on roaming revenue could not be offset by the continued favorable evolution of the Enterprise customer base, growing by 4.9% in a one-year period (M2M cards excluded), to a total of 937,000 cards. The improved net Mobile customer trend apparent since the prior quarter continued, with the Enterprise segment adding 13,000 mobile cards other than M2M in the last quarter of 2016. The sustained growth in the mobile Voice customer base was supported by a low Mobile churn of 9.8%, reflecting the good customer experience of Proximus' mobile network and service levels, and increasing customer satisfaction.

With the Road User Charging project<sup>17</sup> now being fully operational, the net additions in M2M amounted to +10,000 cards in the fourth quarter 2016. This brought the total number of M2M cards<sup>18</sup> to 1,179,000 at end-2016.

Tiering of mobile subscriptions continued to improve in the Medium Enterprise Segment, with high-end pricing plans gaining traction, providing more abundance. With the smartphone penetration progressing and the number of 4G users growing, average data usage went up by 52% compared to one year ago, reaching 982 Mb/user/month. Enterprise customers with a 4G device had an average monthly data consumption of 1,170 Mb, 36% more than during the same period of 2015.

For the full-year 2016, the Enterprise segment posted Mobile Services revenue of EUR 323 million, nearly stable (-0.3%) in relation to the previous year, in spite of an eight-month impact from roaming regulation.

## 4.2. Enterprise direct margin

For the fourth quarter of 2016, Enterprise posted an underlying direct margin of EUR 242 million, i.e. up by 0.4% from the same period of 2015. The favorable margin evolution of the smart mobility company Be-Mobile NV and ICT was offset by the pressure on Mobile Services and Fixed Voice.

+0.4%  
direct margin YOY

For the year 2016 the Enterprise segment posted a total direct margin of EUR 954 million, a favorable evolution of 0.7% compared to the previous year. The Direct Margin as percentage of revenue went down 0.8pp to reach 70.2% as a result of a changing revenue mix, with ICT taking an increasing share in the total Enterprise revenue.

Table 20: Enterprise operational

	Q4'15	Q4'16	Change (in abs. Amount)
<b>From Fixed</b>			
<b>Number of access channels (thousands)</b>	<b>798</b>	<b>758</b>	<b>-39</b>
Voice	660	620	-40
Broadband	137	138	1
<b>ARPU (EUR)</b>			
ARPU Voice	30.7	30.8	0.2
ARPU Broadband	43.7	43.3	-0.4
<b>From Mobile</b>			
<b>Number of active customers (thousands)</b>	<b>1,470</b>	<b>2,117</b>	<b>647</b>
Among which voice and data cards	894	937	43
Among which M2M (including a limited number of Internet Everywhere cards)	576	1,179	603
<b>Annualized churn rate (blended)</b>	<b>10.3%</b>	<b>9.8%</b>	
<b>Net ARPU (EUR)</b>			
Postpaid	30.0	27.6	-2.3
<b>Average Mobile data usage user/month (Mb)</b>			
4G	862	1,170	308
Blended	645	982	337

<sup>17</sup> 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.

<sup>18</sup> Including a limited number of Internet Everywhere data cards



Table 21: Wholesale revenue and direct margin

(EUR million)	4th Quarter			Year-to-date		
	2015	2016	% Change	2015	2016	% Change
TOTAL SEGMENT INCOME	48	46	-3.3%	202	194	-3.6%
Costs of materials and charges to revenues	-7	-6	-14%	-28	-25	-10.3%
TOTAL SEGMENT DIRECT MARGIN	41	40	-3.6%	174	169	-2.6%
Direct margin %	86.3%	86.0%	-0.3 p.p.	86.2%	87.1%	1.0 p.p.

Proximus' Wholesale segment reported EUR 46 million revenue for the **fourth quarter of 2016**, down 3.3% compared to the same period of 2015. The variance with last year was due to the impact in the fourth quarter from the regulated decrease in Fixed Termination Rates as from 1 November 2016. This was in part compensated for by Roaming-in for which revenue is up on higher data volumes.

**For the full-year 2016**, Proximus' Wholesale revenue totaled EUR 194 million, or 3.6% lower than for 2015. This was mainly related to the ceased revenue stream from Snow, with Snow customers fully outphased by mid-2015 and the lowered Fixed Termination Rate. This was in part offset by higher revenue from Roaming-in.

## International Carrier Services – BICS

- BICS Q4'16 direct margin +3.9% on a positive YoY impact from higher settlements posted in non-voice direct margin.
- Voice direct margin volatility as a result of less favorable destination mix, in spite of higher volumes.
- Lower non-voice unit direct margin in a competitive market, partially compensated by volume growth.
- Q4'16 segment result 8% higher YoY and 10.0% segment contribution margin.

Table 22: BICS P&L

(EUR million)	4th Quarter			Year-to-date		
	2015	2016	% Change	2015	2016	% Change
<b>TOTAL SEGMENT INCOME</b>	<b>385</b>	<b>363</b>	<b>-5.6%</b>	<b>1,616</b>	<b>1,460</b>	<b>-9.6%</b>
Costs of materials and charges to revenues	-320	-296	-7.5%	-1,338	-1,186	-11.3%
<b>TOTAL SEGMENT DIRECT MARGIN</b>	<b>65</b>	<b>68</b>	<b>3.9%</b>	<b>278</b>	<b>274</b>	<b>-1.3%</b>
Direct margin %	16.9%	18.6%	1.7 p.p.	17.2%	18.8%	1.6 p.p.
<b>TOTAL EXPENSES</b>	<b>-32</b>	<b>-31</b>	<b>-0.5%</b>	<b>-118</b>	<b>-125</b>	<b>6.6%</b>
Workforce expenses	-15	-13	-9.8%	-53	-53	0.2%
Non Workforce expenses	-17	-18	7.5%	-64	-72	12.0%
<b>TOTAL SEGMENT RESULT</b>	<b>34</b>	<b>36</b>	<b>8.0%</b>	<b>160</b>	<b>149</b>	<b>-7.2%</b>
Segment contribution margin	8.7%	10.0%	1.3 p.p.	9.9%	10.2%	0.3 p.p.

### BICS Revenue

With the comparable base returning to normalized levels as of the last quarter of 2015, the year-on-year variance eases. For the **fourth-quarter of 2016 underlying revenue from BICS totaled EUR 363 million, down by -5.6% compared to 2015**. Like for prior quarters, the revenue decline was driven by continued high volatility in the voice business. Although BICS carried 1.8% more voice traffic than in the last quarter of 2015, the destination mix remained less favorable. This led to an 8.4% decline in voice revenue, which is nevertheless an improvement on prior quarters.

The continued growth in Messaging volumes, up by 7.3% from the fourth quarter of 2015, led to a solid 7.6% increase in non-voice revenue.

**Over the full-year 2016**, the revenue of BICS totaled EUR 1,460 million, a decline of 9.6% compared to 2015

Table 23: BICS revenue

(EUR million)	4th Quarter			Year-to-date		
	2015	2016	% Change	2015	2016	% Change
Voice	318	291	-8.4%	1,347	1,169	-13.2%
Non Voice	67	72	7.6%	269	292	8.4%
<b>Total revenues</b>	<b>385</b>	<b>363</b>	<b>-5.6%</b>	<b>1,616</b>	<b>1,460</b>	<b>-9.6%</b>

Table 24: BICS volumes

Volumes (in million)	4th Quarter			Year-to-date		
	2015	2016	% Change	2015	2016	% Change
Voice	6,552	6,667	1.8%	26,313	26,224	-0.3%
Non Voice (Messaging)	851	913	7.3%	3,002	3,558	18.5%

## BICS direct margin

BICS' fourth quarter 2016 direct margin of EUR 68 million was up by 3.9% year-on-year. This resulted from an 11.4% growth in the non-voice direct margin totaling EUR 39 million. The positive variance was driven by a higher level of settlements with foreign operators compared to the prior year, offsetting the impact from competitive pressure. This was also true for the voice direct margin, which decreased by 4.6% to EUR 29 million.

