

2017 Q1

Quarterly Report

Table of contents

1.	Highlights Q1 2017.....	3
2.	Proximus Group financial review.....	5
3.	Consumer.....	13
4.	Enterprise.....	18
5.	Wholesale.....	20
6.	International Carrier Services – BICS.....	21
7.	Condensed consolidated financial statements.....	23
8.	Additional information.....	29
8.1.	Reporting changes.....	29
8.2.	Other reporting remarks.....	30
8.3.	Incidentals.....	30
8.4.	Quarterly results tables.....	31
8.5.	Definitions.....	37
8.6.	Management statement.....	38
8.7.	Financial calendar.....	38
8.8.	Contact details.....	39
8.9.	Investor & analyst conference call.....	39

1. Highlights Q1 2017

- **Robust customer growth in competitive market. Continued traction for Tuttimus/Bizz All-In with 192,000 subscribers by end-March 2017**
- **Q1'17 underlying Domestic revenue grew by 3.2% YoY in spite of roaming regulation impact.**
- **Firm cost savings continued, well on track to deliver cost reduction ambition set for 2019**
- **Q1'17 underlying Group EBITDA of EUR 449 million, +7.5% year-on-year**
- **Full-year 2017 outlook confirmed.**

- For the first quarter of 2017, Proximus posted **Domestic underlying revenue of EUR 1,111 million, a 3.2% growth** from the previous year. This was achieved through higher revenue from ICT, Fixed Data and TV, and higher mobile devices revenue versus a low comparable base. Mobile Services revenue for the Consumer and Enterprise segments combined ended 3.1% below the prior year, including an accelerated revenue decline for Prepaid. Mobile Postpaid revenue remained fairly stable on a growing Postpaid customer base which offset the roaming regulation pressure.
BICS posted EUR 332 million revenue, 6.6% less compared to the same period of 2016. As a result, **Proximus revenue for the Group totaled EUR 1,443 million, 0.7% above** the same period of 2016.
- Proximus **Domestic posted a fairly flat direct margin of EUR 834 million for the first quarter of 2017, -0.2%** from the prior year. The roaming-out regulation negatively impacted the direct margin by an estimated EUR 17 million. **In the first quarter of 2017 BICS posted a EUR 64 million direct margin, a 3.5% erosion compared to the previous year.** In aggregate, the underlying **Proximus Group direct margin was slightly down by 0.4%** totaling EUR 898 million.
- Proximus remains well on track to deliver its EUR 150 million cost reduction ambition set for 2019. **Domestic expenses for the first quarter of 2017 were 7.8% lower**, with a high comparable base in 2016 which included a higher amount of regional pylon tax provisions. **This year-on-year effect aside, Proximus Domestic posted a strong sequential cost reduction of 4.9%.** **BICS operating expenses remained fairly stable** at EUR 31 million.
- **Proximus' first-quarter 2017 underlying Group EBITDA totaled EUR 449 million**, up by 7.5% from the comparable period of 2016, which included higher regional pylon taxes provisions. Apart from this effect, the Group EBITDA grew by 4.0%, resulting from another solid quarter for its Domestic business driven by an ongoing firm reduction of operating expenses. BICS posted EBITDA of EUR 33 million, a EUR 2 million decrease from the prior year.
- In the first quarter of 2017 **Proximus invested EUR 221 million**, which compares to EUR 237 million for 2016. Proximus continued to invest in a comprehensive entertainment offer, further deployed simplification and transformation projects that contribute to the decreasing cost base, and a further improvement of its mobile and fixed network. With Fiber for Belgium initiated for five cities, Fiber related capex will grow over the coming quarters.
- **Proximus' FCF for the first quarter of 2017 totaled EUR 173 million.** This was EUR 40 million more than the FCF reported for the comparable period in 2016, driven by the growth in underlying EBITDA, a positive impact from business working capital, less cash for capex and some timing benefits.

- With the continued success of the new product portfolio launched mid-October 2016, and Scarlet thriving as low-cost offer in the market, Proximus has firmly grown its customer base for Fixed Internet and TV, with churn levels remaining well below those of a year ago. The Mobile Postpaid too grew solidly.

Notwithstanding the intense competitive environment, Proximus achieved further progress in its market shares for Fixed Internet to 46.6% and for Digital TV to 36.3%, while for Mobile its market share was 38.5%⁴, -0.2pp from a year ago.

+27,000¹ unique TV-customers, total of 1,516,000
 +24,000 Fixed Internet lines, total of 1,944,000
 -6,000 Fixed Voice lines, total of 2,682,000 lines
 +44,000² Mobile Postpaid cards, 3,780,000 in total
 -64,000 Mobile Prepaid cards 1,117,000 in total
 +24,000 3 & 4-Play HH/SO³, total of 1,390,000, i.e. 47.2% of total base
 55.6% Convergent HH/SO, +2.4 p.p. year-on-year

Dominique Leroy, CEO of Proximus Group



We started the year in good shape, with a solidly growing customer base for our main products.

In an intense competitive setting we achieved the best customer growth for TV and Internet in the market and therefore further progressed our market shares, in all regions. This was supported by a continued good traction of the Proximus 4-Play offers Tuttimus and Bizz All-in, growing to 192,000 subscribers at the end of March 2017. Our no-frills brand Scarlet realized a strong quarter as well with its growing customer base, proof of Scarlet' good position in the price seekers market.

We also maintained a strong position on the mobile Postpaid market, growing our mobile Postpaid base by 44,000 cards, while, as we expected, the decline in Prepaid further accelerated.

Our first quarter financials clearly show that we managed to stay focused on improving our cost base. With a continued firm cost reduction for our Domestic business we are getting yet again one step closer to our cost ambition set for 2019. Notwithstanding the regulatory headwinds on roaming, we realized over the first 3 months of the year a sound EBITDA growth, well on track to achieve our ambition to close the year with nearly stable Domestic revenue and a slightly growing Group EBITDA. With our Fiber for Belgium roll-out launched in the first quarter, we also confirm our 2017 capex expectation of around EUR 1 billion.

We will further deliver upon our Fit for Growth strategy, transforming Proximus into a Digital Service Provider, focused on innovative and meaningful technologies. In this view, we recently announced BICS' agreement to acquire TeleSign, becoming a robust provider leveraging traditional and digital communication, while reinforcing our footprint in the Americas and expanding our customer reach to global over-the-top Internet brands. In our Domestic market, we acquired Davinsi Labs, a young, rapidly growing Belgian cybersecurity company, market leader in the Benelux for Security Analytics and Vulnerability Management. This will reinforce our Enterprise segment in terms of ICT expertise and complete offering in cybersecurity.



¹ Not including second or third TV settop boxes.

² Group (Consumer, Enterprise, Tango) figure. Including Full Control mobile postpaid offer. 2016 figures in this report have been restated accordingly.

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

⁴ Restated mobile market shares, based on active mobile cards, excluding M2M and free mobile cards.

2. Proximus Group financial review

- Q1 2017 Group revenue +0.7% resulting from +3.2% growth in Domestic revenue.
- Revenue growth in ICT, TV, Fixed Data, Advanced business services, and device sales, more than offsetting roaming regulation impact and prepaid erosion.
- Q1 2017 underlying Group EBITDA progressed to EUR 449 million.
- Solid first quarter free cash flow of EUR 173 million.

2.1. Group financials

Table 1: Underlying Group P&L

(EUR million)	1st Quarter		
	2016	2017	% Change
TOTAL INCOME (*)	1,433	1,443	0.7%
Costs of materials and charges to revenues (**)	-531	-545	2.8%
TOTAL DIRECT MARGIN	902	898	-0.4%
Direct margin %	63.0%	62.2%	-0.7 p.p.
TOTAL EXPENSES	-484	-449	-7.3%
TOTAL EBITDA	418	449	7.5%
Segment EBITDA margin %	29.2%	31.1%	2.0 p.p.

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

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

Underlying
Group P&L

2.1.1. Underlying Group revenue

For the first quarter of 2017, Proximus posted Domestic underlying revenue of EUR 1,111 million, 3.2% higher than the previous year. Revenue from Fixed was up by 3.7%, resulting from higher ICT revenue (+14.7%), continued growth in Fixed Data (+2.3%), TV (+9.2%). Mobile devices revenue increased versus a low comparable base. Mobile Services revenue for the Consumer and Enterprise segment combined ended 3.1% below the prior year. This includes a fairly stable Postpaid revenue, with a growing Mobile Postpaid customer base and improved tiering offsetting the price pressure from roaming regulation⁵. The revenue erosion of Mobile Prepaid, however, accelerated sequentially, triggered by the identification legislation in an already declining market. Proximus' carrier services, BICS, posted EUR 332 million in revenue, 6.6% less compared to the same period of 2016.

