2018 Q2

Quarterly Report

proximus

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1 Highlights Q2 2018[1]

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Regulated Information

- **Continued net customer gain for Consumer Internet and TV, in competitive setting.**
- **Solid mobile Postpaid growth for Consumer and Enterprise, +45,000 in Q2 2018.**
- **Ongoing traction for Tuttimus and Bizz All-In, 439,000 subscribers end-June 2018.**
- **Domestic operations achieved 0.8% revenue and 5.5% EBITDA growth.**
- **BICS, including TeleSign[2], posted firm EBITDA, +12.7% on higher Direct margin.**
- **Reiterating full-year guidance.**

- Proximus posted for the second quarter of 2018 a **Domestic underlying revenue of EUR 1,114 million, 0.8% above that of the same period of 2017**. This resulted from higher Fixed Data and TV revenue, compensating for the steady erosion in Fixed Voice. Revenue from Mobile Postpaid was up, driven by the enlarging customer base over the past year, which more than compensated for the "Roam-like-at-Home" price pressure. Furthermore, Proximus posted for the second quarter 2018 a solid 6.2% revenue growth for ICT.

  Proximus' carrier services, BICS, posted a solid second-quarter revenue of EUR 340 million, 8.9% above that of the comparable period in 2017, TeleSign included. In aggregate, the Proximus Group ended the second quarter of 2018 with a 2.6% revenue growth, totaling EUR 1,454 million.

- For its **Domestic operations, Proximus posted second-quarter 2018 direct margin of EUR 853 million. The year-on-year increase by 2.3%,** in spite of the "Roam-like-at-Home" impact, was driven by the Consumer segment, benefitting from its customer growth and one-off tailwinds. BICS' **direct margin progressed to EUR 79 million, a year-on-year increase of 18.5%**, resulting from boosting A2P messaging volumes and direct cost synergies following the TeleSign acquisition. In aggregate, the Proximus Group underlying direct margin grew by 3.5%, totaling EUR 932 million for the second quarter of 2018.

- **Proximus' Group underlying operating expenses for the second quarter 2018 were up by 0.7%**. This was **mainly attributable to the consolidation of TeleSign in BICS**. Proximus' Domestic expenses were down year-on-year by 1.2%, driven by a lower headcount.

- The **underlying EBITDA of the Proximus Group for the second quarter 2018 totaled EUR 493 million, a 6.1% increase** compared with the same period of 2017. This includes a 5.5% increase for Proximus' Domestic operations, totaling EUR 454 million, and a 12.7% increase for BICS, including TeleSign.

- **Proximus invested in the second quarter of 2018 EUR 238 million**, bringing the capex over the first six months of 2018 to EUR 459 million. This covers Proximus' extensive investments in enhancing its networks, with the ongoing roll-out of Fiber and continued investments in its mobile network to maintain high-quality standards while data traffic volumes are boosted. With its focus on improving the overall customer experience, Proximus also invests in its IT systems and ensures attractive content for its TV customers.

- Proximus' second quarter 2018 FCF totaled EUR 80 million, bringing **the year-to-date June FCF to EUR 159 million, or EUR 180 million when excluding the cash-out related to the acquisition of subsidiaries in the ICT domain**. The remaining decrease compared to 2017 was mainly the consequence of higher cash paid for Capex, partially offset by a growth in underlying EBITDA and lower Income Tax payments.

1 All financials and like for like comparisons in this report related to the Group and Segments are provided under IAS 18, unless otherwise stated.

2 Consolidated in BICS as of 1 November 2017

- **In a generally slow second quarter for broadband and TV growth, Proximus continued to enlarge its customer base for both products,** supported by the ongoing success of Tuttimus/Bizz All-In offers and Proximus' no frills brand Scarlet. Proximus achieved solid growth in its Mobile Postpaid base, driven by lower churn and its successful World Cup campaign for mobile, and ongoing mobile customer growth for the Enterprise segment.

+9,000[3] TV-customers, total of 1,584,000

+6,000 Fixed Internet lines, total of 2,002,000

-25,000 Fixed Voice lines, total of 2,569,000

+45,000[4] Mobile Postpaid cards, 3,952,000 in total

-39,000 Mobile Prepaid cards, 886,000 in total

+9,000 3 & 4-Play HH/SO5, total of 1,452,000 i.e. 48.8% of total base

57.2% Convergent HH/SO, +1.6 p.p. YoY

Dominique Leroy, CEO of Proximus Group

I'm very satisfied we realized a strong second quarter, showing continued customer growth and a solid set of financials in spite of a highly competitive market, and as such we close a solid first half of the year.

Through our dual-brand strategy, we have been able to continue to grow our customer base for TV and Internet, in a generally slow commercial quarter for Fixed. Nonetheless we continued to see good traction for our all-in offers, reaching 439,000 Tuttimus/Bizz all-in customers by end-June. We also achieved a strong growth in Mobile Postpaid, adding in total 45,000 cards to our Postpaid base, driven by a sequentially improved churn, a successful Red Devils mobile campaign, and continued growth in the Enterprise segment. On the 25th of June we expanded our Consumer mobile offers with two EPIC price plans, fully digital mobile offers addressing the needs of music streaming and social network loving millennials, with some first promising results.

Our Enterprise segment sustained its solid position, with a further growing Mobile customer base and achieving a strong growth in ICT. On top of the firm progress made organically, our ICT business is also benefitting from the investments we have made to strengthen our ICT portfolio, offering services that go well beyond pure connectivity. Over the past year, we have acquired small but highly specialized companies, offering meaningful solutions for the digital transformation of our business customers. Fitting this strategy, we have more recently announced the acquisition of Codit, a Belgian IT services company and a market leader in business application integration, API[6] Management, Microsoft Azure and Internet of Things. This will enable us to further support Corporate customers from the infrastructure layer up to the application layer.

The sound commercial achievements have led to a positive revenue evolution for our Domestic operations by 0.8%. At the same time we continued to manage our direct and operational costs, leading to a strong Domestic EBITDA performance, growing by 5.5% for the second quarter. This includes a EUR 13 million loss in Roaming Direct margin following the Roam like at Home regulation.

BICS closed a firm second quarter, with a year-over year growth in direct margin by 18.5% and EBITDA by 12.7%. This was strongly supported by TeleSign's consolidation which accelerates BICS' strategic ambitions in the growing Application to Person market, and delivering meaningful synergies.

With both Domestic and BICS achieving solid EBITDA growth, we closed the second quarter with a 6.1% increase for our Group EBITDA. This brings us to a 3.6% growth for the Group EBITDA over the first-half of 2018, slightly ahead of our expectations, including some one-off tailwinds in direct margin. Based on our estimates for the remainder of the year, we reiterate our full-year guidance of slight EBITDA growth for the Group, and nearly stable Domestic revenue. We also reconfirm that the Capex for 2018 is estimated to be around EUR 1 billion, and that we intend to return a EUR 1.50 gross dividend per share over the result of 2018.

As a final point, we have taken note of the agreement of the federal government to open the upcoming spectrum auctions to a fourth mobile operator under discriminatory conditions. In the coming months we will work hard on elaborating different scenarios anticipating the possible arrival of the fourth entrant and the potential consequences for Proximus.

[3] Not including second or third TV settop boxes.

[4] Group (Consumer, Enterprise and Tango) figure, only paying, active cards, excluding M2M.

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

[6] Application Programming Interfaces

2 Proximus Group financial review

2.1 Group financials

Table 1: Underlying Group P&L

(EUR million)	2nd Quarter				Year-to-date			
	2017 IAS 18	2018 IAS 18	Change %	2018 IFRS 15	2017 IAS 18	2018 IAS 18	Change %	2018 IFRS 15
TOTAL INCOME (*)	1,417	1,454	2.6%	1,452	2,861	2,894	1.2%	2,892
Net Revenue	1,406	1,444	2.7%	1,442	2,839	2,873	1.2%	2,871
Other Operating Income	11	10	-10.8%	10	22	22	0.7%	22
Costs of materials and charges to revenues (**)	-516	-522	1.0%	-524	-1,062	-1,046	-1.5%	-1,049
TOTAL DIRECT MARGIN	901	932	3.5%	928	1,799	1,849	2.8%	1,844
Direct margin %	*63.6%*	*64.1%*	*0.6 p.p.*	*63.9%*	*62.9%*	*63.9%*	*1.0 p.p.*	*63.7%*
TOTAL EXPENSES	-436	-440	0.7%	-439	-885	-902	1.9%	-902
TOTAL EBITDA	464	493	6.1%	489	914	947	3.6%	942
Segment EBITDA margin %	*32.8%*	*33.9%*	*1.1 p.p.*	*33.6%*	*31.9%*	*32.7%*	*0.8 p.p.*	*32.6%*

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

2.1.1 Underlying Group revenue

Proximus posted for the second quarter of 2018 a Domestic underlying revenue of EUR 1,114 million, 0.8% above that of the same period of 2017.
Revenue from **Fixed Services[7] remained fairly stable** in relation to the prior year, totaling EUR 494 million, with the increase for Fixed Data (+3.5%) and TV (+4.0%) compensating for the steadily eroding Fixed Voice revenue, down in the second quarter by 6.0%. (see table 3)

For **Mobile Services**, Proximus posted EUR 323 million of revenue, **sequentially improving the year-on-year variance** to a 0.8% decline. Within the mix, Proximus increased its Mobile Postpaid revenue by 1.3%, driven by a 2.9% increase in its customer base over the past year. This, together with the higher data usage and the effect of the portfolio changes as of August 2017, more than compensated for the headwind from "Roam-like-at-Home" (RLAH), which annualized mid-June.
The higher Postpaid revenue was more than offset by the ongoing decline in Mobile Prepaid. In a shrinking Prepaid market, Proximus' Prepaid base is becoming smaller, in part the consequence of active migrations to more valuable postpaid subscriptions, with especially the Full Control subscription proving a successful alternative.