For the year 2016, BICS' direct margin of EUR 274 million was 1.3% below that of 2015, during which BICS benefitted from favorable, but volatile, conditions on the Voice market. This resulted for 2016 in a 9.7% decline in Voice Direct margin, in part offset by a growth in non-Voice direct margin, and a higher amount of settlements in 2016.

Table 25: BICS direct margin

(EUR million)	4th Quarter			Year-to-date		
	2015	2016	% Change	2015	2016	% Change
Voice	30	29	-4.6%	133	120	-9.7%
Non Voice	35	39	11.4%	145	154	6.3%
<b>Total direct margin</b>	<b>65</b>	<b>68</b>	<b>3.9%</b>	<b>278</b>	<b>274</b>	<b>-1.3%</b>

## BICS segment result

BICS' underlying segment result for the last quarter of 2016 totaled EUR 36 million, showing 8.0% growth compared to the previous year. Including higher settlements and on an easing comparable base, the variance improved significantly from prior quarters.

The solid growth resulted from BICS achieving a growing direct margin, while BICS fourth quarter expenses remained stable compared to the same period of 2015 which included higher performance-based provisions. Furthermore, some of the investments made in new geographies and growth initiatives annualized in the fourth quarter. The underlying segment margin for the last quarter of 2016 was 10.0%, 1.3 p.p. higher compared to the year before.

**Year-to-date December 2016**, the segment result of BICS amounted to EUR 149 million, 7.2% lower than for 2015 due to a combination of lower direct margin and higher expenses, mainly related to geographical expansion and investments in new growth initiatives.

## 7. Condensed consolidated financial statements

The statutory auditor has issued an unqualified report dated 24 February 2017 on the company's consolidated financial statements as of and for the year ended 31 December 2016, and has confirmed that the accounting data reported in the accompanying press release is consistent, in all material respects, with the accounts from which it has been derived.

The condensed consolidated financial statements are derived from the consolidated financial statements at 31 December 2016 that were authorized for issue by the Board of Directors of 23 February 2017.

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

### 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 the 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

Events or transactions over the year 2016:

#### *Acquisition of Be-Mobile Tech NV (previously named BE-Mobile NV) and Flow NV*

In the first-quarter of 2016, Be-Mobile NV (previously Mobile-For), a fully owned Proximus Group subsidiary, acquired control of Be-Mobile Tech 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, the Proximus Group retained a 61.02% share in Be-Mobile. After the purchase price allocation the Goodwill increased by EUR 7 million. The transaction generated an equity decrease of EUR 25 million mainly as a result of the 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.

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

In the fourth quarter 2016, the positive impact of the voluntary early leave plan on the provision for illness days for statutory employees, combined with limited update of the liability, reduced the net non-recurring cost to EUR 18 million, from the original estimated amount of EUR 33 million.

The updated impact on non-recurring expenses (in EUR million):

Q2-2016	Q3-2016	Q4-2016	2017	2018	2019	Total
53	33	18	73	43	19	239

#### *Removal of the favorable early retirement clause in supplementary pension plans*

As a consequence of the change of law on pensions (law of 18 December 2015) the favorable early retirement clause in supplementary pension plans became void, subject to transition rules for employees aged 55 and more in 2016. The settlement resulting from the removal of this clause led to a past service gain of EUR 9 million recorded in non-recurring expenses.

#### *Settlement agreement with the Walloon Region*

In December 2016 Proximus, Orange and Telenet reached an agreement with the Walloon Region terminating existing questions related to tax on pylons as from 2014 and putting in place a framework facilitating the roll out of networks and investments to be made by the operators for promoting the digital development of the Region up to 2019 included. Therefore the provision of EUR 14 million for the year 2014 has been reversed but outside “underlying” figures” (see section 8.1 on reconciliation between “Reported” and “Underlying” figures).

## 7.1. Consolidated income statement

( EUR million)	4th Quarter			Full Year		
	2015	2016	% Change	2015	2016	% Change
Net revenue	1,487	1,480	-0.5%	5,944	5,829	-1.9%
Other operating income	22	10	-53.6%	68	44	-35.2%
<b>TOTAL INCOME</b>	<b>1,509</b>	<b>1,490</b>	<b>-1.2%</b>	<b>6,012</b>	<b>5,873</b>	<b>-2.3%</b>
Costs of materials and services related to revenue	-605	-593	-2.1%	-2,377	-2,242	-5.7%
Workforce expenses	-288	-282	-2.1%	-1,199	-1,159	-3.4%
Non workforce expenses	-194	-160	-17.5%	-792	-644	-18.7%
Non-recurring expenses	-0.45	-8	>100%	2	-95	<-100%
<b>TOTAL OPERATING EXPENSES before depreciation &amp; amortization</b>	<b>-1,088</b>	<b>-1,044</b>	<b>-4.1%</b>	<b>-4,366</b>	<b>-4,141</b>	<b>-5.2%</b>
<b>OPERATING INCOME before depreciation &amp; amortization</b>	<b>421</b>	<b>447</b>	<b>6.1%</b>	<b>1,646</b>	<b>1,733</b>	<b>5.3%</b>
Depreciation and amortization	-221	-229	3.2%	-869	-917	5.5%
<b>OPERATING INCOME</b>	<b>199</b>	<b>218</b>	<b>9.3%</b>	<b>777</b>	<b>816</b>	<b>5.1%</b>
Finance income	-0.37	113	>100%	20	4	-81.2%
Finance costs	-24	-28	15.6%	-140	-104	-25.4%
<b>Net finance costs</b>	<b>-24</b>	<b>-27</b>	<b>9.2%</b>	<b>-120</b>	<b>-101</b>	<b>-15.8%</b>
Share of loss on associates	0	0	77.9%	-2	-1	-68.3%
<b>INCOME BEFORE TAXES</b>	<b>175</b>	<b>191</b>	<b>9.2%</b>	<b>655</b>	<b>715</b>	<b>9.1%</b>
Tax expense	-38	-60	56.7%	-156	-167	6.8%
<b>NET INCOME</b>	<b>137</b>	<b>131</b>	<b>-4.1%</b>	<b>499</b>	<b>548</b>	<b>9.8%</b>
Non-controlling interests	-3	6	>100%	17	25	46.6%
Net income (Group share)	139	125	-10.6%	482	523	8.5%
Basic earnings per share	0.43 EUR	0.39 EUR	-10.7%	1.50 EUR	1.62 EUR	8.3%
Diluted earnings per share	0.43 EUR	0.39 EUR	-10.6%	1.50 EUR	1.62 EUR	8.4%
Weighted average number of outstanding shares	322,000,191	322,377,692	0.1%	321,767,821	322,316,200	0.2%
Weighted average number of outstanding shares for diluted earnings per share	322,363,261	322,631,733	0.1%	322,272,472	322,609,115	0.1%