As a result, Proximus' first-quarter underlying revenue for the Group totaled EUR 1,443 million, 0.7% higher compared to the same period of 2016.

Table 2: Group revenue by segment

(EUR million)	1st Quarter		
	2016	2017	% Change
Group Reported	1,433	1,444	0.8%
Incidentals	0	0	
Group underlying by Segment	1,433	1,443	0.7%
Domestic	1,077	1,111	3.2%
Consumer	706	720	1.9%
Enterprise	333	348	4.7%
Wholesale	48	52	8.0%
Other (incl. eliminations)	-10	-9	10.9%
International Carrier Services (BICS)	356	332	-6.6%

⁵ See section 2.2 more information

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

- **Consumer revenue grew by 1.9% to a total of EUR 720 million.** Supported by ongoing traction for its new product portfolio and by a solid growth for Scarlet, Proximus continued to successfully expand its customer base. As a result, Fixed revenue continued its growth trend, up by 2.5% in the first quarter. Mobile Postpaid service revenue posted a 2.3% revenue increase, despite the roaming regulation impact. This was more than offset however by lower Prepaid revenue, impacted by the authentication legislation.
- **Enterprise segment posted a solid 4.7% revenue increase to EUR 348 million,** achieved despite regulatory and competitive headwinds. The growth was primary ICT-driven, combined with a solid contribution from Proximus' smart mobility company BeMobile, but it was however mitigated by the ongoing erosion of legacy Fixed Voice, and regulatory pressure on Mobile Service revenue.
- **Wholesale revenue of EUR 52 million** for the first quarter of 2017, including a corrective impact following the annulment by the Brussels Appeal Court of the new Fixed Termination rates⁶. Apart from this, the revenue for Wholesale was stable to the prior year, with higher roaming-in revenue driven by increased data volumes being offset by a decline in traditional wholesale products.
- **BICS posted for the first-quarter of 2017 underlying revenue of EUR 332 million, down by 6.6%** compared to 2016. As in prior quarters, the revenue decline was driven by a continued high volatility in the Voice business.

Table 3: Group revenue by product group

(EUR million)	1st Quarter		
	2016	2017	% Change
Revenues	1,433	1,443	0.7%
Domestic	1,077	1,111	3.2%
Fixed	616	638	3.7%
Voice	195	188	-3.9%
Data (Internet & Data Connectivity)	209	214	2.3%
TV	87	95	9.2%
Terminals (excl. TV)	9	9	2.3%
ICT	116	133	14.7%
Mobile Services	331	321	-3.1%
Postpaid	293	294	0.3%
Prepaid	38	27	-29.8%
Mobile Terminals	29	45	56.4%
Advanced Business Services	2	6	>100%
Subsidiaries (Tango)	31	31	0.2%
Other Products	31	27	-11.3%
Wholesale	48	52	8.0%
<i>Other segment (incl. eliminations)</i>	<i>-10</i>	<i>-9</i>	<i>10.9%</i>
International Carrier Services (BICS)	356	332	-6.6%

⁶ See section 2.2

2.1.2. Underlying Group direct margin

Table 4: Group direct margin by segment

(EUR million)	1st Quarter		
	2016	2017	% Change
Group Reported	902	898	-0.4%
<i>Incidentals</i>	0	0	
Group underlying by Segment	902	898	-0.4%
Domestic	835	834	-0.2%
Consumer	548	547	-0.3%
Enterprise	240	238	-0.6%
Wholesale	43	45	5.6%
Other (incl. eliminations)	5	4	-16.2%
International Carrier Services (BICS)	67	64	-3.5%

Proximus Domestic posted a fairly flat direct margin of EUR 834 million, -0.2% from the prior year, and was 75.0% of revenue. The direct margin for both the Consumer and Enterprise segment was slightly down, including a EUR -17 million impact from the roaming-out regulation. The direct margin from Proximus' Wholesale segment, however, benefitted from higher roaming-in margin on high volumes, and was in the first quarter 2017 positively impacted by a correction on Fixed Termination Rates following a court ruling⁷.

BICS posted a 3.5% erosion of direct margin in the first quarter of 2017, totaling EUR 64 million. This mainly resulted from a decrease in the non-Voice direct margin driven by the impact of higher competition in some of its sub-segments.

In aggregate, the **Proximus Group** underlying direct margin was slightly down 0.4%, totaling EUR 898 million for the first quarter of 2017.

2.1.3. Underlying Group expenses⁸

The **Proximus Group** underlying operating expenses for the first quarter of 2017 were down by 7.3% from the previous year. This resulted from a 7.8% or EUR 35 million decrease in Proximus' Domestic expenses from a high comparable base, with the first quarter of 2016 covering higher regional pylon tax provisions. Apart from this year-on-year effect, **Proximus Domestic** posted a reduction in its expenses by 4.9% showing the continued benefit of initiatives launched to structurally reduce the cost base, keeping Proximus Domestic well on track to deliver its ambition to reduce its net costs by EUR 150 million by 2019.

BICS posted first-quarter 2017 operating expenses of EUR 31 million, with -0.3% fairly stable in relation to a year ago.

Workforce expenses declined by 3.0% year-on-year to EUR 287 million in the first quarter of 2017, supported by a lower internal headcount enabled by the voluntary early leave plan ahead of retirement⁹. The favorable effect this had on Proximus' cost base, however, was partly offset by the impact of an inflation-based salary increase in July 2016 and the natural wage drift. The Proximus Group employed a total of 13,206 FTEs at end-March 2017, i.e. 832 fewer FTEs compared to a year ago, and -426 FTEs compared to end-2016. This was mainly through a combination of employees having left under the early leave plan ahead of retirement and legal retirements, while Proximus strengthened its human resources by hiring some business critical profiles supporting new domains, among others.

First-quarter 2017 non-workforce expenses totaled EUR 162 million, or 14.2% less versus a high comparable base in 2016 driven by the above mentioned regional pylon taxes provisions.

⁷ See section 2.2

⁸ Excluding Cost of Sales and not including incidentals.

⁹ For detailed information, see second quarter 2016 results release

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

(EUR million)	1st Quarter		
	2016	2017	% Change
Group Reported	485	470	-3.2%
<i>Incidentals</i>	-1	-21	
Group Underlying	484	449	-7.3%
Workforce expenses	295	287	-3.0%
Non Workforce expenses	189	162	-14.2%
Domestic Underlying	453	417	-7.8%
Workforce expenses	282	272	-3.6%
Non Workforce expenses	170	145	-14.9%
BICS Underlying	32	31	-0.3%
Workforce expenses	13	14	10.5%
Non Workforce expenses	19	17	-7.7%
Domestic Underlying by nature	453	417	-7.8%
Marketing Sales & Servicing	219	216	-1.4%
Network & IT	161	136	-15.4%
General and Administrative (G&A)	73	65	-10.4%

2.1.4. Group EBITDA

(EUR million)	1st Quarter		
	2016	2017	% Change
Group Reported	417	428	2.7%
<i>Incidentals</i>	1	21	
Group underlying	418	449	7.5%
Domestic	383	416	8.8%
International Carrier Services (BICS)	35	33	-6.4%

Table 6: Operating income before depreciation and amortization

(1) Underlying Group EBITDA

Proximus' first-quarter 2017 underlying Group EBITDA totaled EUR 449 million, i.e. 7.5% or EUR 31 million more than a year ago. However, the first quarter of 2016 included higher related regional pylon taxes provisions. Excluding this effect, the Group EBITDA grew by 4.0%.

The growth in Proximus' Group EBITDA was driven by another solid quarter for its Domestic business, which, the pylon tax effect aside, showed an underlying EBITDA increase of 4.9%, or +8.8% in total for Proximus Domestic. The progress in Domestic EBITDA was driven by its ongoing strong reduction of operating expenses, in line with the company's cost reduction program.

BICS posted first-quarter 2017 EBITDA of EUR 33 million, a year-on-year decrease of EUR 2 million or -6.4%. This resulted from the lower direct margin, while BICS first quarter expenses remained stable compared to the same period of 2016.

(2) Total Reported Group EBITDA (incidentals included)

In the first quarter of 2017, the Proximus Group recorded EUR 21 million net EBITDA incidentals. Including these, the Proximus Group's reported EBITDA totaled EUR 428 million, compared to EUR 417 million the year before, i.e. an increase by 2.7%. See section 8.3 for more information on the incidentals.

2.1.5. Net income

Depreciation and amortization

The first quarter 2017 **depreciation and amortization totaled EUR 234 million**. This compares to EUR 226 million for 2016, with the increase mainly due to an increasing asset base over the years to depreciate.