Revenue from **ICT was solid for the second quarter 2018, growing year-on-year by 6.2%** to EUR 136 million. The organic ICT growth was reinforced by some revenue contribution from acquired companies[8], supporting Proximus in its strategy to bring full end-to-end solutions to its business customers.
The second quarter revenue benefitted from the ongoing progress in Advanced Business Services, and a 4% revenue gain for the Wholesale segment. Contrary to the first quarter 2018, the revenue growth of the second quarter did not contain any uplift in Mobile device sales, posting a fairly stable year-on-year revenue level.

Proximus' carrier services, **BICS, posted a solid second quarter revenue of EUR 340 million, 8.9% above** that of the comparable period in 2017, TeleSign included. In aggregate, the **Proximus Group ended the second quarter of 2018 with a 2.6% revenue growth, totaling EUR 1,454 million**.

This brings the **Proximus Group revenue over the first half of 2018 to EUR 2,894 million, a 1.2% progress** from the prior year. This includes a 0.9% revenue increase from Proximus' Domestic operations, and a 2.3% increase for BICS.

[7] Voice, Data and TV. See table 3

[8] See Section 4.1 on Enterprise Segment

Table 2: Group revenue by segment

(EUR million)	2nd Quarter				Year-to-date			
	2017 IAS 18	2018 IAS 18	Change %	2018 IFRS 15	2017 IAS 18	2018 IAS 18	Change %	2018 IFRS 15
Group Reported	**1,417**	**1,454**	**2.6%**	**1,452**	**2,861**	**2,895**	**1.2%**	**2,893**
Incidentals	*0*	*0*		*0*	*0*	*-1*		*-1*
Group underlying by Segment	**1,417**	**1,454**	**2.6%**	**1,452**	**2,861**	**2,894**	**1.2%**	**2,892**
Domestic	1,105	1,114	0.8%	1,112	2,216	2,235	0.9%	2,233
Consumer	727	725	-0.2%	724	1,446	1,456	0.7%	1,454
Enterprise	343	351	2.4%	351	691	702	1.6%	702
Wholesale	48	50	4.0%	50	100	97	-2.6%	97
Other (incl. eliminations)	-13	-13	0.6%	-13	-22	-21	4.9%	-21
International Carrier Services (BICS)	312	340	8.9%	340	645	659	2.3%	659

More precisely, the second-quarter 2018 Group underlying revenue variance was the result of the following segment changes:

- **The Consumer segment posted for the second quarter EUR 725 million of revenue, fairly stable (-0.2%) in relation to the prior year**. Revenue from Fixed services (Voice, Internet and TV) was up by 1.3%, driven by a growing TV and Internet customer base, and overall customer value management, including upselling of services and some price changes. Revenue from Mobile Postpaid increased by 1.4%, even though the year-on-year variance remained largely impacted by the Roam Like-at-Home regulation. The consumer revenue was supported by a sustained upselling of customers to 4-Play offers, with Tuttimus/Bizz All-In reaching 439,000 subscribers end-June 2018.

- The **Enterprise segment closed the second quarter with EUR 351 million revenue, 2.4% above** that of the comparable period of 2017. Proximus benefited from a solid ICT revenue growth and higher Mobile service revenues driven by a continued enlarging customer base combined with less ARPU decline for its Enterprise customers. In addition, the Enterprise segment posted some further progress in Advanced Business Services, and higher Mobile terminals revenue. This more than offset the pressure on the more traditional telecom services.

- Proximus' **Wholesale segment reported EUR 50 million in revenue**, **up by 4% from the prior year** with higher visitor roaming offsetting the limited decline in traditional Wholesale services.

- **BICS's revenue variance showed a strong sequential improvement, up by 8.9% to EUR 340 million,** mainly driven by the additional business from TeleSign. Supported by a stable destination mix, the revenue from Voice was only down by 0.5% for the second quarter, a significant improvement compared to prior quarters. The steep increase in Messaging volumes carried by BICS, driven by boosting A2P volumes, led to an accelerated revenue growth for non-Voice of 40.8% to reach EUR 100 million for the second quarter 2018.

Table 3:

Underlying Group revenue by product group

(EUR million)	2nd Quarter 2017 IAS 18	2018 IAS 18	Change %	Year-to-date 2017 IAS 18	2018 IAS 18	Change %
Revenues	1,417	1,454	2.6%	2,861	2,894	1.2%
Domestic	**1,105**	**1,114**	**0.8%**	**2,216**	**2,235**	**0.9%**
Fixed	**502**	**502**	**-0.1%**	**1,007**	**1,007**	**0.0%**
Fixed Services	**494**	**494**	**0.1%**	**990**	**992**	**0.2%**
Voice	182	171	-6.0%	369	348	-5.7%
Data (Internet & Data Connectivity)	216	224	3.5%	431	446	3.5%
TV	96	99	4.0%	190	198	4.3%
Fixed Terminals (excl. TV)	**9**	**8**	**-12.6%**	**18**	**15**	**-12.4%**
Mobile	**373**	**371**	**-0.6%**	**739**	**741**	**0.4%**
Mobile Services	**326**	**323**	**-0.8%**	**646**	**637**	**-1.4%**
Postpaid	298	302	1.3%	592	596	0.7%
Prepaid	28	21	-24.1%	54	41	-24.0%
Mobile Terminals	**47**	**48**	**0.8%**	**92**	**104**	**12.6%**
ICT	**128**	**136**	**6.2%**	**261**	**271**	**3.8%**
Advanced Business Services	**6**	**7**	**18.6%**	**12**	**14**	**13.1%**
Subsidiaries (Tango)	**33**	**33**	**1.3%**	**64**	**67**	**5.6%**
Other Products	**27**	**27**	**1.2%**	**54**	**57**	**5.6%**
Wholesale	**48**	**50**	**4.0%**	**100**	**97**	**-2.6%**
Other segment (incl. eliminations)	***-13***	***-13***	***0.6%***	***-22***	***-21***	***4.9%***
International Carrier Services (BICS)	***312***	***340***	***8.9%***	***645***	***659***	***2.3%***

2.1.2 Underlying Group direct margin

Table 4:

Group direct margin by segment

(EUR million)	2nd Quarter 2017 IAS 18	2018 IAS 18	Change %	2018 IFRS 15	Year-to-date 2017 IAS 18	2018 IAS 18	Change %	2018 IFRS 15
Group Reported	901	932	3.5%	928	1,799	1,850	2.8%	1,845
Incidentals	*0*	*0*		*0*	*0*	*-1*		*-1*
Group underlying by Segment	901	932	3.5%	928	1,799	1,849	2.8%	1,844
Domestic	834	853	2.3%	849	1,667	1,693	1.5%	1,688
Consumer	551	566	2.7%	563	1,098	1,122	2.2%	1,118
Enterprise	239	239	0.0%	238	477	476	-0.2%	475
Wholesale	41	41	-0.5%	41	86	82	-5.3%	82
Other (incl. eliminations)	2	7	>100%	7	6	13	>100%	13
International Carrier Services (BICS)	67	79	18.5%	79	132	156	18.7%	156

For its Domestic operations, Proximus posted a second-quarter 2018 direct margin of EUR 853 million, up by 2.3% from the same period of 2017, in spite of EUR -13 million net decrease in roaming margin triggered by RLAH.
The second quarter progress in direct margin was driven by the higher direct margin posted by the Consumer segment, up by 2.7% compared with the prior year. About half was driven by one-off tailwinds, including a significant benefit following the renegotiation of several supplier contracts. The direct margin of both the Enterprise and Wholesale segment remained stable.

For the second quarter of 2018, BICS' direct margin progressed to EUR 79 million, a year-on-year increase of 18.5%, including TeleSign's[9] contribution, resulting from boosting A2P messaging volumes and direct cost synergies. In aggregate, the **Proximus Group underlying direct margin grew by 3.5%, totaling EUR 932 million** for the second quarter of 2018.

Over the first six months of 2018, the direct margin of the Proximus Group totaled EUR 1,849 million, +2.8% from the prior year, with Domestic operations posting a 1.5% progress and BICS +18.7%. Over the first six months of 2018, roaming regulation has caused a EUR 26 million decrease in roaming margin.

[9] Consolidated in BICS as of 1 November 2017

2.1.3 Underlying Group expenses[10]

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

(EUR million)	2nd Quarter				Year-to-date			
	2017 * IAS 18	2018 IAS 18	Change %	2018 IFRS 15	2017 * IAS 18	2018 IAS 18	Change %	2018 IFRS 15
Group Reported	456	472	3.7%	472	925	947	2.3%	946
Incidentals	-19	-33		-33	-40	-45		-45
Group Underlying	436	440	0.7%	439	885	902	1.9%	902
Workforce expenses	296	295	-0.3%	295	589	591	0.2%	591
Non Workforce expenses	141	145	3.0%	145	296	311	5.3%	311
Domestic Underlying	404	399	-1.2%	399	821	819	-0.2%	819
Workforce expenses	278	271	-2.5%	271	555	545	-1.8%	545
Non Workforce expenses	125	127	1.7%	127	266	274	3.1%	274
BICS Underlying	33	41	24.6%	41	64	83	28.9%	83
Workforce expenses	17	23	34.9%	23	35	46	31.9%	46
Non Workforce expenses	16	18	13.2%	18	29	37	25.2%	37
Domestic Underlying by nature	404	399	-1.2%	399	821	819	-0.2%	819
Marketing Sales & Servicing	221	221	-0.3%	220	437	444	1.7%	444
Network & IT	128	121	-5.4%	121	264	255	-3.6%	255
General and Administrative (G&A)	54	57	4.9%	57	120	120	0.6%	120

(*) Restated: split workforce - non workforce has been aligned for all subsidiaries, no impact on total expenses.