## 7.2. Consolidated statements of other comprehensive income

(EUR million)	As of 31 December 2015	As of 31 December 2016
<b>Net income</b>	<b>499</b>	<b>548</b>
<b>Other comprehensive income:</b>		
<b>Items that may be reclassified to profit and loss</b>		
Cash flow hedges:		
Gain/(loss) taken to equity	-5	-2
Transfer to profit or loss for the period	4	1
<b>Total before related tax effects</b>	<b>-1</b>	<b>-1</b>
<b>Related tax effects</b>		
Cash flow hedges:		
Gain/(loss) taken to equity	2	1
Transfer to profit or loss for the period	-1	0
<b>Items that may be reclassified to profit and loss, net of related tax effects</b>	<b>0</b>	<b>0</b>
<b>Items that will not be reclassified to profit and loss</b>		
Actuarial gain/(loss) on defined benefit plans	18	-8
<b>Total before related tax effects</b>	<b>18</b>	<b>-8</b>
<b>Related tax effects</b>		
Actuarial gain/(loss) on defined benefit plans	-1	-5
<b>Income tax relating to items that will not be reclassified</b>	<b>-1</b>	<b>-5</b>
<b>Items that may be reclassified to profit and loss, net of related tax effects</b>	<b>17</b>	<b>-13</b>
<b>Total comprehensive income</b>	<b>515</b>	<b>535</b>
Attributable to:		
Equity holders of the parent	498	510
Non-controlling interests	17	25

## 7.3. Consolidated balance sheet

(EUR million)	As of 31 December 2015	As of 31 December 2016
<b>ASSETS</b>		
<b>NON-CURRENT ASSETS</b>		
	<b>6,386</b>	<b>6,372</b>
Goodwill	2,272	2,279
Intangible assets with finite useful life	1,162	1,099
Property, plant and equipment	2,809	2,910
Investments in associates	2	3
Other participating interests	9	10
Deferred income tax assets	89	34
Other non-current assets	43	37
<b>CURRENT ASSETS</b>		
	<b>1,897</b>	<b>1,745</b>
Inventories	108	125
Trade receivables	1,140	1,149
Current tax assets	14	46
Other current assets	124	122
Investments	8	6
Cash and cash equivalents	502	297
<b>TOTAL ASSETS</b>	<b>8,283</b>	<b>8,117</b>
<b>LIABILITIES AND EQUITY</b>		
<b>EQUITY</b>		
	<b>2,965</b>	<b>2,981</b>
<b>Shareholders' equity</b>		
	<b>2,801</b>	<b>2,819</b>
Issued capital	1,000	1,000
Treasury shares	-448	-430
Restricted reserve	100	100
Remeasurement reserve	-112	-125
Stock compensation	5	5
Retained earnings	2,255	2,270
<b>Non-controlling interests</b>		
	<b>164</b>	<b>162</b>
<b>NON-CURRENT LIABILITIES</b>		
	<b>2,663</b>	<b>2,697</b>
Interest-bearing liabilities	1,761	1,763
Liability for pensions, other post-employment benefits and termination benefits	464	544
Provisions	157	144
Deferred income tax liabilities	96	84
Other non-current payables	185	162
<b>CURRENT LIABILITIES</b>		
	<b>2,655</b>	<b>2,439</b>
Interest-bearing liabilities	674	407
Trade payables	1,330	1,388
Tax payables	82	65
Other current payables	570	579
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>8,283</b>	<b>8,117</b>



## 7.4. Consolidated cash flow statement

(EUR million)	4th Quarter		Full Year	
	2015	2016	2015	2016
<b>Cash flow from operating activities</b>				
Net income	137	131	499	548
Adjustments for:				
Depreciation and amortization on intangible assets and property, plant and equipment	221	229	869	917
Increase / (decrease) in provisions	-4	-14	3	-14
Deferred tax expense / (income)	-7	13	-3	38
Loss from investments accounted for using the equity method	0	0	2	1
Fair value adjustments on financial instruments	-3	0	-16	0
Loans amortization	2	1	31	6
Gain on disposal of other participating interests and enterprises accounted for using the equity method	-2	0	-2	0
Gain on disposal of fixed assets	-5	-1	-18	-3
Other non-cash movements	0	0	3	1
<b>Operating cash flow before working capital changes</b>	<b>340</b>	<b>360</b>	<b>1,370</b>	<b>1,493</b>
Decrease / (increase) in inventories	26	4	9	-17
Decrease / (increase) in trade receivables	53	-21	54	-2
Decrease / (increase) in current income tax assets	2	-31	0	-31
Decrease in other current assets	16	3	33	2
Increase / (decrease) in trade payables	53	49	-29	28
Decrease in income tax payables	-131	-62	-32	-16
Increase / (decrease) in other current payables	-206	-91	2	-24
Increase / (decrease) in net liability for pensions, other post-employment benefits and termination benefits	-3	16	-22	73
Increase in other non-current payables and provisions	0	15	0	15
<b>Increase / (decrease) in working capital, net of acquisitions and disposals of subsidiaries</b>	<b>-191</b>	<b>-117</b>	<b>16</b>	<b>28</b>
<b>Net cash flow provided by operating activities</b>	<b>149</b>	<b>242</b>	<b>1,386</b>	<b>1,521</b>
<b>Cash flow from investing activities</b>				
Cash paid for acquisitions of intangible assets and property, plant and equipment	-266	-239	-1,000	-962
Cash paid for acquisitions of other participating interests	-1	-1	-3	-2
Cash paid for acquisition of consolidated companies, net of cash acquired	-20	0	-20	-6
Cash received / (paid) for 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	16	1	39	5
Cash received from sales of other participating interests and enterprises accounted for using the equity method	9	0	8	3
<b>Net cash used in investing activities</b>	<b>-263</b>	<b>-239</b>	<b>-978</b>	<b>-962</b>
<b>Cash flow before financing activities (FCF)</b>	<b>-114</b>	<b>3</b>	<b>408</b>	<b>559</b>
<b>Cash flow from financing activities</b>				
Dividends paid to shareholders	-161	-162	-489	-485
Dividends paid to non-controlling interests	0	0	-36	-26
Net sale of treasury shares	0	9	19	18
Net purchase of investments	2	104	0	2
Issuance of long term debt	492	0	492	1
Repayment of long term debt (2)	-537	-675	-594	-677
Issuance of short term debt	0	405	0	404
<b>Net cash used in financing activities (1)</b>	<b>-204</b>	<b>-320</b>	<b>-608</b>	<b>-764</b>
<b>Net decrease of cash and cash equivalents</b>	<b>-317</b>	<b>-316</b>	<b>-200</b>	<b>-205</b>
Cash and cash equivalents at 1 January	702	502	702	502
Cash and cash equivalents at 31 December	502	297	502	297