Net finance cost

The first-quarter 2017 net finance cost was EUR 15 million, EUR 10 million lower versus last year's level of EUR 25 million, mainly resulting from refinancing at lower interest rate.

Tax expenses

The **first quarter 2017** tax expenses were EUR 55 million, representing an **effective tax rate of 30.8%** compared to 29% for the first quarter of 2016. The tax base was somewhat higher, while net tax deductions decreased. This was mainly the consequence of a lower notional interest rate.

Net income (Group share)

Proximus reported a net income (Group share) of EUR 119 million for the first quarter of 2017. The year-on-year **increase of EUR 7 million** is mainly explained by higher Group EBITDA and lower finance costs, partly offset by higher depreciation and amortization and tax expenses.

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

(EUR million)	1st Quarter		
	2016	2017	% Change
EBITDA	417	428	2.7%
Depreciation and amortization	-226	-234	3.6%
Operating income (EBIT)	191	194	1.7%
Net finance costs	-25	-15	-40.9%
Income before taxes	166	179	8.0%
Tax expense	-48	-55	14.7%
Non-controlling interests	5	5	-14.1%
Net income (Group share)	112	119	6.2%

2.1.6. Investments

In the first quarter of 2017 Proximus invested EUR 221 million, which compares to EUR 237 million for 2016. With the roll-out of Fiber for Belgium initiated for 5 cities (Brussels, Gent, Antwerp, Namur, Charleroi), the capex related to fiber will grow over the next quarters.

Proximus continued to invest in a comprehensive entertainment offering and further deployed simplification and transformation projects that contribute to the decreasing cost base.

With continued investments in its mobile network, Proximus provides a superior customer experience. Mobile customers enjoy a 4G outdoor coverage¹⁰ of 99.8% and indoor coverage of 98.2%. Proximus' network also supported a 70% increase in Mobile data in one year, with monthly data usage now reaching around 1.1 Gb on average and 1.3 Gb for 4G users. The smartphone penetration on Proximus' network increased to 68%, with a 4G smartphone penetration of 53% by end of March 2017, or +16.3pp in one year.

2.1.7. Cash flows

Table 8:
Cash flows

(EUR million)	1st Quarter		
	2016	2017	% Change
Cash flows from operating activities	413	435	5%
Cash paid for Capex (*)	-277	-266	-3.7%
Cash flows from / (used in) financing activities other investing activities	-3	4	>100%
Cash flow before financing activities (FCF)	133	173	30%
Net cash provided by financing activities (**)	3	155	>100%
Net decrease of cash and cash equivalents	136	328	>100%

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

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

Proximus' FCF for the first quarter of 2017 totaled EUR 173 million. This is EUR 40 million more than the FCF reported for the comparative period in 2016. This was mainly driven by a growth in underlying EBITDA, a positive impact from Business working capital, less cash for capex in the first three months of 2017 and favorable timing impacts.

Cash provided by financing activities totaled EUR 155 million for the first quarter of 2017. In March, Proximus successfully issued EUR 500 million Senior Unsecured Notes due March 2022, with a 0.50% annual coupon and reimbursed short-term debt of EUR 350 million.

2.1.8. Balance sheet and shareholders' equity

Tangible and intangible fixed assets decreased by EUR 16 million to EUR 3,993 million as a consequence of the invested capex which was lower than the amount of depreciation and amortization.

The shareholders' equity increased from EUR 2,819 million end-2016 to EUR 2,944 million end-March 2017. This mainly results from the net income Group Share (EUR 119 million) generated in the first quarter 2017.

End March 2017, Proximus' outstanding long-term debt amounted to EUR 2,266 million, while the net debt decreased to EUR 1,684 million at the end of March 2017, essentially reflecting the first quarter FCF generation.

¹⁰ Source: Comm Square results Q1 2017

Table 9: Net financial position

(EUR million)	As of 31 December 2016	As of 31 March 2017
Investments, Cash and cash equivalents (*)	302	630
Derivatives	7	7
Assets	309	637
Non-current liabilities (**)	-1,763	-1,859
Current liabilities (**)	-407	-461
Liabilities	-2,170	-2,321
Net financial position	-1,861	-1,684

(*) investments included

(**) LT bonds related derivatives included

2.2. Regulation

International Roaming

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

(EUR million)	Q1'17 Actuals	FY'17 Estimate
REVENUE	-17	-61
National	-14	-50
Tango	-2	-11
EBITDA	-17	-61
National	-14	-50
Tango	-2	-11

- Roaming-Out impact is defined as: Volumes of year-1 multiplied by the year-on-year price decrease as set by the regulator.
- Impact of lower Fixed Termination Rates was removed from the table, following positive outcome of the court ruling. See below.

On 30 April 2016 the transitory period before the complete abolition of 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.

End-April 2016, Proximus significantly lowered its roaming rates in Europe, while Scarlet, Proximus' low-cost telecom provider, completely abolished its roaming costs for all EU countries. The lowered roaming prices have an impact on Proximus' Mobile services revenue and margin. For full-year 2017, the negative impact is estimated at EUR 61 including an estimated amount of EUR 11 million for Tango.

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 pricing within the Fair Use Policy (FUP) aimed at avoiding abusive usage.

The EU Council and Parliament have formally approved the review of the roaming wholesale prices, which is a prerequisite for the introduction of RLAH. For data caps, a step by step reduction over 5 years is foreseen, with a decrease from EUR 7.7/GB as of 15 June 2017 to EUR 2.5/GB as of 1 January 2022. The Commission is tasked with reviewing these rates every two years with its first report due at the end of 2019.

Fixed termination rates

On 15 March 2017, the Brussels Appeal Court annulled the BIPT decision of 25 August 2016 which lowered the FTR to 0.092 eurocent/min. As a consequence, the previous tariffs are again applicable and Proximus Domestic recorded in the first quarter of 2017 a EUR 4 million correction in its revenue and EUR 2 million in EBITDA.

The BIPT is working on a new market analysis that is expected to be submitted to consultation this year.

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).

Prepaid identification

The identification of the old and new mobile Prepaid cards is now mandatory under Belgian law. The Royal Decree published in December 2016 details the rules regarding the identification methods, the prohibition to transfer an active card to a third person (except to the family or another identified

user), the notification to the operator within 24 hours in case of theft or loss and the prohibition for an operator to activate a new card for a user who has not been duly identified. The old Prepaid cards should be identified by 7 June 2017. Proximus implemented different solutions in order to allow its customers to identify easily their Prepaid cards. This legislation led to an accelerated decline of the Prepaid market

2.3. Outlook 2017

Based on its first quarter results of 2017, and taking into account its best estimate for the remainder of the year, including the implementation of 'Roam-Like-At-Home' as of mid-June, Proximus confirms its 2017 full-year outlook. Therefore Proximus expects to close the year with nearly stable Domestic revenue and slightly growing Group EBITDA, supported by its cost reduction plan. Proximus' Group capex for the year 2017 is expected to be around EUR 1 billion.

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

Table 11: Actuals vs Outlook

Guidance metrics	Actuals 2016	Outlook 2017	Q1'17 Achievement
<u>Domestic</u> underlying revenue	€4,410m	Nearly stable	3.2%
<u>Group</u> underlying EBITDA	€1,796m	Slight growth	7.5%
Capex	€949m	Around €1Bn	€221m

3. Consumer

- Success new offer confirmed: total of 192,000 Tuttimus and Bizz All-In customers end-March
- Strong customer acquisition despite competition tick-up: +25,000 Fixed Internet, +27,000 TV, +29,000 Mobile Postpaid, and +6,000 Fixed Voice.
- Mobile Postpaid service revenue +2.3%, despite roaming regulation. Total Mobile Services revenue -2.6% YoY, including accelerated decline in Prepaid revenue.
- Underlying direct margin nearly stable at EUR 547 million, i.e. 75.9% of revenue, including impact of higher device sales.

Table 12: Consumer revenue and direct margin

(EUR million)	1st Quarter		
	2016	2017	% Change
TOTAL SEGMENT INCOME	706	720	1.9%
Costs of materials and charges to revenues	-158	-174	9.8%
TOTAL SEGMENT DIRECT MARGIN	548	547	-0.3%
<i>Direct margin %</i>	<i>77.6%</i>	<i>75.9%</i>	<i>-1.7 p.p.</i>

3.1. Consumer underlying revenue

For the first quarter of 2017, the Consumer segment posted **EUR 720 million underlying revenue**, 1.9% above that of the comparative period of 2016.