Proximus' Group underlying operating expenses for the second quarter 2018 were up by 0.7%, driven by higher costs for BICS, including the consolidation of TeleSign. Following this acquisition in November 2017, BICS' total headcount increased, totaling 710 FTEs end-June 2018. The year-on-year increase of 184 FTEs is reflected in BICS' workforce expenses.

Proximus' **Domestic expenses were down by 1.2% compared to the second quarter of 2017,** including higher expenses fueling the ICT growth, partly related to new acquisitions in this domain. The year-on-year decrease is driven by a 2.5% reduction in workforce expenses, with the positive impact from a lower headcount in part offset by the impact of an inflation-based salary increase in July 2017 and the natural wage drift.
Proximus' Domestic workforce ended 207 FTEs below that of one year ago, totaling 12,375 FTEs end-June 2018. The headcount decrease was largely the consequence of the voluntary early leave plan ahead of retirement, with in addition some legal retirements and natural attrition. This was however partly offset by external hiring of business critical profiles and the impact of acquired ICT subsidiaries, in total adding 99 FTEs.

2.1.4 Group EBITDA

Table 6: Operating income before depreciation and amortization

(EUR million)	2nd Quarter				Year-to-date			
	2017 IAS 18	2018 IAS 18	Change %	2018 IFRS 15	2017 IAS 18	2018 IAS 18	Change %	2018 IFRS 15
Group Reported	445	460	3.2%	456	874	903	3.4%	898
Incidentals	19	33		33	40	44		44
Group underlying	464	493	6.1%	489	914	947	3.6%	942
Domestic	430	454	5.5%	450	846	873	3.2%	868
International Carrier Services (BICS)	34	39	12.7%	39	67	74	9.0%	74

(1) Underlying Group EBITDA

As a result of the higher margin achieved for its **Domestic operations** in the second quarter 2018, combined with lower expenses, Proximus posted **a 5.5% increase in underlying Domestic EBITDA, totaling EUR 454 million.** This includes a net regulatory impact of EUR -13 million[11]. This loss in roaming margin aside, the second-quarter 2018 Domestic EBITDA would have grown by 8.6%.
BICS posted a second-quarter 2018 EBITDA of EUR 39 million, a **year-on-year increase of 12.7%** including TeleSign.

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

[11] See section 2.2 on Regulation

In aggregate, the Proximus Group's second quarter 2018 underlying EBITDA totaled EUR 493 million, a 6.1% increase compared with the same period of 2017, or +8.9% excluding the regulatory-driven loss in roaming margin.

Over the first-half of 2018, the Proximus Group posted EUR 947 million EBITDA, a 3.6% year-on-year increase. This includes a 3.2% growth in its Domestic EBITDA, and a 9.0% increase for BICS.

(2) Total Reported Group EBITDA (incidentals included)

In the second quarter of 2018, the Proximus Group recorded EUR 33 million negative EBITDA incidentals, mainly related to the ongoing early leave plan prior to retirement and revised provisions for pylon taxes. The latter is the consequence of the court decision on 7 June in the Schaerbeek case leading Proximus to review the impact of this broad interpretation by the court on outstanding related cases. As a result, Proximus accounted for EUR 21 million additional liabilities for all Brussels municipalities related to the period 2004 to 2017.

The incidentals included, the **Proximus Group's reported EBITDA totaled EUR 460 million for the second quarter 2018**, compared to EUR 445 million the year before, i.e. **a 3.2% increase.** See section 8.2 for more information on the incidentals.

2.1.5 Net income

Depreciation and amortization

The second quarter 2018 **depreciation and amortization totaled EUR 261 million** bringing the total over the first six months of 2018 to EUR 511 million. This compares to EUR 478 million for the same period of 2018 mainly due to an increasing asset base.

Net finance cost

The year-to-date June 2018 **net finance cost totaled EUR 31 million**, fairly stable versus last year and mainly resulting from the refinancing at a lower interest rate offset by the increased interest costs as a consequence of the reassessment of the liability for tax on pylons.

Tax expenses

The tax expenses over the first half year of 2018 amount to EUR 96 million, leading to an **effective tax rate of 26.7%.** This is lower than the 30.5% in 2017 as a result of the positive effects of the Belgian corporate income tax reform (rate decrease mitigated by a decrease of the notional interest deduction in 2018).

Net income (Group share)

With EUR 129 million net income for the second quarter 2018 the Group reported a **half-year net income (Group share) of EUR 253 million.** The year-over-year increase of EUR 8 million is mainly explained by a higher underlying Group EBITDA and less tax expenses, partly offset by higher depreciation and amortization.

Table 7: From Group EBITDA to net income

(EUR million)	2nd Quarter 2017 IAS 18	2nd Quarter 2018 IAS 18	2nd Quarter Change %	2nd Quarter 2018 IFRS 15	Year-to-date 2017 IAS 18	Year-to-date 2018 IAS 18	Year-to-date Change %	Year-to-date 2018 IFRS 15
EBITDA (1)	445	460	3.2%	456	874	903	3.4%	898
Depreciation and amortization	-243	-261	7.1%	-261	-478	-511	6.9%	-511
Operating income (EBIT)	202	199	-1.4%	195	396	392	-1.0%	387
Net finance costs	-15	-19	26.7%	-19	-30	-31	5.8%	-31
Share of loss on associates	0	0	-1.1%	0	-1	-1	53.6%	-1
Income before taxes	186	180	-3.7%	176	366	360	-1.6%	355
Tax expense	-56	-45	-20.0%	-44	-111	-96	-14.0%	-94
Non-controlling interests	5	6	20.0%	6	9	11	12.7%	11
Net income (Group share)	126	129	2.8%	126	245	253	3.5%	250

(1) Earnings Before Interests, Taxes, Depreciation and Amortization.

2.1.6 Investments

Proximus invested EUR 238 million in the second quarter of 2018, bringing the capex over the first six months of 2018 to EUR 459 million. This compares to EUR 502 million for the same period in 2017, which included capex related to the Jupiler League football broadcasting rights acquired for three seasons. This aside, the year-to-date capex for 2018 was above the prior year.

The capex covers Proximus' extensive investments in enhancing its networks, with the ongoing roll out of Fiber and continued upgrades in the mobile network to maintain high-quality standards while national mobile data usage shows a steep increase of over 60% compared to the prior year. Mid-2018, the monthly national data usage per customer reached nearly 1.9 GB on average, supported by mobile viewing of the Football World Cup.

Furthermore, Proximus invest in its IT systems, further simplification and transformation, and ensures attractive content for its TV customers.

2.1.7 Cash flows

Table 8: Cash flows

	2nd Quarter				Year-to-date			
(EUR million)	**2017 IAS 18**	**2018 IAS 18**	**Change %**	**2018 IFRS 15**	**IAS 18**	**IAS 18**	**Change %**	**IFRS 15**
Cash flows from operating activities	254	327	28%	327	690	715	4%	715
Cash paid for Capex (*)	-209	-238	14.0%	-238	-475	-540	13.7%	-540
Cash flows used in other investing activities	-6	-9	38%	-9	-2	-15	>100%	-15
Cash flow before financing activities (FCF)	**39**	**80**	**>100%**	**80**	**212**	**159**	**-25%**	**159**
Cash flows used in financing activities (**)	-251	-318	26%	-318	-96	-282	>100%	-282
Net increase of cash and cash equivalents	**-212**	**-237**	**12%**	**-237**	**116**	**-123**	**<-100%**	**-123**

(*) 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' second-quarter 2018 FCF totaled EUR 80 million, bringing the year-to-date June FCF to EUR 159 million, or EUR 180 million when excluding the cash-out related to the acquisition of subsidiaries in the ICT domain. The remaining decrease compared to the EUR 212 million for the same period of 2017 was mainly the consequence of higher cash paid for Capex (including the remaining carry-over effect from 2017). Furthermore, the first-half of 2018 included somewhat higher cash out for working capital and payments in view of the early leave plan ahead of retirement. This was partially offset by a growth in underlying EBITDA and lower Income Tax payments.

2.1.8 Balance sheet and shareholders' equity

Compared to year-end 2017 the goodwill increased with EUR 19 million mainly as a consequence of the acquisition of two Dutch based security companies (ION-IP and Umbrio), price adjustments and conversion difference on the TeleSign goodwill (EUR 5 million). The TeleSign purchase price allocation is not completed yet and is still provisional.

Tangible and intangible fixed assets decreased by EUR 50 million to EUR 4,159 million, the amount of Capex being lower than the depreciation and amortization.

The shareholder's equity decreased from EUR 2,857 million end-December 2017 to 2,790 million end-June 2018 due to the payment of dividends (EUR 323 million) partially offset by the net income (Group Share) of EUR 253 million. The initial application of IFRS 15 resulted in a positive impact of EUR 140 million (after deferred tax) on the retained earnings per 1 January 2018 in the consolidated financial statements.

End June 2018, Proximus' outstanding long-term debt amounted to EUR 2,262 million. Proximus maintained a solid financial position with a net debt of EUR 2,276 million end June 2018.