(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	IAS 19 related Remeasur-ement	Stock Compen-sation	Retained Earnings	Share's' Equity	Non-controlling interests	Total Equity
<b>Balance at 31 December 2014</b>	<b>1,000</b>	<b>-470</b>	<b>100</b>	<b>2</b>	<b>-130</b>	<b>8</b>	<b>2,270</b>	<b>2,779</b>	<b>189</b>	<b>2,969</b>
<i>Fair value changes in cash flow hedges</i>	0	0	0	-1	0	0	0	0	0	0
<i>Remeasurment defined benefit obligations</i>	0	0	0	0	17	0	0	17	0	17
Equity changes not recognised in the income statement	0	0	0	-1	17	0	0	16	0	16
Net income	0	0	0	0	0	0	482	482	17	499
<b>Total comprehensive income and expense</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-1</b>	<b>17</b>	<b>0</b>	<b>482</b>	<b>498</b>	<b>17</b>	<b>515</b>
Dividends to shareholders (relating to 2014)	0	0	0	0	0	0	-322	-322	0	-322
Interim dividends to shareholders (relating to 2015)	0	0	0	0	0	0	-161	-161	0	-161
Dividends of subsidiaries to non-controlling interests	0	0	0	0	0	0	0	0	-36	-36
Changes in ownership interest in investees	0	0	0	0	0	0	-14	<b>-14</b>	-6	-20
Treasury shares										
Exercise of stock options	0	22	0	0	0	0	-2	<b>20</b>	0	20
<b>Stock options</b>										
Exercise of stock options	0	0	0	0	0	-2	2	<b>0</b>	0	0
<b>Total transactions with equity holders</b>	<b>0</b>	<b>22</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-2</b>	<b>-496</b>	<b>-477</b>	<b>-42</b>	<b>-519</b>
<b>Balance at 31 December 2015</b>	<b>1,000</b>	<b>-448</b>	<b>100</b>	<b>2</b>	<b>-114</b>	<b>5</b>	<b>2,255</b>	<b>2,801</b>	<b>164</b>	<b>2,965</b>
<i>Remeasurment defined benefit obligations</i>	0	0	0	0	-13	0	0	-13	0	-13
Equity changes not recognised in the income statement	0	0	0	0	-13	0	0	-13	0	-13
Net income	0	0	0	0	0	0	523	<b>523</b>	25	548
<b>Total comprehensive income and expense</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-13</b>	<b>0</b>	<b>523</b>	<b>510</b>	<b>25</b>	<b>535</b>
Dividends to shareholders (relating to 2015)	0	0	0	0	0	0	-322	<b>-322</b>	0	-322
Interim dividends to shareholders (relating to 2016)	0	0	0	0	0	0	-161	<b>-161</b>	0	-161
Dividends of subsidiaries to non-controlling interests	0	0	0	0	0	0	0	<b>0</b>	-26	-26
Business combination	0	0	0	0	0	0	-25	<b>-25</b>	-1	-26
Treasury shares										
Exercise of stock options	0	6	0	0	0	0	-1	<b>5</b>	0	5
Sale of treasury shares	0	12	0	0	0	0	1	<b>13</b>	0	13
Stock options										
Exercise of stock options	0	0	0	0	0	-1	1	<b>0</b>	0	0
<b>Total transactions with equity holders</b>	<b>0</b>	<b>18</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-1</b>	<b>-508</b>	<b>-491</b>	<b>-27</b>	<b>-519</b>
<b>Balance at 31 December 2016</b>	<b>1,000</b>	<b>-430</b>	<b>100</b>	<b>2</b>	<b>-127</b>	<b>5</b>	<b>2,270</b>	<b>2,819</b>	<b>162</b>	<b>2,981</b>

## 7.6. Segment reporting

Year ended 31 December 2016

(EUR million)	Group Proximus	BICS	Domestic (Group excl. BICS)	Consumer	Enterprise	Wholesale	Others
Turnover	5,829	1,457	4,373	2,887	1,355	194	-63
Other revenues	41	4	38	18	5	0	14
<b>REVENUES</b> <i>underlying</i>	<b>5,871</b>	<b>1,460</b>	<b>4,410</b>	<b>2,905</b>	<b>1,360</b>	<b>194</b>	<b>-49</b>
Adjustments	3	0	3	0	0	0	3
<b>TOTAL INCOME</b> <i>reported</i>	<b>5,873</b>	<b>1,460</b>	<b>4,413</b>	<b>2,905</b>	<b>1,360</b>	<b>194</b>	<b>-46</b>
<b>Elim intersegment</b> <i>included in above revenue figures</i>							
Turnover	-80	-37	-42	-7	-4	0	-31
Other revenues	-13	0	-13	0	0	0	-13
<b>COST OF SALES</b> <i>underlying</i>	<b>-2,242</b>	<b>-1,186</b>	<b>-1,056</b>	<b>-691</b>	<b>-406</b>	<b>-25</b>	<b>66</b>
<b>COSTS OF MATERIALS AND SERVICES RELATED TO REVENUE</b> <i>reported</i>	<b>-2,242</b>	<b>-1,186</b>	<b>-1,056</b>	<b>-691</b>	<b>-406</b>	<b>-25</b>	<b>66</b>
Direct margin <i>Underlying</i>	3,628	274	3,354	2,214	954	169	17
<b>Direct margin</b> <i>Reported</i>	<b>3,631</b>	<b>274</b>	<b>3,357</b>	<b>2,214</b>	<b>954</b>	<b>169</b>	<b>20</b>
Workforce expenses	-1,159	-53	-1,106				
Non workforce expenses	-673	-72	-601				
<b>OPERATING EXPENSES</b> <i>underlying</i>	<b>-1,832</b>	<b>-125</b>	<b>-1,707</b>				
Non-recurring expenses	-95	0	-95				
Adjustments	29	0	29				
<b>TOTAL OPERATING EXPENSES</b> <i>reported</i>	<b>-1,898</b>	<b>-125</b>	<b>-1,773</b>				
<b>OPERATING INCOME before depreciation &amp; amortization</b> <i>reported</i>	<b>1,733</b>	<b>149</b>	<b>1,584</b>				
Adjustments & non-recurring	63	0	63				
<b>EBITDA</b> <i>underlying</i>	<b>1,796</b>	<b>149</b>	<b>1,647</b>				
Depreciation and amortization <i>reported</i>	-917	-77	-840				
<b>OPERATING INCOME</b> <i>reported</i>	<b>816</b>	<b>73</b>	<b>743</b>				
Net finance costs	-101						
Share of loss on associates	-1						
INCOME BEFORE TAXES	715						
Tax expense	-167						
<b>NET INCOME</b>	<b>548</b>						
Non-controlling interests	25						
<b>Net income (Group share)</b>	<b>523</b>						

Year ended 31 December 2015 - restated

(EUR million)	Group Proximus	BICS	Domestic (Group excl. BICS)	Consumer	Enterprise	Wholesale	Others
Turnover	5,944	1,612	4,332	2,863	1,331	201	-63
Other revenues	51	4	47	29	4	0	13
<b>REVENUES</b> <i>underlying</i>	<b>5,994</b>	<b>1,616</b>	<b>4,379</b>	<b>2,892</b>	<b>1,335</b>	<b>202</b>	<b>-50</b>
Adjustments	17	0	17	0	0	0	17
<b>TOTAL INCOME</b> <i>reported</i>	<b>6,012</b>	<b>1,616</b>	<b>4,396</b>	<b>2,892</b>	<b>1,335</b>	<b>202</b>	<b>-33</b>
<b>Elim intersegment</b> <i>included in above revenue figures</i>							
Turnover	-81	-40	-41	-5	-5	0	-31
Other revenues	-12	0	-12	0	0	0	-12
<b>COST OF SALES</b> <i>underlying</i>	<b>-2,377</b>	<b>-1,338</b>	<b>-1,039</b>	<b>-692</b>	<b>-388</b>	<b>-28</b>	<b>69</b>
<b>COSTS OF MATERIALS AND SERVICES RELATED TO REVENUE</b> <i>reported</i>	<b>-2,377</b>	<b>-1,338</b>	<b>-1,039</b>	<b>-692</b>	<b>-388</b>	<b>-28</b>	<b>69</b>
Direct margin <i>Underlying</i>	3,617	278	3,340	2,200	947	174	19
<b>Direct margin</b> <i>Reported</i>	<b>3,635</b>	<b>278</b>	<b>3,357</b>	<b>2,200</b>	<b>947</b>	<b>174</b>	<b>36</b>
Workforce expenses	-1,199	-53	-1,146				
Non workforce expenses	-685	-64	-620				
<b>OPERATING EXPENSES</b> <i>underlying</i>	<b>-1,884</b>	<b>-118</b>	<b>-1,766</b>				
Non-recurring expenses	2	0	2				
Adjustments	-107	0	-107				
<b>TOTAL OPERATING EXPENSES</b> <i>reported</i>	<b>-1,989</b>	<b>-118</b>	<b>-1,871</b>				
<b>OPERATING INCOME before depreciation &amp; amortization</b> <i>reported</i>	<b>1,646</b>	<b>160</b>	<b>1,486</b>				
Adjustments & non-recurring	87	0	87				
<b>EBITDA</b> <i>underlying</i>	<b>1,733</b>	<b>160</b>	<b>1,573</b>				
Depreciation and amortization <i>reported</i>	-869	-78	-791				
<b>OPERATING INCOME</b> <i>reported</i>	<b>777</b>	<b>82</b>	<b>695</b>				
Net finance costs	-120						
Share of loss on associates	-2						
INCOME BEFORE TAXES	655						
Tax expense	-156						
<b>NET INCOME</b>	<b>499</b>						
Non-controlling interests	17						
<b>Net income (Group share)</b>	<b>482</b>						