Revenue from Fixed continued its growth trend, up by 2.5% in the first quarter. This resulted from higher Internet and TV revenues, with the success of Tuttimus and Bizz All-In driving strong customer gains, while Fixed churn levels remained well below those of a year ago. Scarlet, the Proximus no-frills brand, is thriving and proves its competitive position in the low-end of the market with strong customer growth.

In spite of a significant roaming regulation impact, the Mobile Postpaid service revenue posted a further increase, up by 2.3% from the first quarter 2016. The growth in subscribers to the new mobile portfolio and improved tiering more than offset the regulation pressure on ARPU. In contrast, Mobile Prepaid revenue showed a steeper sequential decline, with the authentication legislation accelerating the contraction of the Prepaid market.

Revenue from mobile devices was up in the first quarter of 2017 from a low comparable base, driven by a higher number of mobile devices sold to indirect channels and uptick in Joint-Offer and commercial activities.

Proximus' new product portfolio, launched mid-October 2016, continued successfully to move customers to 4-Play, improving the price tiering for both Fixed and Mobile, and attracting new households. End-March 2017, 192,000 customers had signed up on either a Tuttimus or Bizz All-In offer. This strongly contributed to the solid growth of 35,000 HH/SO¹¹ in the 4-Play customer base and triggered positive tiering.

Out of a total of 2,947,000 HH/SO serviced by Proximus, 55.6% have both mobile and fixed services, a 2.4 pp improvement on the previous year.

¹¹ Households / Small Offices

Table 13: Consumer revenue by product group

(EUR million)	1st Quarter		
	2016	2017	% Change
Revenues	706	720	1.9%
Fixed	379	388	2.5%
Voice	134	130	-3.1%
Data (Internet & Data Connectivity)	147	153	4.0%
TV	87	95	9.2%
Terminals (excl. TV)	4	4	5.6%
ICT	7	7	-6.4%
Mobile Services	248	242	-2.6%
Postpaid	210	215	2.3%
Prepaid	38	27	-29.8%
Mobile Terminals	25	39	56.3%
Subsidiaries - Tango Consumer	27	27	0.8%
Other Products	28	24	-13.1%

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

4.0% Fixed Data revenue increase, +25,000 broadband customers in Q1 2017

In the first quarter of 2017 the Consumer revenue from **Fixed Data was up by 4.0%** from the previous year, **totaling EUR 153 million**. The Fixed Data revenue was supported by a continued growth in Proximus' Internet customer base, up by 65,000 or 3.7% in a one-year period to reach a total of 1,806,000 by end-March 2017. In the first quarter of 2017, Proximus grew its Consumer Fixed Internet base for its two main brands Proximus and Scarlet by 25,000. The customer growth improved from prior quarters, and was up from a year ago, despite the intensified competitive setting. The 4-Play offer Tuttimus/Bizz All-In launched in October 2016, and Scarlet's attractive no-frills offers for price seekers, continued to appeal customers, while the churn level remained below that of one year back.

The Internet ARPU progressed year-on-year by 0.5% reaching EUR 28.4 in the first quarter of 2017.

TV revenue up 9.2% from previous year, +27,000 TV households in Q1 2017

Consumer's TV revenue continued to do well, driven by a continuously growing subscriber base and favorable ARPU evolution. This resulted in a solid increase in revenue, up by 9.2% to **total EUR 95 million** for the **first quarter of 2017**. In one year, the Proximus and Scarlet brands combined grew their customer base by 76,000 TV households. This includes a net growth of 27,000 TV households over the first three months of 2017. With a total of 1,516,000 TV-customers¹² end-March 2017, Proximus improved its TV market share to 36.3%. The TV ARPU increased by 3.8% year-on-year to EUR 20.9, benefitting from the new Tuttimus and Familus offers, providing customers with more extensive TV content.

+6,000 Fixed Voice lines in Q1, positive evolution for both Proximus and Scarlet

The launch of Tuttimus and Familus, the new Proximus multi-play offers and Scarlet's Trio offer, continued the successful upselling of the Fixed Voice line. This resulted in a net growth of 6,000 Fixed Voice lines in the first quarter 2017, leading to a total **Fixed Voice** customer base of 2,066,000.

The Fixed Voice ARPU for the first quarter of 2017 was EUR 21.0, i.e. a decline of 1.0% from the previous year, due to a higher multi-play Pack penetration, with customers benefiting from a discount and gradual decline in the use of Voice traffic.

A lower Fixed Voice customer base versus a year ago, combined with a lower ARPU resulted in a **-3.1% year-on-year revenue decline for Fixed Voice**, reaching EUR 130 million in the first quarter of 2017.

Mobile Postpaid revenue grew by 2.3%¹³, despite roaming regulation, while Prepaid erosion accelerated following the authentication legislation.

Consumer's Mobile Services revenue totaled EUR 242 million for the **first quarter of 2017, 2.6% lower compared to the same period of 2016**. Benefitting from continued growth in its base of mobile Postpaid cards, Proximus' Consumer segment continued to grow its revenue from Postpaid services, which was up by 2.3% from the prior year. This was achieved despite pressure on roaming prices following the lowered EU roaming rates since 30 April 2016. Postpaid revenue growth, however, was more than offset by the

¹² Referring households and small-offices, not including multiple setup boxes

¹³ As of Q1 2017, revenue from the Mobile offer 'Full control' is included in Postpaid revenue instead of Prepaid. Full Control is a limited budget, subscription-based offer. 2016 figures have been restated accordingly to allow for a correct year-on-year comparison. See also section 8.1.

decrease in Prepaid, which accelerated to a 29.8% revenue decline following the legislation on Prepaid card identification.

Postpaid revenue was supported by a **growth by 29,000 in Postpaid cards**¹⁴, a strong improvement from 15,000 cards added in the comparable period of 2016. This brought the total to 2,589,000 Postpaid cards. Postpaid ARPU for the first quarter of 2017 was EUR 27.9, -2.9% compared with the previous year, impacted by reduced roaming pricing and lower voice usage. This was partially offset by the benefit from customer uptiering and by an uptake in data consumption.

Mobile 'joint offers', combining a mobile handset with a monthly subscription, pushed the smartphone penetration to 68%. In particular, the number of customers with a 4G device continued its fast uptake. This had a beneficial effect on overall mobile data usage since the average data consumption of 4G users is more than five times greater than that of non-4G users. As a result, in the space of one year, blended monthly data usage went up by 49% to an average of 1,083 Mb. Usage by 4G users in the first quarter of 2017 increased by 25% to 1,303 Mb¹⁵ 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 in what was already a declining market. Over the first three months of 2017 the decline in Prepaid cards totaled 62,000. As for prior quarters, part of the decline is explained by Prepaid customers opting for a Postpaid offer. Besides a lower Prepaid customer base, the revenue was also pressured by a 16.7% decrease in Prepaid ARPU to EUR 8.1, as result of a lower Voice and SMS usage.

When combining Prepaid and Postpaid, Consumer's Mobile customer base had a total of 3,646,000 Mobile cards with a first-quarter blended ARPU of EUR 22.0, 0.7% less than a year ago.

Tango revenue¹⁶

For the first quarter of 2017, Tango posted Consumer revenue of EUR 27 million, or 0.8% above the prior year resulting from a larger customer base for mobile Postpaid, supported by its 'Smart Revolution' pricing initiated in the second quarter 2016, offering roaming to all customers. Fixed services (Voice, Internet and TV) too showed a positive evolution. This was, however, partially offset by a decline in Prepaid, impacted by Prepaid card identification legislation in Luxembourg.

Table 14: Consumer operationals by product group

	Q1'16	Q1'17	Change (in abs. Amount)
From Fixed			
Number of access channels (thousands)	3,837	3,872	35
Voice	2,096	2,066	-30
Broadband	1,741	1,806	65
TV unique customers (thousands)	1,440	1,516	76
ARPU (EUR)			
ARPU Voice	21.3	21.0	-0.2
ARPU broadband	28.3	28.4	0.1
ARPU TV	20.2	20.9	0.8
From Mobile			
Number of active customers (thousands)	3,717	3,646	-72
Prepaid	1,268	1,057	-212
Postpaid	2,449	2,589	140
Annualized churn rate			
Prepaid	35.0%	39.0%	3.9 p.p.
Postpaid	15.2%	15.1%	-0.1 p.p.
Blended	22.4%	22.7%	0.3 p.p.
Net ARPU (EUR)			
Prepaid	9.8	8.1	-1.6
Postpaid	28.7	27.9	-0.8
Blended	22.1	22.0	-0.2
Average Mobile data usage user/month (Mb)			
4G	1,039	1,303	264
Blended	725	1,083	358

¹⁴ Active, charged mobile cards

¹⁵ On the 4G and 3G networks.