Table 9: Net financial position

(EUR million)	As of 31 December 2017	As of 30 June 2018
Investments, Cash and cash equivalents (*)	338	214
Derivatives	5	5
Assets	342	219
Non-current liabilities (**)	-1,860	-2,260
Current liabilities (**)	-570	-235
Liabilities	-2,430	-2,496
Net financial position	**-2,088**	**-2,276**

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

2.2 Regulation

Table 10: Estimated year-on-year impact from regulation

(EUR million)	Q2 2018		YTD'18		FY 2018 estimate	
Regulation impact on YoY variance	Revenue	Direct Margin	Revenue	Direct Margin	Revenue	Direct Margin
Overall net impact on Roaming (price and volume impact of roaming-out & roaming-in)	-12	-13	-22	-26	~ -34	~ -35
Among which regulated price impact on Roaming-Out	-13	-13	-26	-26	-26	-26
Fixed Termination Rates	0	0	-4	-2	-12	-5

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

International Roaming

The lowered roaming prices following the EU roaming regulation impacted Proximus' Mobile services revenue and margin. For the first half of 2018, the net roaming margin decreased year-on-year by EUR 26 million. This includes the impact from Roam like at Home pricing, the decrease in roaming options for the Enterprise segment, and a positive impact from visitor roaming traffic. The Roam like at Home pricing annualized 12 June 2018.

Fixed Termination Rates (FTR)

Following the annulment of the decision to lower the Fixed Termination Rates as from 1 November 2016, the previous, higher, FTRs were reintroduced early 2017. This increased the revenue and EBITDA in the first quarter of 2017 by respectively EUR 4 million and EUR 2 million, and hence negatively impacted the year-on-year variance for the first quarter 2018. Comparing year-on-year an equal FTRs for the second quarter, the year-to-date impact was limited to the first-quarter effect. BIPT announced it will publish its final decision for the third quarter 2018.

Broadband and TV market analysis

After the green light granted by the European Commission end-May, the Belgian regulators published on 29 June 2018 their final decisions on the review of the broadband and television market analysis. The final texts remain unchanged as compared to the version notified to the European Commission end April. Overall the outcome is in line with Proximus' expectations. The new decisions confirm the deepening of the cable regulation and the extension of Proximus' regulation from its copper to its fiber network. It is also confirmed that there is no impact on Proximus planned network topology.

Overall the new regulation for Fiber is in line with the wholesale strategy of Proximus to open its networks to other operators, and therefore no negative implications are expected in the near term. During the past years Proximus developed and evolved its wholesale offer and in the course of last year and this year it signed several commercial agreements with its main broadband wholesale customers, today already representing 80% of the bitstream market (excluding cable).

In terms of pricing, the regulators maintain the proposed “fair pricing” (i.e. price based on current costs, increased with a reasonable profit margin) for fiber, be it as a controlling measure to identify excessive pricing. Today the wholesale fiber pricing for the two first speed tiers is set based on the commercial agreements Proximus has closed.

Finally, Proximus is satisfied that there is now a clear framework for reciprocal access between cable and copper/fiber, meaning that also in the business market there is a more level playing field. It was also confirmed that Proximus is allowed to access cable where there is no own coverage (and no viable business case to build).

The ‘high quality broadband services’ (leased lines/connectivity) are not addressed in this decision (planned in the course of 2018).

EU Telecom Review – regulation of international calls

On 5 June 2018, the EU institutions reached a final compromise on the European Electronic Communications Code and in particular on the regulation of international calls and SMS. The agreement foresees a capping of the retail intra-EU calls to 19 cents/min and of the SMS to 6 cents/SMS. The tariffs will apply to consumer pricing only. The offering of alternative tariffs would be possible based on an opt-in by the customer. A sustainability derogation is also foreseen: in case regulation makes the “domestic charging model” of the provider “unsustainable”, the regulators could allow higher tariffs. The obligation will enter into force on 15 May 2019 and will end after five years.

The deal also includes minimum 15-year spectrum licenses (with optional five-year extension) as well as the access package, in particular an agreement to relax regulation for operators that co-invest and on instruments in case of oligopoly markets.

Formal adoption of the Code by the Parliament and the Council is expected in the second half of 2018. Member States will then have two years to transpose the Code into their national legislations.

Upcoming spectrum auction

Belgian authorities are currently preparing a multi-band spectrum auction. The auctions will include the renewal of licenses in the existing bands (900, 1800 and 2100 MHz licenses due to expire on 25 March 2021) and the granting of spectrum in new bands, i.e. 700 MHz and 3.5 GHz . All licenses will be valid for 20 years with the possibility to extend by 5-year periods. The total reserve price (minimum price) is around EUR 660 million for the whole market, with the final outcome fully depending on the result of the auctions. On 23 July 2018, the Belgian Government approved the principle of favouring the entry of a 4th mobile player on the market. The auction is not expected to start before the third quarter of 2019.

2.3 Outlook

Proximus closed a solid first-half of 2018, delivering an EBITDA slightly ahead of company expectations. This included some one-off tailwinds benefitting mainly the Consumer direct margin. For the second half of 2018, Proximus expects to benefit from the annualizing RLAH price regulations, though will face an inflation-based salary indexation and will no longer benefit from the mid-2017 price adjustments. Overall, Proximus estimates to end the year 2018 in line with its full-year guidance of slightly growing Group EBITDA, and nearly stable Domestic revenue, in spite of the highly competitive market. The 2018 capex outlook remains unchanged at around EUR 1 billion, and the company reconfirms its intention to return over the year 2018 a EUR 1.50 gross dividend per share.

Table 11: Outlook (2018 and comparable base of 2017 both under IAS 18)

Guidance metrics	FY2017 Actuals	FY2018 Outlook	YTD YoY achievement
Domestic underlying **revenue**	€4,458m	Nearly stable	+0.9%
Group underlying **EBITDA**	€1,823m	Slight growth	+3.6%
Capex	1,092m*	Around €1Bn	459m

** Incl. renewal of 3-year football broadcasting licenses (Jupiler League, UEFA Champions league)*

3 Consumer

- Value-accretive customer mix, with ARPH[12] increasing 0.8% to EUR 66.2.
- Continued customer growth with dual brand strategy: Internet (+7,000) and TV (+9,000).
- World Cup campaign leading to +32,000 mobile Postpaid net adds in highly competitive setting.
- Further solid growth for Tuttimus and Bizz All-in, with 439,000 subscribers end-June '18.
- Nearly stable second-quarter 2018 revenue, -0.2%, including RLAH impact.
- Direct margin 2.7% higher, benefitting from a better YoY customer mix, and one-off tailwinds.

Table 12: Consumer revenue and direct margin

(EUR million)	2nd Quarter 2017 IAS 18	2nd Quarter 2018 IAS 18	2nd Quarter Change %	2nd Quarter 2018 IFRS 15	Year-to-date 2017 IAS 18	Year-to-date 2018 IAS 18	Year-to-date Change %	Year-to-date 2018 IFRS 15
TOTAL SEGMENT INCOME	727	725	-0.2%	724	1,446	1,456	0.7%	1,454
Net Revenue	721	720	-0.2%	718	1,436	1,445	0.6%	1,443
Other Operating Income	5	5	2.7%	5	10	11	5.7%	11
Costs of materials and charges to revenues	-175	-159	-9.1%	-161	-348	-333	-4.3%	-336
TOTAL SEGMENT DIRECT MARGIN	551	566	2.7%	563	1,098	1,122	2.2%	1,118
Direct margin %	*75.9%*	*78.0%*	*2.2 p.p.*	*77.7%*	*75.9%*	*77.1%*	*1.2 p.p.*	*76.9%*

3.1 Consumer revenue

Proximus' Consumer segment posted for the second quarter 2018 fairly stable revenue of EUR 725 million, -0.2% year-on-year.
Revenue from Fixed services totaled EUR 381 million including Voice, Internet and TV, up by 1.3% from the prior year. The main driver was a growing Internet and TV customer base and overall customer value management, including upselling of services and some price changes.

In total, the consumer segment posted EUR 243 million revenue from Mobile services, with the year-on-year trend sequentially improving to -1.4%. This was driven by a 1.4% increase in postpaid revenue, in spite of RLAH still impacting the variance. This was however more than offset by the continued expansion of Proximus' postpaid customer base, uptiering and revamped mobile offers since mid-August 2017. In contrast, revenue from prepaid continued to erode on a lower Prepaid base, in part driven by an active migration to higher-value postpaid offers.

Contrary to the first quarter 2018, the second quarter revenue from the Consumer segment included a year-on-year decline from (low-margin) mobile devices.

Proximus attracted yet again a solid 35,000 customers to its all-in offers Tuttimus/Bizz All-In, closing the second quarter 2018 with 439,000 subscribers.

The **Consumer revenue over the first half of 2018 totaled EUR 1,456 million, 0.7% above the same period of 2017**, mainly driven by higher revenue from Fixed Services.

Fixed Data revenue up driven by larger customer base: +7,000 in Q2 2018; +47,000 YoY

The Proximus Consumer segment generated 5.0% more revenue from its Internet subscriptions compared to the prior year, totaling EUR 162 million revenue for the second quarter 2018. This resulted from a solid +47,000 customer growth over the past 12 months. The total Internet customer base increased to 1,868,000, or +2.6% from one year ago, supported by both the Proximus and Scarlet brands. The second quarter of 2018 saw a net Internet customer growth of +7,000, reflecting a generally low quarter, and a highly competitive market. The internet churn for the second quarter 2018 was lower versus prior quarters. The ARPU[13] of EUR 28.9 was up by 2.2% on an annual basis, remaining stable in relation to the prior quarter, reflecting the price changes since the start of 2018.

[12] Average Revenue Per Household. Under IFRS15. See Section 3.2.