## 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 31 December 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 31 December 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 31 December 2016 (EUR million)	Category according to IAS 39 (1)	Carrying amount	Fair value	Level
<b>ASSETS</b>				
<b>Non-current assets</b>				
Other participating interests	AFS	10	10	
Other non-current assets				
Derivatives held for trading	FVTPL	6	6	Level 2
Other financial assets	LaR	30	30	
<b>Current assets</b>				
Trade receivables	LaR	1,149	1,149	
Other current assets				
Derivatives held-for-hedging	HeAc	-1	-1	Level 1
Derivatives held for trading	FVTPL	2	2	Level 1
VAT and other receivables	N/A	25	25	
Investments	AFS	1	1	Level 1
Investments	HTM	5	5	
Cash and cash equivalents				
Short-term deposits	LaR	297	297	
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Interest-bearing liabilities				
Unsubordinated debentures not in a hedge relationship	OFL	1,755	1,906	Level 2
Leasing and similar obligations	OFL	2	2	
Other derivatives	FVTPL	6	6	Level 2
Non-interest-bearing liabilities				
Other non-current payables	OFL	169	169	
<b>Current liabilities</b>				
Interest-bearing liabilities, current portion				
Leasing and similar obligations	OFL	2	2	
Interest-bearing liabilities				
Other loans	OFL	405	405	
Trade payables	OFL	1,381	1,381	
Other current payables				
Other debt	OFL	34	34	Level 3
V.A.T. and other amounts payable	OFL	280	280	

(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 31 December 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 2015 annual accounts no changes occurred during the year 2016 in the contingent liabilities except for the claim initiated on 3 May 2013 by Orange (Mobistar at the date of the initiation of the action) for damages against Proximus before the commercial court of Brussels for allegedly wrongful and/or abusive termination by Proximus of negotiations with Orange on the conclusion of a commercial agreement on DSL-based services. On 15 September 2106 the commercial court of Brussels rejected the claim of Orange. The case is now definitely closed.

## 7.9. Post balance sheet events

There are no events that occurred after 31 December 2016 that have not been reflected in the condensed 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

(EUR million)	GROUP Revenue		GROUP EBITDA		GROUP Revenue		GROUP EBITDA	
	Q4'15	Q4'16	Q4'15	Q4'16	YTD '15	YTD '16	YTD '15	YTD '16
<b>Reported</b>	1,509	1,490	421	447	6,012	5,873	1,646	1,733
<b>Underlying</b>	1,502	1,490	418	441	5,994	5,871	1,733	1,796
<b>Incidentals - Total</b>	7	0	3	6	17	3	-87	-63
<b>Non Recurring Items</b>	0	0	0	-8	0	0	2	-95
<b>Other incidentals</b>	7	0	3	14	17	3	-90	32
<b>Non-recurring items:</b>				-8			2	-95
Early Leave Plan and Collective Agreement				-18				-103
Other : in 2016 mainly removal of the favourable early retirement clause				10			2	8
<b>Other incidentals:</b>	7		3	14	17	3	-90	32
Capital gains on building sales	7		7		17	3	17	3
IFRIC changes			-4					
Divesture TLS UK							-1	
Reversal Pylon Tax provision 2014 & 2015				14				29
Settlement agreement on mobile tariff related litigations							-116	
Real Estate Taxes							10	

#### Q4 2016 non-recurring items and other incidentals:

- **Early Leave Plan and Collective Agreement** (EUR – 18 million): see section 7 page 28.
- **Removal of the favorable early retirement clause** (EUR 10 million): Consequently to the change of law on pensions (law of 18 December 2015), the favorable early retirement clause in supplementary pension plans became void, subject to transition rules for employees aged 55 and more in 2016. The settlement resulting from the removal of this clause led to a past service gain recorded in non-recurring expenses.
- **Reversal Tax on Pylons** (EUR 14 millions): Reversal of the 2014 provision following the settlement agreement reached in December 2016 between the 3 Belgian mobile operators with the Walloon Region.

### 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

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 having no 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 with restatements provided for 2014 and 2015:

Domestic is composed of three customer segments: Consumer, Enterprise and Wholesale for which the revenue and direct margin is provided.

Segment results (contribution to Group EBITDA) are no longer reported as these figures were non-relevant, given the fact that Proximus does not apply a full cost allocation.

The expenses (after direct margin) are split into Workforce expenses and Non Workforce expenses and are reported at Group, Domestic and BICS level, in a more relevant manner.

- 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)

### **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 been adapted in order to provide more precise figures, integrating Scarlet revenue and operational drivers. The 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	Q316	Q416	2016
<b>REPORTED</b>										
<b>Revenues</b>	1,482	1,511	1,509	1,509	6,012	1,433	1,463	1,488	1,490	5,873
<b>EBITDA</b>	425	456	344	421	1,646	417	428	441	447	1,733
<b>UNDERLYING</b>										
<b>Revenues per Segment</b>	<b>1,479</b>	<b>1,505</b>	<b>1,509</b>	<b>1,502</b>	<b>5,994</b>	<b>1,433</b>	<b>1,460</b>	<b>1,487</b>	<b>1,490</b>	<b>5,871</b>
Domestic	1,080	1,094	1,088	1,117	4,379	1,077	1,101	1,105	1,127	4,410
Consumer	712	727	720	733	2,892	710	718	734	742	2,905
Enterprise	328	326	331	350	1,335	329	345	334	352	1,360
Wholesale	51	53	51	48	202	48	49	51	46	194
Other (incl. eliminations)	-11	-12	-14	-13	-50	-10	-11	-14	-14	-49
International Carrier Services (BICS)	399	411	420	385	1,616	356	359	382	363	1,460
Costs of materials and charges to revenues	-590	-590	-592	-605	-2,377	-531	-550	-569	-593	-2,242
<b>Direct Margin</b>	<b>890</b>	<b>915</b>	<b>917</b>	<b>896</b>	<b>3,617</b>	<b>902</b>	<b>911</b>	<b>918</b>	<b>897</b>	<b>3,628</b>
Direct Margin %	60.1%	60.8%	60.8%	59.7%	60.3%	63.0%	62.4%	61.7%	60.2%	61.8%
<b>Total expenses before D&amp;A</b>	<b>-482</b>	<b>-460</b>	<b>-464</b>	<b>-478</b>	<b>-1,884</b>	<b>-484</b>	<b>-448</b>	<b>-444</b>	<b>-456</b>	<b>-1,832</b>
<b>EBITDA</b>	<b>408</b>	<b>455</b>	<b>453</b>	<b>418</b>	<b>1,733</b>	<b>418</b>	<b>463</b>	<b>474</b>	<b>441</b>	<b>1,796</b>
Segment EBITDA margin %	27.6%	30.2%	30.0%	27.8%	28.9%	29.2%	31.7%	31.9%	29.6%	30.6%