¹⁶ As from 2017, revenue from Tango is reported in the Consumer and Enterprise segment, with 2016 results restated accordingly

3.2. Consumer revenue reporting by X-Play

NOTE:

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

Table 15: Consumer revenue by X-Play

(EUR million)	1st Quarter		
	2016	2017	% Change
Revenues	706	720	1.9%
X-Play-revenues	578	590	2.1%
4-Play	189	215	14.1%
3-Play	182	175	-3.7%
2-Play	80	76	-4.6%
1-Play	128	124	-3.2%
Prepaid	38	27	-29.8%
Terminals sales	32	47	46.2%
Tango	27	27	0.8%
Other	31	29	-7.3%

+2.1%
Revenue from
X-Play on growing
3 & 4 Play base

Out of a total first-quarter Consumer revenue of EUR 720 million, Proximus generated EUR 590 million in revenue from HH/SO, a 2.1% or a EUR 12 million improvement on the same period of 2016, driven by a better customer mix. Moreover, Proximus' strategy to focus on attractive multi-play offers continued to benefit the ARPU per HH/SO. For the first quarter of 2017 the **overall ARPH was up by 2.2% from the prior year, reaching EUR 66.7**. This includes the favorable impact of customers uptiering to 3 & 4-Play, with average RGU¹⁷ per HH/SO progressing to 2.69 in the first quarter of 2017, up from 2.61 a year ago.

+14.1%
4-Play revenue
35,000 HH/SO
added in Q1'17

4-Play revenue showed an accelerated growth in the first quarter of 2017, up by 14.1% year-on-year to EUR 215 million, and now making up 30% of the total Consumer revenue. This resulted from the firm ongoing expansion of the 4-Play HH/SO base, increasing by 85,000 in the space of one year, to reach 640,000 HH/SO by end-March 2017. Proximus' new 4-Play offers "Tuttimus" and "Bizz All-In", launched mid-October 2016, sustained a solid increase in 4-Play, **increasing by 35,000 in the first quarter of 2017**. On average, a 4-Play HH/SO generated an ARPH of EUR 115.0/month, up 0.7% from the previous year, in spite of the roaming regulation impact. The first-quarter 2017 annualized full-churn rate reached 2.8%, remaining stable compared to the previous year and previous quarter.

-3.7%
3-Play revenue
Tuttimus driving
uptiering to 4-Play

The first-quarter 2017 revenue for **3-Play** decreased by 3.7% to a total of EUR 175 million. This was mainly driven by an uptiering of customers to 4-Play, causing 3-Play volumes to decrease, by -11,000 in the first quarter 2017. The 3-Play ARPH in the first quarter of 2017 was EUR 77.4, 2.4% below that of the comparative period of 2016. This reflects a higher proportion of Scarlet 3-Play customers in the base and the impact of the roaming regulation on Mobile Postpaid revenue.

¹⁷ Revenue Generating Units

Table 16: Consumer operationals by X-Play

	Q116	Q117	val	%
Households/Small Offices per Play - Total (thousands)	2,951	2,947	-4	-0.1%
4 - Play	555	640	85	15.3%
3 - Play	768	750	-18	-2.3%
2 - Play	451	427	-24	-5.3%
1 - Play	1,177	1,130	-47	-4.0%
Fixed Voice	398	342	-56	-14.0%
Fixed Internet	122	129	7	5.9%
TV	N/A	N/A		
Mobile Postpaid	657	659	2	0.3%
Average revenue x - play (in EUR)	65.3 €	66.7 €	1.5 €	2.2%
4 - Play	114.2 €	115.0 €	0.8 €	0.7%
3 - Play	79.3 €	77.4 €	-1.9 €	-2.4%
2 - Play	58.8 €	58.9 €	0.2 €	0.3%
1 - Play	35.9 €	36.1 €	0.2 €	0.6%
Average #RGUs per household/Small Office - Total	2.61	2.69	0.09	3.4%
4 - Play	4.83	4.85	0.02	0.4%
3 - Play	3.34	3.33	-0.01	-0.4%
2 - Play	2.21	2.20	-0.01	-0.4%
1 - Play	1.23	1.24	0.01	0.6%
Annualized full churn rate (household/Small Office level) - Total	13.4%	13.7%	0.3p.p.	
4 - Play	2.8%	2.8%	-0.0p.p.	
3 - Play	10.4%	10.2%	-0.2p.p.	
2 - Play	12.1%	12.3%	0.2p.p.	
1 - Play	20.8%	22.6%	1.8p.p.	
% Convergent HH / SO - Total	53.2%	55.6%	2.4 p.p.	
<small>(i.e. % of HH/SO having Mobile + Fixed component)</small>				
4 - Play	100.0%	100.0%		
3 - Play	36.8%	35.9%	-0.9p.p.	
2 - Play	23.5%	23.7%	0.2p.p.	

3.3. Consumer underlying direct margin

Q1 segment direct margin nearly stable at EUR 547 million

Compared to the first quarter of 2016, Proximus posted a nearly stable underlying direct margin for its Consumer segment, totaling EUR 547 million. The revenue growth for Consumer's Fixed services resulted in a continued positive direct margin evolution compared with the previous year, although this was offset by the cost-effect of higher device sales and by the pressure on Mobile Services. The changed product mix resulted in an underlying direct margin of 75.9% of revenue, a 1.7 p.p. decrease year-on-year.

4. Enterprise

- Underlying Enterprise revenue totaled EUR 348 million, + 4.7% YoY mainly driven by higher ICT revenue
- Strong mobile customer growth in competitive market: +12,000 Postpaid cards
- Mobile Services revenue declined -4.9% YoY mainly reflecting impact of EU-roaming regulation
- Direct margin slightly down by 0.6%, reflecting higher proportion of ICT product deals in the revenue mix

Table 17: Enterprise revenue and direct margin

(EUR million)	1st Quarter		
	2016	2017	% Change
TOTAL SEGMENT INCOME	333	348	4.7%
Costs of materials and charges to revenues	-93	-110	18.3%
TOTAL SEGMENT DIRECT MARGIN	240	238	-0.6%
Direct margin %	72.0%	68.4%	-3.6 p.p.

4.1. Enterprise underlying revenue

The Proximus' Enterprise segment posted a **4.7% year-on-year revenue increase** for the first quarter of 2017, bringing the total to EUR 348 million. This revenue growth, achieved despite regulatory and competitive headwinds, resulted primarily from higher ICT revenue, and from the solid increase for Advance Business Services¹⁸, mainly driven by the contribution of BeMobile which was created mid-March 2016.

The revenue growth of Proximus' Enterprise segment was mitigated however by the ongoing erosion of legacy Fixed Voice, and regulatory pressure on Mobile Service revenue. The lowered roaming pricing in line with the EU regulation combined with competition put pressure on ARPU's, leading to a 4.9% year-on-year decline in Mobile Services revenue, despite the continuously growing mobile customer base.

Table 18: Enterprise revenue by product group

(EUR million)	1st Quarter		
	2016	2017	% Change
Revenues	333	348	4.7%
Fixed	237	250	5.5%
Voice	61	57	-5.6%
Data (Internet & Data Connectivity)	63	62	-1.6%
Terminals (excl. TV)	5	5	-0.4%
ICT	108	126	16.1%
Mobile Services	83	79	-4.9%
Mobile Terminals	4	6	57.2%
Advanced Business Services	2	6	>100%
Subsidiaries - Tango Enterprise	4	4	-4.1%
Other Products	3	3	3.1%

¹⁸ Advanced Business Services groups new solutions offered aside from traditional Telecom and ICT, such as Road User Charging, Converging Solutions, Big data and smart mobility solutions. The latter is offered through BeMobile which is the combination of the entities of Be-Mobile NV (previously Mobile-For NV owned by Proximus), Be-Mobile Tech NV, and Flow NV. Being majority shareholder, Proximus consolidates the turnover of all these entities since March 2016.

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

The Enterprise segment posted EUR 57 million in Fixed Voice revenue for the first quarter of 2017, showing a fairly stable year-on-year decline of 5.6%. The Fixed line erosion in the first quarter was -12,000 lines. The net line loss was the result of continued rationalization by customers on Fixed line connections, technology migrations to VoIP and competitive pressure. This brought the Enterprise total Fixed Voice Line customer base to 609,000 at end-March 2017, i.e. a year-on-year line loss of -5.9%. The Fixed Voice ARPU of EUR 31.2 was up by 0.2% from the previous year.