[13] Average Revenue Per User

TV customer base grew by 9,000 households in the second quarter, +51,000 YoY

In one year, the Proximus and Scarlet brands combined grew their TV customer base by 51,000 TV households, or +3.3%, ending the second quarter of 2018 with 1,584,000 TV customers[14]. Proximus attracted a net number of 9,000 customers on its TV platform in the second quarter, with TV ARPU sequentially stable at EUR 20.9 and slightly up from the prior year (+0.4%). The growing TV subscriber base remains an important revenue driver for the Consumer segment, with TV revenues up by 4.0% year-on-year to total EUR 99 million for the second quarter of 2018.

The customer growth was well supported by the Proximus branded Tuttimus and Familus offers, providing customers with more extensive TV content. Proximus continued to strengthen its entertainment offer through a partnership with BeTV, and launched an innovative e-sports offer. Proximus also launched a new content-centric mobile TV app, which gained good traction strengthened by the World Cup. Thereby the Proximus TV offer was expanded and better responds to the desires of our customers.

Fixed Voice line erosion and lower traffic driving Fixed Voice revenue decline

By end-June 2018 the total Fixed Voice customer base totaled 2,002,000, down -3.0% from one year ago, including a net line loss of 17,000 in the second quarter of 2018.

The Fixed Voice ARPU for the second quarter of 2018 was EUR 19.8, i.e. a decline of 2.9% compared to the previous year. This was due to an ongoing decline in the use of Voice traffic, partly offset by the 1 January 2018 price changes for single-play Fixed Voice.

A lower Fixed Voice customer base compared to a year ago, combined with a lower ARPU, resulted in a -5.4% year-on-year revenue decline for Fixed Voice, reaching EUR 119 million in the second quarter of 2018.

Mobile Postpaid revenue up on growth in customer base; +32,000 cards in Q2.

In total, the Mobile Services revenue of the Consumer segment totaled EUR 243 million for the second quarter of 2018, or -1.4%. This included a continued growth for Postpaid services, with revenue up by 1.4%, in spite of the RLAH headwinds (annualized 12 June 2018). The fading regulatory price impact was reflected in the EUR 27.7 Postpaid ARPU, with the year-on-year decrease sequentially improving to -1.2% for the second quarter 2018.

The regulatory price impact was more than offset by the increase in Proximus' Consumer Postpaid base, up by 2.4% from the prior year, and by some uptiering and price changes. End-June 2018 the Postpaid base totaled 2,695,000 cards, 62,000 more compared to one year ago.

In a more competitive setting, the Mobile postpaid churn improved well from the prior quarters, remaining slightly higher compared to one year back. Improved churn rates, combined with a successful mobile marketing campaign around the Red Devils, led to solid growth of +32,000 Postpaid subscriptions in the second quarter.

Over the same time period, the loss of Prepaid cards remained elevated, with the Prepaid base reduced by -38,000, totaling 832,000 Prepaid cards end-June 2018. The continued erosion in an already declining market, is partly driven by the strategy to migrate customers to similar Postpaid pricing plans, at higher value.

As a consequence, the combined Prepaid-Postpaid Mobile customer base totaled 3,528,000 Mobile cards end-June 2018, with a blended mobile ARPU of EUR 23.0, up 1.4% from a year ago due to a better customer mix.

The Mobile "joint offers" further improved smartphone penetration, which rose to 75%, leading to an increase in overall data usage. The blended monthly national data usage went up by 61% to an average of 1.9 GB, strengthened by the Football World Cup.

Tango revenue[15]

Despite aggressive competitive market conditions and the application of the RLAH legislation, Tango improved its consumer revenue by 1.1% to EUR 29 million for the second quarter 2018. This was driven by a steady growth in its mobile base, and the successful execution of its convergence strategy with FttH driving an increase in broadband revenue. Compared to prior quarters, the revenue uplift was more limited with a 2017 price increase of the mobile portfolio annualizing.

[14] Referring households and small-offices, not including multiple settop boxes

[15] A minor change has been applied to the split of Tango's revenue between the Consumer and Enterprise segments. The 2017 figures have been restated accordingly.

Table 13: Consumer **revenue** by product group

(EUR million)	2nd Quarter 2017 IAS 18	2nd Quarter 2018 IAS 18	2nd Quarter Change %	Year-to-date 2017 IAS 18	Year-to-date 2018 IAS 18	Year-to-date Change %
Revenues	727	725	-0.2%	1,446	1,456	0.7%
Fixed	380	384	1.0%	761	770	1.2%
Fixed Services	376	381	1.3%	753	764	1.5%
Voice	126	119	-5.4%	256	243	-5.1%
Data (Internet & Data Connectivity)	154	162	5.0%	307	323	5.2%
TV	96	99	4.0%	190	198	4.3%
Fixed Terminals (excl. TV)	4	3	-23.2%	8	6	-22.6%
Mobile	288	282	-2.3%	569	562	-1.1%
Mobile Services	247	243	-1.4%	488	480	-1.6%
Postpaid	219	222	1.4%	434	439	1.2%
Prepaid	28	21	-24.1%	54	41	-24.0%
Mobile Terminals	42	39	-7.7%	81	82	1.5%
ICT	7	7	0.8%	14	15	4.5%
Subsidiaries (Tango)	29	29	1.1%	55	58	4.6%
Other Products	23	24	4.8%	47	50	7.6%

Table 14: Consumer **operationals** by product group

	Q217 IAS 18	Q218 IAS 18	Change (in abs. Amount)
From Fixed			
Number of access channels (thousands)	**3,885**	**3,870**	**-14**
Voice	2,063	2,002	-61
Broadband	1,821	1,868	47
TV unique customers (thousands)	**1,533**	**1,584**	**51**
ARPU (EUR)			
ARPU Voice	20.4	19.8	-0.6
ARPU broadband	28.3	28.9	0.6
ARPU TV	20.8	20.9	0.1
From Mobile			
Number of active customers (thousands)	3,631	3,528	-104
Prepaid	998	832	-166
Postpaid	2,633	2,695	62
Annualized churn rate			
Prepaid	38.5%	34.7%	-3.8 p.p.
Postpaid	13.3%	14.2%	0.9 p.p.
Blended	21.0%	19.5%	-1.5 p.p.
Net ARPU (EUR)			
Prepaid	9.0	8.2	-0.8
Postpaid	28.0	27.7	-0.3
Blended	22.6	23.0	0.3
Average Mobile data usage user/month (Mb)			
4G	1,407	2,163	757
Blended	1,192	1,922	729

3.2 Consumer reporting by X-Play

The X-Play reporting provides a view on the progress of Proximus' convergence strategy by reporting on Consumer revenue and ARPU per Household/Small Office (ARPH HH/SO). The figures provided below are all under IFRS 15, with a 2017 pro-forma comparison. For the Consumer reporting the main implication of applying IFRS 15 is related to mobile joint-offers. Under IFRS 15, more revenue is allocated to "Terminals sales", and less to the "X-play" revenue, which represents the revenue retrieved from services. This is also reflected in the derived ARPH.

The application of GDPR[16] has led to a limited impact on the reported household data for the Consumer segment with some information no longer being available to define the composition of households. To ease comparison, the data of the 5 prior quarters has been adjusted accordingly, assuming a stable impact of GDPR over this period. Therefore, the total HH/SO serviced by Proximus increased (increase in 1-Play mobile and a limited reduction of 4-Play households). The derived KPI's such as ARPH and RGU have been restated as well.

Table 15: Consumer **revenue by X-Play** (IFRS 15)

(EUR million)	2nd Quarter			Year-to-date		
	2017 IFRS15 (pro forma)	2018 IFRS15	Change %	2017 IFRS15 (pro forma)	2018 IFRS15	Change %
Revenues (underlying)	734	724	-1.4%	1,454	1,454	0.0%
Net Revenue (underlying)	729	718	-1.4%	1,443	1,443	0.0%
X-Play Revenues	589	589	-0.1%	1,173	1,177	0.4%
4-Play	220	236	7.2%	431	467	8.4%
3-Play	172	166	-3.4%	346	334	-3.4%
Convergent	85	82	-3.7%	171	164	-4.2%
Fixed	87	84	-3.0%	174	170	-2.6%
2-Play	74	70	-5.2%	150	143	-5.0%
Convergent	21	20	-6.5%	43	40	-6.7%
Fixed	53	50	-4.6%	107	102	-4.3%
1-Play	123	116	-5.3%	246	233	-5.1%
1P Fixed Voice	26	24	-10.5%	54	49	-9.9%
1P internet	12	13	12.2%	24	27	11.7%
1P Mobile	84	79	-6.2%	168	158	-5.9%
Prepaid	28	21	-24.1%	54	41	-24.0%
Terminals sales	49	45	-8.5%	96	97	1.0%
Tango	28	28	-1.0%	55	56	2.3%
Other net revenues	34	35	2.9%	66	72	9.5%
Other operating Income (underlying)	5	5	2.7%	10	11	5.7%

*Unaudited company estimates of what 2017 would have been when applying IFRS 15 and GDPR, provided for information

Under IFRS15, the Consumer segment posted EUR 724 million revenue for the second quarter of 2018, a 1.4% decline from the prior year. While the revenue from X-Play remained stable at EUR 589 million, revenue from Mobile terminals decreased. The second quarter 2017 included a higher mobile joint-offers impact, which had especially a positive effect on revenue from "terminals sales".

+2,000 HH/SO in Q2 2018

Proximus increased its total base of Households/Small Office by + 2,000 in the second quarter 2018, servicing end-June 2,979,000 HH/SO, and further improved its customer mix, with an increasing number of its customers on 4-Play (see table 16). Over the past 12 months, the total household base ended 19,000 lower, mainly due to a lower single-play Fixed Voice base (-44,000).