## 8.3.2. Consumer – Financials

### *X-Play view*

(EUR million)	Q115	Q215	Q315	Q415	2015	Q116	Q2'16	Q3'16	Q4'16	2016
<b>Revenues</b>	<b>712</b>	<b>727</b>	<b>720</b>	<b>733</b>	<b>2,892</b>	<b>710</b>	<b>718</b>	<b>734</b>	<b>742</b>	<b>2,905</b>
<b>Revenues X-Play</b>	<b>556</b>	<b>565</b>	<b>577</b>	<b>575</b>	<b>2,272</b>	<b>580</b>	<b>582</b>	<b>590</b>	<b>585</b>	<b>2,337</b>
4-Play	172	179	184	186	721	190	193	197	201	781
3-Play	171	175	179	179	705	182	183	185	182	732
2-Play	83	81	82	81	327	80	79	79	78	316
1-Play	130	129	132	129	520	128	127	128	125	508
<b>Prepaid</b>	<b>46</b>	<b>47</b>	<b>42</b>	<b>40</b>	<b>174</b>	<b>38</b>	<b>38</b>	<b>35</b>	<b>33</b>	<b>144</b>
<b>Terminals sales</b>	<b>46</b>	<b>47</b>	<b>36</b>	<b>46</b>	<b>175</b>	<b>32</b>	<b>34</b>	<b>43</b>	<b>60</b>	<b>169</b>
<b>Tango</b>	<b>31</b>	<b>31</b>	<b>33</b>	<b>35</b>	<b>130</b>	<b>31</b>	<b>30</b>	<b>32</b>	<b>34</b>	<b>127</b>
<b>Other</b>	<b>33</b>	<b>38</b>	<b>33</b>	<b>37</b>	<b>141</b>	<b>29</b>	<b>34</b>	<b>33</b>	<b>31</b>	<b>127</b>

### *Product view*

(EUR million)	Q115	Q215	Q315	Q415	2015	Q116	Q216	Q316	Q416	2016
<b>REPORTED</b>										
<b>Revenues</b>	712	727	720	733	2,892	710	718	734	742	2,905
<b>UNDERLYING</b>										
<b>Revenues</b>	<b>712</b>	<b>727</b>	<b>720</b>	<b>733</b>	<b>2,892</b>	<b>710</b>	<b>718</b>	<b>734</b>	<b>742</b>	<b>2,905</b>
<b>Fixed</b>	<b>365</b>	<b>368</b>	<b>375</b>	<b>377</b>	<b>1,484</b>	<b>379</b>	<b>381</b>	<b>383</b>	<b>384</b>	<b>1,526</b>
Voice	139	137	138	137	551	134	131	131	128	524
Data (Internet & Data Connectivity)	135	137	142	144	558	147	151	150	151	599
TV	78	82	82	85	327	87	88	91	94	360
Terminals (excl. TV)	5	5	5	4	19	4	4	4	4	15
ICT	7	7	7	8	29	7	7	7	7	29
<b>Mobile Services</b>	<b>246</b>	<b>254</b>	<b>255</b>	<b>250</b>	<b>1,006</b>	<b>248</b>	<b>250</b>	<b>251</b>	<b>246</b>	<b>995</b>
Postpaid	200	208	213	210	831	210	213	216	213	852
Prepaid	46	47	42	40	174	38	38	35	33	144
<b>Mobile Terminals</b>	<b>40</b>	<b>40</b>	<b>28</b>	<b>36</b>	<b>145</b>	<b>25</b>	<b>30</b>	<b>37</b>	<b>53</b>	<b>146</b>
<b>Subsidiaries (Tango)</b>	<b>31</b>	<b>31</b>	<b>33</b>	<b>35</b>	<b>130</b>	<b>31</b>	<b>30</b>	<b>32</b>	<b>34</b>	<b>127</b>
<b>Other Products</b>	<b>30</b>	<b>33</b>	<b>30</b>	<b>34</b>	<b>128</b>	<b>28</b>	<b>27</b>	<b>30</b>	<b>26</b>	<b>110</b>
Of which Installation & Activation	6	5	5	4	20	5	4	6	4	18
Costs of materials & charges to revenues	-171	-174	-161	-187	-692	-160	-163	-172	-197	-691
<b>Direct Margin</b>	<b>542</b>	<b>553</b>	<b>560</b>	<b>545</b>	<b>2,200</b>	<b>551</b>	<b>555</b>	<b>562</b>	<b>546</b>	<b>2,214</b>
<i>Direct Margin %</i>	<i>76.0%</i>	<i>76.0%</i>	<i>77.7%</i>	<i>74.5%</i>	<i>76.1%</i>	<i>77.5%</i>	<i>77.3%</i>	<i>76.6%</i>	<i>73.5%</i>	<i>76.2%</i>

## 8.3.3. Consumer Operationals

### X-play view

	Q115	Q215	Q315	Q415	2015	Q116	Q216	Q316	Q416	2016
<b>Households/Small Offices per Play - Total (thousands)</b>	<b>2,928</b>	<b>2,939</b>	<b>2,942</b>	<b>2,951</b>	<b>2,951</b>	<b>2,951</b>	<b>2,950</b>	<b>2,945</b>	<b>2,943</b>	<b>2,943</b>
4 - Play	510	521	531	547	547	555	564	571	601	601
3 - Play	722	738	744	755	755	768	771	775	763	763
2 - Play	472	468	462	455	455	451	449	446	438	438
1 - Play	1,224	1,212	1,204	1,194	1,194	1,177	1,166	1,153	1,141	1,141
Fixed Voice	458	444	430	415	415	398	384	372	358	358
Fixed Internet	112	115	117	119	119	122	123	125	127	127
TV	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Mobile Postpaid	653	653	658	661	661	657	658	656	656	656
<b>Average revenue x - play (in EUR)</b>	<b>63.4 €</b>	<b>64.1 €</b>	<b>65.5 €</b>	<b>65.0 €</b>	<b>64.5 €</b>	<b>65.5 €</b>	<b>65.7 €</b>	<b>66.8 €</b>	<b>66.2 €</b>	<b>66.1 €</b>
4 - Play	115.0 €	115.4 €	116.6 €	115.1 €	115.5 €	114.9 €	114.9 €	116.1 €	115.1 €	115.2 €
3 - Play	80.6 €	79.9 €	80.7 €	79.6 €	80.2 €	79.6 €	79.3 €	80.0 €	78.5 €	79.3 €
2 - Play	57.8 €	57.7 €	59.0 €	58.7 €	58.3 €	58.9 €	58.5 €	59.1 €	58.3 €	58.7 €
1 - Play	35.0 €	35.4 €	36.4 €	35.8 €	35.7 €	36.0 €	36.0 €	36.9 €	36.2 €	36.3 €
<b>Average #RGUs per household/Small Office - Total</b>	<b>2.54</b>	<b>2.55</b>	<b>2.57</b>	<b>2.59</b>	<b>2.59</b>	<b>2.61</b>	<b>2.62</b>	<b>2.63</b>	<b>2.65</b>	<b>2.65</b>
4 - Play	4.83	4.82	4.83	4.83	4.83	4.83	4.82	4.82	4.82	4.82
3 - Play	3.35	3.34	3.34	3.34	3.34	3.34	3.33	3.33	3.32	3.32
2 - Play	2.22	2.22	2.22	2.21	2.21	2.21	2.21	2.20	2.20	2.20
1 - Play	1.22	1.22	1.23	1.23	1.23	1.23	1.23	1.23	1.23	1.23
<b>Annualized full churn rate (household/Small Office Level) - Total</b>	<b>14.4%</b>	<b>12.1%</b>	<b>13.3%</b>	<b>13.4%</b>	<b>13.3%</b>	<b>13.4%</b>	<b>12.0%</b>	<b>12.7%</b>	<b>13.6%</b>	<b>12.9%</b>
4 - Play	2.9%	2.5%	3.0%	2.9%	2.8%	2.8%	2.7%	2.4%	2.8%	2.7%
3 - Play	10.6%	9.6%	11.8%	11.2%	10.8%	10.4%	9.6%	9.6%	10.2%	9.9%
2 - Play	12.4%	10.7%	12.3%	11.3%	11.7%	12.1%	10.3%	10.9%	11.6%	11.2%
1 - Play	22.1%	18.1%	19.1%	20.3%	19.9%	20.8%	18.8%	20.5%	22.0%	20.5%
<b>% Convergent HH / SO - Total</b>	<b>51.7%</b>	<b>51.9%</b>	<b>52.5%</b>	<b>53.1%</b>	<b>53.1%</b>	<b>53.2%</b>	<b>53.5%</b>	<b>53.9%</b>	<b>54.5%</b>	<b>54.5%</b>
<small>(i.e. % of HH/SO having Mobile + Fixed component)</small>										
4 - Play	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
3 - Play	36.2%	36.1%	36.5%	36.9%	36.9%	36.8%	37.0%	37.6%	36.6%	36.6%
2 - Play	23.3%	23.3%	23.5%	23.8%	23.8%	23.5%	23.4%	23.4%	23.5%	23.5%