Fixed Data impacted by legacy business and one-offs, structural growth for new products

The first-quarter 2017 revenue from Fixed Data, consisting of Fixed Internet and, for a greater part, Data Connectivity, totaled EUR 62 million, 1.6% below that of the same period of 2016 and stable to the prior quarter.

The growing Data connectivity customer base, better product mix and the further roll-out of P2P fiber was offset by the impact of the outphasing and migration of legacy products in the context of simplification programs offering customers new solutions at more attractive pricing, and by some one-offs.

Revenue from Fixed Internet was slightly negative versus the previous year, with Broadband ARPU 1.1% down to EUR 42.8 in the first quarter of 2017, while the Internet base remained at 137,000, stable compared to a year ago.

ICT revenue up by 16.1% from the previous year

In the first quarter of 2017 Proximus' Enterprise segment posted EUR 126 million in ICT revenue, 16.1% more than in the first quarter of 2016. This increase was mainly related to product sales, although EBU also posted growth in revenue from Cloud, Security and Outsourcing services.

+16.1%
ICT revenue

Continued strong Mobile customer growth in competitive setting. Mobile Services revenue trending lower largely due to roaming regulation

Over the first three months of 2017, the Enterprise segment posted Mobile Services revenue of EUR 79 million, 4.9% lower versus the previous year. The lowered roaming rates were the main driver for the 9.6% decline in the mobile ARPU to EUR 26.9 in the first quarter 2017, combined with competition putting some additional pressure on pricing.

The ARPU pressure could not be offset by the continued favorable evolution of the Enterprise customer base, growing by 5.4% in a one-year period (M2M cards excluded), to a total of 952,000 cards. The Enterprise segment added 12,000 mobile cards other than M2M in the first quarter of 2017, compared to a growth by 8,000 for the comparative period in 2016. The sustained growth in the mobile Voice customer base was supported by a low Mobile churn of 10.6%, reflecting the good customer experience of Proximus' mobile network and service levels, and increasing customer satisfaction.

12,000
Mobile net
adds
(M2M excluded)

Over the first three months, 12,000 M2M cards were added, bringing the total number of M2M cards to 1,180,000 at end-March 2017.

With the smartphone penetration progressing and the number of 4G users growing, average data usage went up by 45% compared to a year ago, reaching 1,094 Mb/user/month. Enterprise customers with a 4G device had an average monthly data consumption of 1,266 Mb, 30% more than during the same period of 2016.

4.2. Enterprise direct margin

For the first quarter of 2017, Enterprise posted an underlying direct margin of EUR 238 million, i.e. 0.6% below the same period of 2016. The direct margin contribution of ICT and the smart mobility company Be-Mobile NV was fully offset by the erosion posted for Mobile Services and Fixed Voice.

The direct margin as a percentage of revenue went down 3.6pp to reach 68.4% as a result of a changing revenue mix, with ICT taking a larger share in the total Enterprise revenue.

Table 19: Enterprise operationals

	Q1'16	Q1'17	Change (in abs. Amount)
From Fixed			
Number of access channels (thousands)	784	746	-38
Voice	647	609	-38
Broadband	137	137	0
ARPU (EUR)			
ARPU Voice	311	312	0.1
ARPU Broadband	43.4	42.8	-0.6
From Mobile			
Number of mobile cards (thousands)	1,881	2,132	251
Among which voice and data cards	903	952	49
Among which M2M	978	1,180	202
Annualized churn rate (blended)	10.8%	10.6%	-0.1pp
Net ARPU (EUR)			
Postpaid	29.8	26.9	-2.9
Average Mobile data usage user/month (Mb)			
4G	973	1,266	293
Blended	756	1,094	338

5. Wholesale

Table 20: Wholesale revenue and direct margin

(EUR million)	1st Quarter		
	2016	2017	% Change
TOTAL SEGMENT INCOME	48	52	8.0%
Costs of materials and charges to revenues	-6	-7	26.5%
TOTAL SEGMENT DIRECT MARGIN	43	45	5.6%
<i>Direct margin %</i>	<i>88.4%</i>	<i>86.4%</i>	<i>-2.0 p.p.</i>

Proximus' Wholesale segment reported EUR 52 million in revenue and a EUR 45 million direct margin for the first quarter of 2017. The quarter included a corrective impact following the annulment by the Brussels Appeal Court of the new Fixed Termination rates (see section 2.2).

Apart from this, the revenue for Wholesale was stable to the prior year, with higher roaming-in revenue driven by increased data volumes being offset by a decline in traditional wholesale products.

International Carrier Services – BICS

- BICS Q1'17 direct margin of EUR 64 million, -3.5% year-on-year
- Voice direct margin in line with last year in a volatile and competitive market
- Q1'17 segment result 6.4% lower YoY, stable segment contribution margin of 9.9%

Table 21: BICS P&L

(EUR million)	1st Quarter		
	2016	2017	% Change
TOTAL SEGMENT INCOME	356	332	-6.6%
Costs of materials and charges to revenues	-289	-268	-7.3%
TOTAL SEGMENT DIRECT MARGIN	67	64	-3.5%
Direct margin %	18.8%	19.4%	0.6 p.p.
TOTAL EXPENSES	-32	-31	-0.3%
Workforce expenses	-13	-14	10.5%
Non Workforce expenses	-19	-17	-7.7%
TOTAL SEGMENT RESULT	35	33	-6.4%
Segment contribution margin	9.9%	9.9%	0.0 p.p.

BICS Revenue

For the **first-quarter of 2017**, BICS posted **underlying revenue of EUR 332 million, down by -6.6% compared to 2016**. Although the volume of Voice traffic carried by BICS was 1.4% above the comparative period of 2016, a less favorable destination mix led to an 8.4% decline in Voice revenue, i.e. a similar decline versus the prior quarter.

Messaging volumes continued to grow, up by 5.6% from the first quarter of 2016, compensating the impact of the increased competition in other non-Voice sub-segments, leading to a 0.6% increase in non-Voice revenue.

Table 22: BICS revenue

(EUR million)	1st Quarter		
	2016	2017	% Change
Voice	286	262	-8.4%
Non Voice	70	70	0.6%
Total revenues	356	332	-6.6%

Table 23: BICS volumes

Volumes (in million)	1st Quarter		
	2016	2017	% Change
Voice	6,034	6,118	1.4%
Non Voice (Messaging)	833	879	5.6%

BICS direct margin

BICS' first-quarter 2017 direct margin of EUR 64 million was 3.5% below that of last year. This resulted from a 5.8% decrease in the non-Voice direct margin, totaling EUR 36 million, driven by the impact of increased competition in non-Voice sub-segments. In addition, the Voice direct margin ended 0.6% lower, which is an improvement however on prior quarters.

Table 24: BICS direct margin

(EUR million)	1st Quarter		
	2016	2017	% Change
Voice	29	29	-0.6%
Non Voice	38	36	-5.8%
Total direct margin	67	64	-3.5%

BICS segment result

BICS' underlying segment result for the first quarter of 2017 totaled EUR 33 million, showing a 6.4% decline compared to the previous year. This resulted from a lower direct margin, while BICS' first-quarter expenses remained stable compared to the same period of 2016. This resulted from lower non-workforce costs which compensated for the increase in Workforce expenses.

The underlying segment margin for the first quarter of 2017 was 9.9%, unchanged from the previous year.

7. Condensed consolidated financial statements

The condensed consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted for use in the European Union. They have not been subject to a review by the independent auditor.

Accounting policies

The accounting policies and methods of the Group used as of 2017 are consistent with those applied in the 31 December 2016 consolidated financial statements, with the exception that the Group adopted the new standards, interpretations and revisions that became mandatory for the Proximus Group on 1 January 2017. These have only a limited impact. To improve the relevance of reported figures, Proximus reviewed the presentation of the income statement by removing the section "non-recurring" and classifying the related items according to their nature.