Upselling increases overall value per HH/SO. ARPH +0.8% YoY

Successful upselling led to an increase in the overall RGUs, up by 2.1% from the prior year, to reach 2.73. This more than offset RLAH headwinds, and the erosion in Fixed Voice traffic, resulting in a 0.8% growth in ARPH to EUR 66.2 for the second quarter. The overall annualized full churn rate for the second quarter of 11.9% improved from prior quarters, for all Plays, and was only slightly up 0.4pp from one year ago.

[16] General Data Protection Regulation. EU law enforced since 25 May 2018

4-Play revenue +7.2% YoY. Growing base to 711,000 HH/SO. ARPH of EUR 112

The success of the Proximus all-in offers Tuttimus and Bizz all-in resulted in another solid year-on-year revenue increase by 7.2% for 4-Play HH/SO. By end-June 2018, Proximus serviced 711,000 4-Play HH/SO, i.e. 24% of its total base. Over the past twelve months, 52,000 4-Play HH/SO were added, +8.0%, including a net 4-Play HH/SO growth of + 13,000 in the second quarter 2018. The second-quarter 2018 ARPH of a 4-Play HH/SO stood at EUR 111.7, -1.7% from the prior year, including the regulatory pressure on Mobile roaming and lower Fixed Voice traffic. On average, a 4- Play HH/SO counted 4.85 RGUs, with an annualized full-churn level of 2.9%.

Upselling strategy leads to lower 2-Play and 3-Play.

With Proximus mainly upselling to 4-Play, the number of customers on a 2-Play of 3-Play decreases. Within the mix, the number of 3-Play HH/SO with only Fixed services was down by -3,000 in the second quarter, including the TRIO offer of Scarlet. The ongoing erosion of Fixed voice traffic, and the general move to Packs, explains the lower 3-Play Fixed ARPH of EUR 57.8. The number of convergent 3-Play HH/SO decreased in the quarter by 1,000, including the upselling to Tuttimus/Bizz all-in. The Convergent 3-Play ARPH was down by -0.7% to EUR 106.1, with the roaming regulation impact more than offsetting the more for more price changes.

The Single Play HH/SO base decreased by -2,000 over the second quarter 2018 due to a lower 1-Play Fixed Voice base, -11,000 in the quarter. As a consequence, the erosion of revenue from standalone Fixed Voice continued and totaled for the second quarter EUR 24 million, representing 3.3% of the total Consumer revenue.

RLAH impact partly offset by Mobile price changes and uptiering.

With 1-Play mobile HH/SO at 697,000 end-June 2018, the base increased by 7,000 over the second quarter 2018. The single-Play Mobile ARPH was at EUR 38.6 for the second quarter 2018, i.e. a year-on-year decrease of -4.3%, including the impact from the RLAH regulation. These impacts were in part offset by the more-for-more price change in August 2017, and by uptiering of Mobile subscriptions.

Proximus' single-Play Internet HH/SO base increased to 145,000. Over the second quarter 2018 +2,000 1-Play Internet HH/SO were added, including the effect of Scarlet's successful standalone broadband offers. The corresponding ARPH of EUR 31.1 was up 3.6% from the prior year, including the price increase of the Proximus standalone broadband offers.

3.3 Consumer direct margin

Direct margin up driven by growing customer base and one-off tailwinds.

The Consumer segment posted for the **second quarter 2018 a solid year-on-year direct margin growth of 2.7%**, totaling EUR 566 million. About half of the EUR 15 million direct margin increase was driven by the enlarging customer base for Fixed and Mobile postpaid, further supported by price changes (July 2017, January 2018 and the August 2017 more-for-more price adjustment for mobile), and by a better acquisition cost. The other half of the direct margin increase was driven by some one-off tailwinds, including a significant benefit following the renegotiation of various supplier contracts.

In spite of the RLAH impact, the **Consumer direct margin over the first half of 2018 grew by 2.2%** to EUR 1,122 million, or EUR 24 million above that of the comparable period of 2017. This resulted from the growing customer base, with improved mix, and the benefit from price changes. Moreover, the first half of 2018 was supported by some substantial one-off tailwinds.

Table 16: Consumer operationals by X-Play

	Q217 IFRS15 (pro forma)	Q218 IFRS15	Val	%
HH/SO per Play - Total (000's)	**2,998**	**2,979**	**-19**	**-0.6%**
4-Play	658	711	52	8.0%
3-Play	751	742	-9	-1.3%
Convergent	262	256	-6	-2.4%
Fixed	489	486	-3	-0.6%
2-Play	421	397	-24	-5.8%
Convergent	98	92	-6	-5.9%
Fixed	323	305	-19	-5.8%
1-Play	1,168	1,130	-38	-3.2%
1P Fixed Voice	332	288	-44	-13.2%
1P internet	133	145	12	9.2%
1P Mobile	703	697	-6	-0.9%
ARPH x - play (in EUR)	**65.6**	**66.2**	**0.5**	**0.8%**
4-Play	113.6	111.7	-1.9	-1.7%
3-Play	76.1	74.6	-1.6	-2.1%
Convergent	106.9	106.1	-0.8	-0.7%
Fixed	59.4	57.8	-1.6	-2.7%
2-Play	58.1	58.7	0.6	1.1%
Convergent	72.5	71.8	-0.7	-1.0%
Fixed	53.8	54.8	1.0	1.9%
1-Play	35.0	34.6	-0.4	-1.3%
1P Fixed Voice	26.1	27.0	0.9	3.3%
1P internet	30.0	31.1	1.1	3.6%
1P Mobile	40.3	38.6	-1.7	-4.3%
Average #RGUs per HH/SO - Total	**2.67**	**2.73**	**0.1**	**2.1%**
4-Play	4.83	4.85	0.0	0.3%
3-Play	3.31	3.30	0.0	-0.2%
Convergent	3.79	3.79	0.0	0.1%
Fixed	3.06	3.05	0.0	-0.2%
2-Play	2.19	2.18	0.0	-0.4%
Convergent	2.54	2.52	0.0	-0.8%
Fixed	2.09	2.08	0.0	-0.3%
1-Play	1.22	1.22	0.0	-0.4%
1P Fixed Voice	1.06	1.06	0.0	-0.2%
1P internet	1.00	1.00	0.0	0.2%
1P Mobile	1.34	1.33	0.0	-0.9%
Annualized full churn rate (HH/SO) - Total	**11.5%**	**11.9%**	**0.4 p.p.**	
4-Play	2.5%	2.9%	**0.4 p.p.**	
3-Play	8.9%	9.3%	**0.5 p.p.**	
2-Play	10.5%	11.8%	**1.3 p.p.**	
1-Play	18.6%	19.4%	**0.8 p.p.**	
% Convergent HH/SO - Total *	**55.6%**	**57.2%**	**1.6 p.p.**	
4-Play	100.0%	100.0%	**0 p.p.**	
3-Play	34.9%	34.5%	**-0.4 p.p.**	
2-Play	23.2%	23.1%	**0 p.p.**	

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

4 Enterprise

- Q2'18 Enterprise revenue +2.4% YoY: growth in ICT, Mobile Services and Advanced Business Services more than compensated for pressure on legacy Telecom services.
- Strong ICT quarter, up by 6.5%, benefitting from a strengthened ICT portfolio and higher product sales.
- Continued strong mobile customer growth in competitive market: +11,000 Postpaid cards.
- Second quarter Mobile Service revenue turns positive on solid Mobile customer growth and a more limited ARPU decline.
- Direct margin stable at EUR 239 million, i.e. 68% of revenue, following the revenue mix.

Table 17: Enterprise revenue and direct margin

(EUR million)	2nd Quarter 2017 IAS 18	2018 IAS 18	Change %	2018 IFRS 15	Year-to-date 2017 IAS 18	2018 IAS 18	Change %	2018 IFRS 15
TOTAL SEGMENT INCOME	343	351	2.4%	351	691	702	1.6%	702
Net Revenue	341	350	2.8%	350	687	700	1.9%	700
Other Operating Income	2	1	-63.9%	1	4	2	-42.7%	2
Costs of materials and charges to revenues	-104	-112	8.0%	-113	-215	-227	5.7%	-228
TOTAL SEGMENT DIRECT MARGIN	239	239	0.0%	238	477	476	-0.2%	475
Direct margin %	*69.7%*	*68.0%*	*-1.7 p.p.*	*67.9%*	*69.0%*	*67.7%*	*-1.2 p.p.*	*67.6%*

4.1 Enterprise revenue

Benefitting from a solid revenue growth for ICT, and higher Mobile services revenue, **Proximus' Enterprise segment posted for the second quarter of 2018 EUR 351 million revenue, 2.4% above that of the 2017 comparable period**.

Operating in a competitive environment, the Enterprise segment has deployed a successful strategy expanding its portfolio well beyond pure connectivity services, offering meaningful solutions for the digital transformation of its professional customers. The end-to-end servicing approach, led to a solid 6.5% revenue increase for ICT in the second quarter 2018, supported by the contribution from small, specialized companies acquired over the past 12 months and higher product sales.

In addition, the Enterprise segment posted some further progress in Advanced Business Services[17] (+18.6%), driven by Smart Mobility and convergent business solutions[18]. Furthermore, the revenue from mobile services was up by 0.9%, driven by a continued gain of mobile customers. Mobile terminals revenue too was up year-on-year following some larger contracts, though came down from the exceptionally high first quarter of 2018.

This more than offset the pressure on the more traditional telecom services. In the second quarter 2018, the Fixed Voice revenue erosion trend continued, driven by a lower park and lower usage, while Fixed Data revenue was marginally down from its comparable base of 2017.