## Product view

	Q115	Q215	Q315	Q415	2015	Q116	Q216	Q316	Q416	2016
<b>From Fixed</b>										
<b>Number of access channels (thousands)</b>	<b>3,789</b>	<b>3,810</b>	<b>3,811</b>	<b>3,830</b>	<b>3,830</b>	<b>3,837</b>	<b>3,832</b>	<b>3,824</b>	<b>3,841</b>	<b>3,841</b>
Voice	2,140	2,136	2,121	2,112	2,112	2,096	2,078	2,058	2,060	2,060
Broadband	1,649	1,674	1,690	1,718	1,718	1,741	1,754	1,767	1,781	1,781
TV (thousands)	1,657	1,692	1,716	1,759	1,759	1,795	1,816	1,834	1,848	1,848
Unique Customers	1,340	1,365	1,384	1,414	1,414	1,440	1,458	1,472	1,489	1,489
of which multiple settop boxes	317	327	332	345	345	354	357	361	359	359
<b>ARPU (EUR)</b>										
ARPU Voice	217	213	217	215	216	213	209	212	208	210
ARPU broadband	276	275	282	280	279	283	288	284	283	284
ARPU TV	198	201	200	201	200	202	202	207	211	206
<b>From Mobile</b>										
<b>Number of active customers (thousands)</b>	<b>4,230</b>	<b>4,229</b>	<b>4,236</b>	<b>4,229</b>	<b>4,229</b>	<b>4,202</b>	<b>4,189</b>	<b>4,172</b>	<b>4,125</b>	<b>4,125</b>
Prepaid	1,416	1,376	1,341	1,307	1,307	1,268	1,239	1,210	1,170	1,170
Postpaid	2,815	2,853	2,895	2,922	2,922	2,934	2,950	2,962	2,955	2,955
Among which Paying cards	2,330	2,357	2,390	2,428	2,428	2,436	2,453	2,467	2,494	2,494
Among which M2M and Internet Everywhere cards	485	496	505	494	494	498	497	495	461	461
Among which M2M	3	2	3	2	2	2	2	2	2	2
Among which Internet Everywhere cards	482	494	502	492	492	496	495	494	459	459
<b>Annualized churn rate (blended)</b>										
Prepaid	33.7%	32.7%	35.0%	35.4%	34.2%	35.0%	35.0%	37.9%	37.2%	36.3%
Postpaid	15.4%	13.4%	13.8%	15.6%	14.5%	15.2%	14.0%	15.5%	16.4%	15.2%
Blended	22.7%	20.9%	21.9%	23.0%	22.1%	22.4%	21.5%	23.4%	23.5%	22.7%
<b>Net ARPU (EUR)</b>										
Prepaid	107	112	104	100	105	98	101	96	92	97
Postpaid	289	296	300	291	294	288	289	293	287	289
Blended	219	227	228	223	224	222	226	228	224	225
<b>Average Mobile data usage user/month (Mb)</b>										
4G	855	851	920	945		1,039	1,090	1,107	1,197	
Blended	474	511	581	627		725	790	842	945	

## 8.3.4. Enterprise – Financials

(EUR million)	Q115	Q215	Q315	Q415	2015	Q116	Q216	Q316	Q416	2016
<b>REPORTED</b>										
<b>Revenues</b>	328	326	331	350	1,335	329	345	334	352	1,360
<b>UNDERLYING</b>										
<b>Revenues</b>	<b>328</b>	<b>326</b>	<b>331</b>	<b>350</b>	<b>1,335</b>	<b>329</b>	<b>345</b>	<b>334</b>	<b>352</b>	<b>1,360</b>
<b>Fixed</b>	<b>238</b>	<b>236</b>	<b>242</b>	<b>256</b>	<b>971</b>	<b>237</b>	<b>250</b>	<b>241</b>	<b>254</b>	<b>982</b>
Voice	64	62	61	61	248	61	60	58	58	237
Data (Internet & Data Connectivity)	62	62	63	63	250	63	63	63	62	251
TV	0	0	0	0	0	0	0	0	0	0
Terminals (excl. TV)	5	5	5	5	19	5	5	5	5	19
ICT	107	107	113	127	455	108	123	115	129	475
<b>Mobile Services</b>	<b>79</b>	<b>80</b>	<b>82</b>	<b>83</b>	<b>324</b>	<b>83</b>	<b>80</b>	<b>80</b>	<b>80</b>	<b>323</b>
<b>Mobile Terminals</b>	<b>6</b>	<b>3</b>	<b>3</b>	<b>6</b>	<b>18</b>	<b>4</b>	<b>5</b>	<b>5</b>	<b>7</b>	<b>21</b>
<b>Other Products</b>	<b>6</b>	<b>6</b>	<b>4</b>	<b>5</b>	<b>21</b>	<b>5</b>	<b>9</b>	<b>8</b>	<b>11</b>	<b>34</b>
Of which Installation & Activation	1	1	1	1	3	1	1	1	1	3
Costs of materials and charges to revenues	-93	-91	-95	-109	-388	-91	-105	-99	-111	-406
<b>Direct Margin</b>	<b>235</b>	<b>235</b>	<b>236</b>	<b>241</b>	<b>947</b>	<b>237</b>	<b>240</b>	<b>235</b>	<b>242</b>	<b>954</b>
Direct Margin %	71.7%	72.2%	71.4%	68.8%	71.0%	72.2%	69.6%	70.4%	68.5%	70.2%

## 8.3.5. Enterprise – Operationals

	Q115	Q215	Q315	Q415	2015	Q116	Q216	Q316	Q416	2016
<b>From Fixed</b>										
<b>Number of access channels (thousands)</b>	<b>825</b>	<b>815</b>	<b>808</b>	<b>798</b>	<b>798</b>	<b>784</b>	<b>774</b>	<b>768</b>	<b>758</b>	<b>758</b>
Voice	686	677	670	660	660	647	637	630	620	620
Broadband	139	138	137	137	137	137	137	138	138	138
<b>ARPU (EUR)</b>										
ARPU Voice	30.8	30.1	30.3	30.7	30.5	31.1	31.1	30.7	30.8	30.9
ARPU Broadband	43.5	43.8	44.5	43.7	43.9	43.4	43.6	43.8	43.3	43.5
<b>From Mobile</b>										
<b>Number of active customers (thousands)</b>	<b>1,179</b>	<b>1,200</b>	<b>1,338</b>	<b>1,470</b>	<b>1,470</b>	<b>1,889</b>	<b>2,014</b>	<b>2,093</b>	<b>2,117</b>	<b>2,117</b>
Among which voice and data cards	869	879	885	894	894	901	910	924	937	937
Among which M2M (including a limited number of Internet Everywhere cards)	311	321	453	576	576	988	1,105	1,169	1,179	1,179
<b>Annualized churn rate (blended)</b>	<b>11.3%</b>	<b>10.0%</b>	<b>8.9%</b>	<b>10.3%</b>	<b>10.1%</b>	<b>10.8%</b>	<b>10.7%</b>	<b>8.9%</b>	<b>9.8%</b>	<b>10.0%</b>
<b>Net ARPU (EUR)</b>										
Postpaid	29.3	29.7	30.0	30.0	29.7	29.8	28.6	28.1	27.6	28.5
<b>Average Mobile data usage user/month (Mb)</b>										
4G	718	752	811	862		973	1,045	1,074	1,170	
Blended	488	529	590	645		756	833	880	982	