Judgments and estimates

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

Significant events or transactions

Events or transaction in the first quarter of 2017:

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

7.1. Segment reporting

(EUR million)	Three months ended 31 March 2017									
	Group Proximus				underlying by segment					
	Reported	Incidental	Underlying	BICS	Domestic (Group excl. BICS)	Consumer	Enterprise	Wholesale	Others	
Net revenue	1,433	0	1,433	332	1,101	715	346	52	-13	
Other revenues	11	0	11	0	10	5	2	0	3	
TOTAL INCOME	1,444	0	1,443	332	1,111	720	348	52	-9	
COSTS OF MATERIALS AND SERVICES RELATED TO REVENUE	-545	0	-545	-268	-278	-174	-110	-7	13	
Direct margin	898	0	898	64	834	547	238	45	4	
Workforce expenses	-306	19	-287	-14	-272					
Non workforce expenses	-164	2	-162	-17	-145					
TOTAL OPERATING EXPENSES	-470	21	-449	-31	-417					
OPERATING INCOME before depreciation & amortization	428	21	449	33	416					
Depreciation and amortization	-234	0	-234	-19	-215					
OPERATING INCOME	194	21	215	14	201					
Net finance costs	-15									
Share of loss on associates	0									
INCOME BEFORE TAXES	179									
Tax expense	-55									
NET INCOME	124									
Non-controlling interests	5									
Net income (Group share)	119									

(EUR million)	Three months ended 31 March 2016 - restated									
	Group Proximus				underlying by segment					
	Reported	Incidental	Underlying	BICS	Domestic (Group excl. BICS)	Consumer	Enterprise	Wholesale	Others	
Net revenue	1,423	0	1,423	355	1,068	702	332	48	-14	
Other revenues	10	0	10	1	9	5	1	0	3	
TOTAL INCOME	1,433	0	1,433	356	1,077	706	333	48	-10	
COSTS OF MATERIALS AND SERVICES RELATED TO REVENUE	-531	0	-531	-289	-242	-158	-93	-6	15	
Direct margin	902	0	902	67	835	548	240	43	5	
Workforce expenses	-296	1	-295	-13	-282					
Non workforce expenses	-189	0	-189	-19	-170					
TOTAL OPERATING EXPENSES	-485	1	-484	-32	-453					
OPERATING INCOME before depreciation & amortization	417	1	418	35	383					
Depreciation and amortization	-226	0	-226	-19	-207					
OPERATING INCOME	191	1	192	16	175					
Net finance costs	-25									
Share of loss on associates	0									
INCOME BEFORE TAXES	166									
Tax expense	-48									
NET INCOME	118									
Non-controlling interests	5									
Net income (Group share)	112									

7.2. Consolidated income statement

(EUR million)	1st Quarter		
	2016	2017	% Change
Net revenue	1,423	1,433	0.7%
Other operating income	10	11	8.3%
TOTAL INCOME	1,433	1,444	0.8%
Costs of materials and services related to revenue	-531	-545	2.8%
Workforce expenses	-296	-306	3.3%
Non workforce expenses	-189	-164	-13.3%
TOTAL OPERATING EXPENSES before depreciation & amortization	-1,016	-1,015	-0.1%
OPERATING INCOME before depreciation & amortization	417	428	2.7%
Depreciation and amortization	-226	-234	3.6%
OPERATING INCOME	191	194	1.7%
Finance income	1	1.08	74.7%
Finance costs	-25	-16	-38.3%
Net finance costs	-25	-15	-40.9%
INCOME BEFORE TAXES	166	179	8.0%
Tax expense	-48	-55	14.7%
NET INCOME	118	124	5.3%
Non-controlling interests	5	5	-14.1%
Net income (Group share)	112	119	6.2%
Basic earnings per share	0.35 EUR	0.37 EUR	6.1%
Diluted earnings per share	0.35 EUR	0.37 EUR	6.1%
Weighted average number of outstanding shares	322,100,352	322,660,677	0.2%
Weighted average number of outstanding shares for diluted earnings per share	322,426,853	322,883,752	0.1%

7.3. Consolidated statements of other comprehensive income

(EUR million)	As of 31 March	
	2016	2017
Net income	118	124
Other comprehensive income:		
Items that may be reclassified to profit and loss		
Cash flow hedges:		
Gain/(loss) taken to equity	-1	4
Total before related tax effects	0	4
Related tax effects		
Cash flow hedges:		
Gain/(loss) taken to equity	0	-1
Income tax relating to items that may be reclassified	0	-1
Items that may be reclassified to profit and loss, net of related tax effects	0	3
Total comprehensive income	118	127
Attributable to:		
Equity holders of the parent	112	122
Non-controlling interests	6	5

7.4. Consolidated balance sheet

(EUR million)	As of 31 December 2016	As of 31 March 2017
ASSETS		
NON-CURRENT ASSETS	6,372	6,358
Goodwill	2,279	2,279
Intangible assets with finite useful life	1,099	1,102
Property, plant and equipment	2,910	2,891
Investments in associates	3	3
Other participating interests	10	10
Deferred income tax assets	34	33
Other non-current assets	37	40
CURRENT ASSETS	1,745	2,023
Inventories	125	131
Trade receivables	1,149	1,094
Current tax assets	46	15
Other current assets	122	152
Investments	6	5
Cash and cash equivalents	297	625
TOTAL ASSETS	8,117	8,381
LIABILITIES AND EQUITY		
EQUITY	2,981	3,111
Shareholders' equity	2,819	2,944
Issued capital	1,000	1,000
Treasury shares	-430	-427
Restricted reserve	100	100
AFS & Hedge reserve	2	4
Remeasurement reserve	-127	-127
Stock compensation	5	5
Retained earnings	2,270	2,390
Non-controlling interests	162	166
NON-CURRENT LIABILITIES	2,697	2,765
Interest-bearing liabilities	1,763	1,859
Liability for pensions, other post-employment benefits and termination benefits	544	556
Provisions	144	99
Deferred income tax liabilities	84	81
Other non-current payables	162	170
CURRENT LIABILITIES	2,439	2,505
Interest-bearing liabilities	407	461
Trade payables	1,388	1,278
Tax payables	65	85
Other current payables	579	680
TOTAL LIABILITIES AND EQUITY	8,117	8,381

7.5. Consolidated cash flow statement

(EUR million)	1st Quarter	
	2016	2017
Cash flow from operating activities		
Net income	118	124
<u>Adjustments for:</u>		
Depreciation and amortization on intangible assets and property, plant and equipment	226	234
Increase of impairment on intangible assets and property, plant and equipment	0	1
Increase in provisions	2	0
Deferred tax income	-7	-2
Loans amortization	2	0
Operating cash flow before working capital changes	341	358
Increase in inventories	-29	-6
Decrease in trade receivables	31	59
Decrease in current income tax assets	0	31
Increase in other current assets	-32	-30
Decrease in trade payables	-24	-60
Increase in income tax payables	54	21
Increase in other current payables	72	50
Increase / (decrease) in net liability for pensions, other post-employment benefits and termination benefits	-1	12
Decrease in working capital, net of acquisitions and disposals of subsidiaries	72	77
Net cash flow provided by operating activities	413	435
Cash flow from investing activities		
Cash paid for acquisitions of intangible assets and property, plant and equipment	-277	-266
Cash paid for acquisition of consolidated companies, net of cash acquired	-6	0
Cash received from sales of intangible assets and property, plant and equipment	0	5
Cash received from sales of other participating interests and enterprises accounted for using the equity method	2	0
Net cash used in investing activities	-280	-262
Cash flow before financing activities (FCF)	133	173
Cash flow from financing activities		
Dividends paid to shareholders	-1	-1
Net sale of treasury shares	5	3
Net purchase of investments	-1	0
Cash received from cash flow hedge instrument related to long term debt	0	3
Issuance of long term debt	0	500
Repayment of short term debt	0	-350
Cash flows from financing activities (1)	3	155
Net increase of cash and cash equivalents	136	328
Cash and cash equivalents at 1 January	502	297
Cash and cash equivalents at 31 March	638	625

(1) Gains and losses from debt restructuring are part of the Cash used in financing activities.

7.6. Consolidated statements of changes in equity

(EUR million)	Issued capital	Treasury shares	Restricted reserve	Available for sale and hedge reserve	Remeasur-ement reserve	Stock Compen-sation	Retained Earnings	Share's Equity	Non-controlling interests	Total Equity
Balance at 31 December 2015	1,000	-448	100	2	-114	5	2,255	2,801	164	2,965
Total comprehensive income and expense	0	0	0	0	0	0	112	112	6	118
Business combination	0	0	0	0	0	0	-20	-20	0	-20
Treasury shares										
Exercise of stock options	0	2	0	0	0	0	0	2	0	2
Sale of treasury shares	0	3	0	0	0	0	0	3	0	3
Total transactions with equity holders	0	5	0	0	0	0	-19	-14	0	-14
Balance at 31 March 2016	1,000	-443	100	1	-114	5	2,349	2,899	170	3,069
Balance at 31 December 2016	1,000	-430	100	2	-127	5	2,270	2,819	162	2,981
Total comprehensive income and expense	0	0	0	3	0	0	119	122	5	127
Treasury shares										
Sale of treasury shares	0	1	0	0	0	0	0	1	0	1
Stock options										
Exercise of stock options	0	2	0	0	0	0	0	2	0	2
Total transactions with equity holders	0	3	0	0	0	0	0	3	0	3
Balance at 31 March 2017	1,000	-427	100	4	-127	5	2,390	2,944	166	3,111

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

	As of 31 December 2016	Cash flows	Non-cash changes Reclassification	As of 31 March 2017
Long-term				
Unsubordinated debentures	1,755	498	-404	1,849
Leasing and similar obligations	2	3	0	4
Derivatives held for trading	6	0	0	6
Current portion of amounts payable > one year				
Unsubordinated debentures	0	0	404	404
Leasing and similar obligations	2	0	0	2
Other financial debts				
Credit institutions	405	-350	0	55
Total liabilities from financing activities	2,170	150	0	2,321

7.8. Financial instruments

IAS 34 16 A (j) requires the interim reporting to provide specific fair value disclosures and in particular the following information:

- The carrying amounts and fair values of the financial instruments at 31 March 2017;
- The categorization of the fair valued financial instruments within the fair value hierarchy;
- The fair valuation techniques used.