Over the first half of 2018, the Enterprise segment posted EUR 702 million revenue, a 1.6% increase, despite the competitive and regulatory headwinds.

[17] Definition see Section 8.4

[18] Call Connect solutions

Lower Fixed Voice revenue on line erosion and lower usage

The Enterprise segment posted **EUR 51 million in Fixed Voice revenue for the second quarter of 2018**, **showing a year-on-year decline of 7.3%.** The Enterprise segment faces an ongoing rationalization by customers on Fixed line connections, lower usage, technology migrations to VoIP and competitive pressure. The line loss in the second quarter was limited to -8,000, bringing the Enterprise total Fixed Voice Line base to 559,000 at end-June 2018, i.e. a year-on-year line loss of -6.6%. The Fixed Voice ARPU of EUR 30.3 ended 0.6% below that of the previous year, with the decrease in traffic per line and a higher penetration of unlimited call options for a large part compensated for by some price indexations since 1 January 2018.

Ongoing migration of legacy Data products to new solutions at more attractive pricing. Internet customer base maintained fairly stable at 133,000 in competitive environment.

The second-quarter 2018 revenue from Fixed Data **totaled EUR 62 million**, i.e. nearly stable in relation to last year (-0.4%).
For Data Connectivity, by far the largest part in this product category, Proximus posted a fairly steady revenue. The Enterprise segment continued to migrate customers to Proximus' VPN flagship 'Explore', benefitting from the further roll-out of P2P fiber, while legacy products are being outphased and migrated in the context of simplification programs, offering customers new solutions at more attractive pricing.

The Enterprise segment continues to face high competition on the low and medium Internet markets. Nonetheless, Proximus managed to mitigate its net line loss to -1,000 Internet lines for the second quarter 2018, bringing the total to 133,000 by end-June 2018, or a 2.6% decrease from one year back. The lower Internet base was partly compensated for by a 0.6% increase in Broadband ARPU to EUR 43.5, supported by price indexation effects.

ICT revenue of EUR 129 million, up by 6.5%

In the second quarter 2018, Proximus' Enterprise segment posted higher revenue from Security and Outsourcing services, including growing recurring services, as well as higher revenue from products.

Furthermore, the Enterprise segment benefitted from its strengthened ICT portfolio. Over the past year, Proximus has acquired some small-sized but highly specialized companies[19], supporting the cornerstone of Proximus' strategy to help its enterprise customers in their digital transformation journey. The acquired skills are highly complementary to Proximus' established leadership in network connectivity, IT and managed services. This contributed to a **solid 6.5% revenue increase for ICT, totaling EUR 129 million**.

Continued solid customer growth drives 0.9% increase in Mobile Services revenue

For the second quarter of 2018, the Enterprise segment posted **Mobile Services revenue of EUR 80 million, up by 0.9% from the previous year.**

The Enterprise segment closed a strong second quarter in terms of customer acquisition, +11,000 Mobile Voice cards, leading to a further growing Mobile customer base. The net growth in the Mobile Voice customer base remains supported by a low Mobile churn, improving further to 8.9% in the second quarter 2018, in a highly competitive market.

The good customer experience provided by Proximus' mobile network and service levels is supportive to the growing customer base, increasing by 4.7% in a one-year period (M2M cards excluded), and reaching 1,010,000 cards. Besides the growing mobile customer base, the mobile revenue also benefits from the growing data usage per customer.

The benefit from the customer growth was only partly offset by a lower Postpaid ARPU of EUR 25.5. For the second quarter 2018, the year-on-year ARPU decrease improved to -4.1%, after an exceptionally low first quarter. With regulatory price pressure from RLAH annualizing mid-June, the negative impact is limited to the ongoing decrease in subscriptions for Roaming Options. Moreover, the second-quarter national ARPU was positively impacted by increasing data usage. For the second quarter 2018, the average national data usage reached 1.7 GB/user/month, up by 48% compared to a year ago.

[19] Umbrio, Dutch IT & network operations company acquired by Proximus on 31 May 2018; ION-IP, a Dutch company specialized in Managed Security services, acquired on 27 March 2018; Unbrace, an application development company on 1 October 2017; and Davinsi Labs, a cybersecurity company acquired 4 May 2017.

Proximus' Enterprise segment maintained its leadership position on the M2M market. Over the second quarter of 2018, a net amount of 18,000 M2M cards were added, bringing the total number of M2M cards to 1,241,000 at end-June 2018, or a year-on-year growth of 4.3%.

Table 18: Enterprise revenue by product group under IAS 18 (reference table for variances explanations)

(EUR million)	2nd Quarter			Year-to-date		
	2017 IAS 18	2018 IAS 18	Change %	2017 IAS 18	2018 IAS 18	Change %
Revenues	343	351	2.4%	691	702	1.6%
Fixed	122	118	-3.7%	246	237	-3.8%
Fixed Services	118	113	-3.6%	237	228	-3.8%
Voice	55	51	-7.3%	113	105	-7.2%
Data (Internet & Data Connectivity)	62	62	-0.4%	124	123	-0.6%
Fixed Terminals (excl. TV)	5	5	-4.2%	10	9	-4.1%
Mobile	85	89	5.1%	170	179	5.4%
Mobile Services	79	80	0.9%	158	157	-0.9%
Mobile Terminals	5	9	66.7%	12	22	90.8%
ICT	121	129	6.5%	247	256	3.7%
Advanced Business Services	6	7	18.6%	12	14	13.1%
Subsidiaries (Tango)	4	4	2.1%	8	9	12.3%
Other Products	4	3	-18.0%	8	7	-6.5%

Table 19: Enterprise revenue by product group under IFRS 15

Unaudited company estimates of what 2017 would have been when applying IFRS 15, provided for information.

(EUR million)	2nd Quarter			Year-to-date		
	2017 IFRS 15 (pro forma)	2018 IFRS 15	Change %	2017 IFRS 15 (pro forma)	2018 IFRS 15	Change %
Revenues (underlying)	343	351	2.4%	691	702	1.6%
Net Revenue (underlying)	341	350	2.8%	687	700	1.8%
Fixed	122	118	-3.7%	246	237	-3.8%
Fixed Services	118	113	-3.6%	237	228	-3.8%
Voice	55	51	-7.3%	113	105	-7.2%
Data (Internet & Data Connectivity)	62	62	-0.4%	124	123	-0.6%
Fixed Terminals (excl. TV)	5	5	-4.2%	10	9	-4.1%
Mobile	85	89	5.1%	170	179	5.4%
Mobile Services	79	80	0.9%	158	157	-0.9%
Mobile Terminals	6	9	65.0%	12	22	89.7%
ICT	121	130	7.2%	246	256	4.1%
Advanced Business Services	6	7	18.8%	12	14	14.5%
Subsidiaries (Tango)	4	4	-2.7%	8	9	9.0%
Other Products	3	2	-6.1%	5	5	5.5%
Other Operating Income	2	1	-63.9%	4	2	-42.7%

4.2 Enterprise direct margin

For the second quarter of 2018, Enterprise posted a stable direct margin of EUR 239 million.

The second-quarter direct margin was well-supported by the contribution of ICT, Mobile services and Advanced Business Services which was able to offset the margin erosion posted for Fixed Voice.

The first-quarter direct margin as a percentage of revenue decreased year-on-year to 68%, following the product mix.

Table 20: Enterprise operationals

	Q217 IAS 18	Q218 IAS 18	Change (in abs. Amount)
From Fixed			
Number of access channels (thousands)	**735**	**692**	**-43**
Voice	599	559	-40
Broadband	137	133	-3
ARPU (EUR)			
ARPU Voice	30.5	30.3	-0.2
ARPU Broadband	43.3	43.5	0.2
From Mobile			
Number of mobile cards (thousands)	2,155	2,251	97
Among which voice and data cards	965	1,010	45
Among which M2M	1,190	1,244	55
Annualized churn rate (blended)	10.5%	8.9%	-1.7pp
Net ARPU (EUR)			
Postpaid	26.6	25.5	-1.1
Average Mobile data usage user/month (Mb)			
4G	1,345	1,905	560
Blended	1,180	1,745	566

5 Wholesale

Table 21: Wholesale revenue and direct margin

(EUR million)	2nd Quarter 2017 IAS 18	2018 IAS 18	Change %	Year-to-date 2017 IAS 18	2018 IAS 18	Change %
TOTAL SEGMENT INCOME	48	50	4.0%	100	97	-2.6%
Net Revenue	48	50	3.9%	100	97	-2.7%
Other Operating Income	0	0	NR	0	0	NR
Costs of materials and charges to revenues	-7	-9	31.9%	-14	-16	14.1%
TOTAL SEGMENT DIRECT MARGIN	41	41	-0.5%	86	82	-5.3%
Direct margin %	*86.2%*	*82.5%*	*-3.7 p.p.*	*86.3%*	*83.9%*	*-2.4 p.p.*

Proximus' Wholesale segment reported **EUR 50 million in revenue** and a **direct margin of EUR 41** million for the **second quarter of 2018.** Wholesale revenue was up year-on-year by 4.0% with the revenue increase related to higher visitor roaming traffic only slightly offset by a decline in traditional Wholesale services. The Direct margin remained fairly stable. Contrary to the first quarter, the year-on-year variance was not affected by Fixed Termination Rates impacts.