## 8.3.6. Wholesale – Financials

(EUR million)	Q115	Q215	Q315	Q415	2015	Q116	Q216	Q316	Q416	2016
<b>REPORTED</b>										
<b>Revenues</b>	51	53	51	48	202	48	49	51	46	194
<b>UNDERLYING</b>										
<b>Revenues</b>	51	53	51	48	202	48	49	51	46	194
<b>Direct Margin</b>	43	46	44	41	174	43	43	44	40	169
<i>Direct Margin %</i>	85.5%	86.6%	86.3%	86.3%	86.2%	88.4%	88.4%	85.8%	86.0%	87.1%

## 8.3.7. Retail Operationals and MVNO customers reported in Wholesale

	Q115	Q215	Q315	Q415	2015	Q116	Q216	Q316	Q416	2016
<b>From Fixed</b>										
<b>Number of access channels (thousands)</b>										
Voice (1)	9	9	9	8	8	9	9	8	8	8
Broadband (1)	1	1	1	1	1	1	1	1	1	1
<b>From Mobile</b>										
<b>Number of active Mobile customers (thousands)</b>										
Retail (1)	11	10	10	10	10	10	10	9	9	9
MVNO	11	11	11	12	12	13	14	15	16	16

(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	Q316	Q416	2016
<b>REPORTED</b>										
<b>Revenues</b>	399	411	420	385	1,616	356	359	382	363	1,460
<b>Segment Result</b>	39	47	41	34	160	35	38	40	37	149
<b>UNDERLYING</b>										
<b>Revenues</b>	399	411	420	385	1,616	356	359	382	363	1,460
Revenues from Voice	335	347	347	318	1,347	286	288	303	291	1,169
Revenues from non-Voice	65	64	73	67	269	70	71	79	72	292
Costs of materials and charges to revenues	-335	-336	-348	-320	-1,338	-289	-292	-310	-296	-1,186
<b>Direct Margin</b>	65	75	73	65	278	67	67	73	68	274
<i>Direct Margin %</i>	16.2%	18.3%	17.4%	16.9%	17.2%	18.8%	18.6%	19.1%	18.6%	18.8%
<b>Total expenses before D&amp;A</b>	-25	-29	-32	-32	-118	-32	-29	-33	-31	-125
Workforce expenses	-12	-14	-13	-15	-53	-13	-13	-14	-13	-53
Non Workforce expenses	-14	-15	-19	-17	-64	-19	-16	-20	-18	-72
<b>Segment result</b>	39	47	41	34	160	35	38	40	36	149
<i>Segment contribution margin %</i>	9.8%	11.3%	9.7%	8.7%	9.9%	9.9%	10.5%	10.3%	10.0%	10.2%

## 8.3.9. BICS - Operational

Volumes in million	Q115	Q215	Q315	Q415	2015	Q116	Q216	Q316	Q416	2016
Voice	6,504	6,859	6,398	6,552	26,313	6,034	6,575	6,948	6,667	26,224
Non-Voice (Messaging)	656	710	785	851	3,002	833	909	903	913	3,558



## 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

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

**Broadband access channels:** containing both ADSL and VDSL lines. For Consumer 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.

**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 (reported):** the result of cost of sales subtracted from the revenues (including non-recurring), expressed in absolute value or in % of revenues.

**Direct margin (underlying):** the result of underlying cost of sales subtracted from the underlying revenue, expressed in absolute value or in % of revenues.

**Domestic:** defined as the Proximus Group excluding BICS

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

**EBITDA (underlying):** Earnings Before Interest, Taxes Depreciations and Amortization; corresponds to underlying revenue minus underlying Cost of sales, workforce and non-workforce expenses

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

**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 Enterprise specifically, this also contains the number of Business Trunking lines (solution for the integration of voice and data traffic on one single data network.)

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

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

**General and Administrative expenses (G&A):** remaining domestic expenses; excluding Marketing, Sales and Servicing and Network and IT expenses, i.e. mainly overheads.

**ICT:** Information and Communications Technology (ICT) is an extended term for information technology (IT) which stresses the role of unified communications and the integration of telecommunications (telephone lines and wireless signals), computers as well as necessary

enterprise software, middleware, storage, and audio-visual systems, which enable users to access, store, transmit, and manipulate information. Proximus' ICT solutions include, but are not limited to, Security, Cloud, "Network & Unified Communication", "Enterprise Mobility Management" and "Servicing and Sourcing".

**Incidental:** adjustments including non-recurring income and expenses (\*) and other material(\*\*) items that are outside the scope of usual business operations, such as: divestments of consolidated companies, gains and losses on disposal of buildings, M&A (acquisition, merger, divestment,...) related transaction costs, deferred M&A purchase price, pre-identified one shot projects (such as rebranding costs), changes of accounting treatments (such as the application of IFRIC 21), financial impacts of litigation files, fines and penalties, financial impact of law changes (one-off impact relative to previous years), recognition of previously unrecognized assets and impairment losses.

A detailed reconciliation from Reported to Underlying Revenue and EBITDA is presented in section 8.1.

(\*) Non-recurring income and non-recurring expenses include gains or losses on the disposal of consolidated companies exceeding individually EUR 5 million, fines and penalties imposed by competition authorities or by the regulator exceeding EUR 5 million, costs of employee restructuring programs and the effect of settlements of post-employment benefit plans with impacts for the beneficiaries.

(\*\*) The materiality threshold is met when an impact exceeds EUR 5 million. No materiality threshold is defined for divestments of consolidated companies, gains and losses on disposal of buildings, M&A related transaction costs and deferred M&A purchase price. No threshold is used for adjustments in a subsequent quarter of the same year if the threshold was met in a previous quarter.

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

**Mobile active customers:** includes voice and data cards as well as Machine-to-Machine (Enterprise). 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 ARPU:** calculated on the basis of monthly averages for the period indicated. Monthly 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.

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

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

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

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

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

**Reported Revenues:** this corresponds to the TOTAL INCOME.

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

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

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

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

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

## 8.5. Management statement

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

## 8.6. Financial calendar

10 April 2017	Start of quiet period ahead of the Q1 2017 results
19 April 2017	Annual General Shareholder meeting
5 May 2017	Announcement of Q1 2017 results
10 July 2017	Start of quiet period ahead of the Q2 2017 results
28 July 2017	Announcement of Q2 2017 results
9 October 2017	Start of quiet period ahead of the Q3 2017 results
27 October 2017	Announcement of Q3 2017 results

Dates could be subject to change



## 8.7. Contact details

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## 8.8. Investor & analyst conference call

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### Analyst conference call details

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Proximus will host a conference call for investors and analysts on Friday 24 February 2017.

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

Dial-in UK	+44 20 3043 2440
Dial-in USA	+1 6467224907
Dial-in Europe	+32 2 4029640
Code	29651590#

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