The Group's main financial instruments comprise unsubordinated debentures, trade receivables and trade payables. The Group has an interest rate and currency swap (IRCS) to manage its exposure to interest rate risk and to foreign currency risk on its remaining non-current interest bearing liability yielded in foreign currency. The typical financial instruments used to hedge foreign currency risk are forward foreign exchange contracts and currency options.

Fair Value and Fair Value Hierarchy

Set out below is a comparison of the carrying amounts and fair value of financial instruments as at 31 March 2017 and the fair value hierarchy:

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

No transfer between Levels occurred during 2017.

As of 31 March 2017 (EUR million)	Category according to IAS 39 (1)	Carrying amount	Fair value	Level
ASSETS				
Non-current assets				
Other participating interests	AFS	10	10	
Other non-current assets				
Derivatives held for trading	FVTPL	7	7	Level 2
Other financial assets	LaR	33	33	
Current assets				
Trade receivables				
VAT and other receivables	N/A	141	141	
Investments	AFS	5	5	Level 1
Cash and cash equivalents				
Short-term deposits	LaR	625	625	
LIABILITIES				
Non-current liabilities				
Interest-bearing liabilities				
Unsubordinated debentures not in a hedge relationship	OFL	1,849	1,981	Level 2
Leasing and similar obligations	OFL	4	4	
Derivatives held for trading	FVTPL	6	6	Level 2
Non interest-bearing liabilities				
Other non-current payables	OFL	170	170	
Current liabilities				
Interest-bearing liabilities, current portion				
Unsubordinated debentures not in a hedge relationship	OFL	404	418	Level 2
Leasing and similar obligations	OFL	2	2	
Interest-bearing liabilities				
Other loans	OFL	55	55	
Trade payables	OFL	1,278	1,278	
Other current payables				
Other debt	OFL	34	34	Level 3
V.A.T. and other amounts payable	OFL	308	308	

(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 March 2017 for similar debentures with the same remaining maturities.

Other debts in level 3

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

7.9. Contingent liabilities

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

7.10. Post balance sheet events

The Annual General Meeting of April 2017 approved the dividend distribution for the year 2016 which will impact the cash flow of the Group in the second quarter 2017 for EUR 323 million.

On 25 April, 2017 Proximus' subsidiary BICS, a global provider of international wholesale connectivity and interoperability services, entered into an agreement to acquire control over TeleSign, a United States company active in the provision of authentication and mobile identity services to internet- and digital service providers, for USD 230 million (on a cash and debt free basis) as well as a variable performance-based earn-out consideration. The closing of the transaction is subject to the customary regulatory conditions.

7.11. Others

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

8. Additional information

8.1. Reporting changes

8.1.1. Changes in 'Underlying'

Following changes have been applied. There is **no impact on total Group financials** and any impact on Consumer or Enterprise financials remains very limited. There is no impact on Wholesale or BICS. Figures of 2016 and 2015 have been restated accordingly to allow a correct comparison.

Before	As of 2017	Impact?		
		Group	Consumer	Enterprise
Subsidiary Tango fully reported within Consumer segment	Tango reported in the respective customer division: Consumer and Enterprise	No impact	For FY16: € 16 M revenue moved from Consumer to Enterprise	
Enterprise 'Other' revenue included revenue from new & growing segments such as Be Mobile, Convergent Solutions, Big Data and Road User Charging	A new product group was created for the Enterprise revenue reporting: " Advanced Business services ", € 18 M revenue for FY'16	"Other" revenue that moved to "Advanced Business Services"	No impact	"Other" revenue that moved to "Advanced Business Services"
'Full Control', a limited budget mobile subscription was reported within the Prepaid park	Full control subscriptions reported in the Postpaid mobile park and HH reporting End 2016: 51K full control mobile cards	Minor impact: ▪ FY16: +/- - € 4M moving from Mobile Prepaid to Postpaid service revenue, with slight impact on ARPU		No impact
Total mobile cards reported equalled: • Postpaid – Among which paying cards > <u>was already main focus</u> – Among which Free Internet Everywhere cards – Among which M2M • Prepaid	Stop reporting of Free mobile data cards. Total mobile cards reported equals now: • Postpaid (active, paying) • M2M (for Enterprise) • Prepaid	Mobile Park: -455K • Free cards now excluded (no ARPU impact) + minor restatement of paying cards (+15k) • Mobile market share rebased	Total Park	Total Park
Total TV subscriptions reported equalled: - Unique customers > <u>was already main focus</u> - Multiple settop boxes	Only Unique TV customers will be reported	Total TV Park	Total TV Park	No impact

8.1.2. Changes in 'Reported'

Proximus reviewed the presentation of the income statement by removing the section "non recurring" and classifying the related items according to their nature. These items remain excluded from "underlying"¹⁹ figures.

8.2. Other reporting remarks

8.2.1. IFRS impact on revenue per product

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

The resulting product 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.

8.2.2. Rounding

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

8.3. Incidentals

(EUR million)	GROUP Revenue		GROUP EBITDA	
	Q1'16	Q1'17	Q1'16	Q1'17
Reported	1,433	1,444	417	428
Underlying	1,433	1,443	418	449
Incidentals:	0	0	-1	-21
Early Leave Plan and Collective Agreement	0	0	0	-19
Restructuring program in subsidiary	0	0	-1	0
M&A-related transaction costs	0	0	0	-2

The incidentals definition remained unchanged, however, 'non recurring', formally reported in the Group financials, is no longer reported separately to simplify incidentals in one single category. See also section 8.1.2.

¹⁹ See part 8.6 Definitions

8.4. Quarterly results tables

8.4.1. Group – Financials

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

Consumer – Financials

X-Play view

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

Product view

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

8.4.2. Consumer Operationals

X-play view

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

Product view

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

8.4.3. Enterprise – Financials

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

8.4.4. Enterprise – Operationals

	Q116	Q216	Q316	Q416	2016	Q117
From Fixed						
Number of access channels (thousands)	784	774	768	758	758	746
Voice	647	637	630	620	620	609
Broadband	137	137	138	138	138	137
ARPU (EUR)						
ARPU Voice	31.1	31.1	30.7	30.8	30.9	31.2
ARPU Broadband	43.4	43.6	43.8	43.3	43.5	42.8

	Q116	Q216	Q316	Q416	2016	Q117
From Mobile						
Number of mobile cards (thousands)	1,881	2,006	2,084	2,108	2,108	2,132
Among which voice and data cards	903	911	926	939	939	952
Among which M2M	978	1,094	1,158	1,169	1,169	1,180
Annualized churn rate (blended)	10.8%	10.7%	8.9%	9.9%	10.0%	10.6%
Net ARPU (EUR)						
Postpaid	29.8	28.5	28.1	27.5	28.5	26.9
Average Mobile data usage user/month (Mb)						
4G	973	1,045	1,074	1,170		1,266
Blended	756	833	880	982		1,094

8.4.5. Wholesale – Financials

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

8.4.6. Retail Operations and MVNO customers reported in Wholesale

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

8.4.7. BICS – Financials

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

8.4.8. BICS - Operationals

Volumes in million	Q116	Q216	Q316	Q416	2016	Q1'17
Voice	6,034	6,575	6,948	6,667	26,224	6,118
Non-Voice (Messaging)	833	909	903	913	3,558	879



8.5. Definitions

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

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

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

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

ARPU: Average Revenue per Unit

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

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

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

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

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

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

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

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

Domestic: defined as the Proximus Group excluding BICS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Reported Revenues: this corresponds to the TOTAL INCOME.

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

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

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

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

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

8.6. Management statement

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

8.7. Financial calendar

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

8.8. Contact details

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8.9. Investor & analyst conference call

Analyst conference call details

Proximus will host a conference call for investors and analysts on Friday 5 May 2017.

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

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