6 BICS (International Carrier Services)

- **Steep growth in SMS A2P volumes, strongly supported by TeleSign's consolidation which accelerates BICS' strategic ambitions in this growing market.**
- **Voice volumes slightly up YoY, breaking the declining trend from the past 4 quarters.**
- **Q2'18 direct margin +18.5% YoY, TeleSign contribution and synergies increasing Direct margin to 23.4% of revenue.**
- **Q2'18 Segment result up by 12.7% YoY, Segment contribution margin of 11.4%; +0.4pp YoY.**

Table 22: BICS P&L

(EUR million)	2nd Quarter 2017 IAS 18	2018 IAS 18	Change %	Year-to-date 2017 IAS 18	2018 IAS 18	Change %
TOTAL SEGMENT INCOME	312	340	8.9%	645	659	2.3%
Net Revenue	312	341	9.2%	644	659	2.4%
Other Operating Income	0	0	NR	1	0	NR
Costs of materials and charges to revenues	-245	-261	6.2%	-513	-503	-1.9%
TOTAL SEGMENT DIRECT MARGIN	67	79	18.5%	132	156	18.7%
Direct margin %	*21.5%*	*23.4%*	*1.9 p.p.*	*20.4%*	*23.7%*	*3.3 p.p.*
TOTAL EXPENSES	-33	-41	24.6%	-64	-83	28.9%
Workforce expenses	-17	-23	34.9%	-35	-46	31.9%
Non Workforce expenses	-16	-18	13.2%	-29	-37	25.2%
TOTAL SEGMENT RESULT	34	39	12.7%	67	74	9.0%
Segment contribution margin	*11.0%*	*11.4%*	*0.4 p.p.*	*10.5%*	*11.2%*	*0.7 p.p.*

6.1 BICS Revenue

For **the second quarter of 2018, BICS' revenue variance showed strong sequential improvement, increasing to EUR 340 million, up by 8.9% from a low comparable base**. The uplift compared to the prior year was mainly driven by the additional business from TeleSign, consolidated since 1 November 2017.

The volume of Voice traffic carried by BICS totaled just over 6 billion minutes in the second quarter, showing a year-on-year increase of 1.6%, breaking the declining trend from the past 4 quarters. Supported by a stable destination mix, the revenue from Voice was down by only 0.5% for the second quarter, a significant improvement compared to prior quarters, in spite of a continued slightly negative USD currency effect.

Messaging volumes carried by BICS continued their steep increase, up by 161.2% from the second quarter 2017. This was driven by boosting A2P[20] volumes, including the solid contribution of TeleSign, accelerating BICS' strategic ambitions in this growing market. This led to an accelerated revenue growth for non-Voice of 40.8% to reach EUR 100 million for the second quarter 2018.

Table 23: BICS revenue

	2nd Quarter			Year-to-date		
(EUR million)	**2017 IAS 18**	**2018 IAS 18**	**Change %**	**2017 IAS 18**	**2018 IAS 18**	**Change %**
Voice	241	240	-0.5%	503	466	-7.3%
Non Voice	71	100	40.8%	141	193	36.4%
Total revenue	312	340	8.9%	645	659	2.3%

Table 24: BICS volumes

	2nd Quarter			Year-to-date		
Volumes (in million)	**2017**	**2018**	**Change %**	**2016**	**2017**	**Change %**
Voice	5,907	6,001	1.6%	12,026	11,998	-0.2%
Non Voice (Messaging)	939	2,453	161.2%	1,818	4,910	170.1%

6.2 BICS direct margin

For the second quarter of 2018, BICS posted direct margin of EUR 79 million, up 18.5% compared to the year before, with TeleSign largely contributing to this uplift. The Direct margin as percent of revenue improved by 1.9pp from the prior year to reach 23.4% for the second quarter 2018.

BICS managed to grow its Voice direct margin by 14.6%, benefitting from more favorable market conditions in BICS' core business, and the contribution by TeleSign's authentication services.
BICS' direct margin benefitted from the BICS-TeleSign combination, with strong growth in SMS A2P volumes and realization of direct cost synergies, resulting in an overall non-Voice margin growth of 21.7% compared to the second quarter of 2017.

[20] Application to Person

Table 25: BICS direct margin

	2nd Quarter			Year-to-date		
(EUR million)	2017 IAS 18	2018 IAS 18	Change %	2017 IAS 18	2018 IAS 18	Change %
Voice	30	34	14.6%	59	68	15.5%
Non Voice	37	45	21.7%	73	88	21.2%
Total direct margin	67	79	18.5%	132	156	18.7%

6.3 BICS segment result

BICS' segment result for the second quarter of 2018 totaled EUR 39 million, up 12.7% compared to the previous year, driven by the consolidation of TeleSign and BICS' organic business.
The direct margin increase was partly offset by higher second-quarter expenses, up by EUR 8 million, driven by the consolidation of TeleSign, partly offset by a positive currency effect impacting the year-on-year variance.
In the second quarter of 2018, the segment margin as percent of revenue increased by 0.4p.p. to 11.4%.

7 Condensed interim consolidated financial statements

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

7.1 Accounting policies

The accounting policies and methods of the Group used as of 2018 are consistent with those applied in the 31 December 2017 consolidated financial statements, with the exception that the Group applied the new standards, interpretations and revisions that become mandatory for the Group on 1 January 2018.
As from 1 January 2018 the Group adopted IFRS 15 and 9 which resulted in the changes in accounting policies described below.

Changes following adoption of IFRS 15 – Revenue from contracts with customers

Before IFRS 15 (IAS 18)	IFRS 15
- Revenue is recognized to the extent that it is probable that the **economic benefits** will flow to the Group and the revenue can be reliably measured.	**Revenue recognition** - Revenue is recognized when (or as) **control** of the asset (goods and services) is transferred to the customer.
- The revenue from sales arrangements with multiple deliverables are allocated to the different components of the arrangements based on their **relative fair values.** When an amount allocated to a delivered component is contingent upon delivery of additional components or meeting specified performance conditions, the amount allocated to that delivered component is limited to the non-contingent amount (cash cap).	- The revenue from sales arrangements with multiple deliverables are allocated to the different components of the arrangements based on their **relative stand-alone selling prices**. When an amount allocated to a delivered component is contingent upon delivery of additional components or meeting specified performance conditions, the amount allocated to that delivered component is not limited to the non-contingent amount **(no cash cap)**
Not applicable	**Contract asset** - Contract assets are Proximus' **right to consideration in exchange for goods or services that it has already transferred** to a customer and arise essentially in the context of a mobile or fix offer with a subsidised device. These assets are classified as **current assets** as they are expected to be realized as part of the Group normal operating cycle.
Not applicable	- When a contract for which a contract asset was recognized is terminated anticipatively by the customer, the net amount resulting from the **contract asset settlement is recognized as device revenue**. The compensation for the device corresponds to the unamortized part of the device when the contract is terminated.
Commissions paid to acquire contracts are expensed as incurred.	**Contract costs** - Commissions paid for the acquisition of postpaid contracts are considered by the Group as incremental costs to obtain a contract. **These commissions are deferred** as contract costs. Other commissions, including for prepaid mobile services are expensed when incurred.
Not applicable	- The resulting contract asset is deferred over a period of **3 years** when the contract acquired belongs to the CBU segment and **5 years** when it belongs to the EBU segment. Because of this long term duration, the contract costs balances are disclosed as **non-current asset**. The amortization of the contract cost is recognized in 'cost of material and services related to revenue'
Items were recognized in deferred income	**Contract liabilities** IFRS 15 requires reclassification of some items previously recognized in deferred income as contract liability. Contract liabilities are netted of with contract assets on contract by contract basis.

The Group has decided to apply the cumulative catch-up method for transition with the application of practical expedient for commissions other than those for postpaid contracts as they are expensed when incurred.
The initial application of IFRS 15 resulted in a positive impact of EUR 140 million (after deferred tax) on the retained earnings per 1 January 2018 in the consolidated financial statements.

The net revenue by segment is disclosed in the table below. The disaggregation of this net revenue in categories can be found for the Consumer segment in item 3.2, for the Enterprise segment in item 4.1, for Wholesale in item 5 and for BICS in item 6.1.

(EUR million)	30 June 2018 (IFRS 15)						
	Group	BICS	Domestic (Group excl. BICS)	Consumer	Enterprise	Wholesale	Others
Net revenue (underlying)	2,871	659	2,212	1,443	700	97	-29
Net revenue (incidentals)	0	0	0	0	0	0	0
Net revenue (reported)	2,871	659	2,212	1,443	700	97	-29
Other operating income (underlying)	22	0	22	11	2	0	8
Other operating income (incidentals)	*1*	*0*	*1*	*1*	*0*	*0*	*0*
Other operating income (reported)	23	0	22	12	2	0	8
Revenue (underlying)	2,892	659	2,233	1,454	702	97	-21
Total income (incidentals)	1	0	1	1	0	0	0
Total income (reported)	2,893	659	2,234	1,455	702	97	-21

Changes following adoption of IFRS 9 – Financial instruments

In the context of the first application of IFRS 9, the Group identified the following changes:

- Participating interests in non-quoted companies, previously recognized at cost less impairment, are measured at fair value and classified on a case by case basis either as fair value through other comprehensive income (FVTOCI) or fair value through the income statement (FVTPL). No impact from this accounting policy change on these financial assets value is identified.
- The application of the IFRS 9 expected credit loss model on the contract asset recognized in application of IFRS 15, (although not financial instruments), resulted in a negative impact on retained earnings of EUR 3 million (after deferred tax) as per 1 January 2018.

The Group took advantage of the exemption allowing it not to restate comparative information for prior periods with respect to the classification and measurement changes.

The impacts of the changes to accounting policies are as follows:

(EUR million)	Adjustment from initial application on Opening Balance Sheet
IFRS 15	
Contract assets	83
Contract costs	120
Deferred tax on initial application	-60
IFRS 9	
Contract assets	-5
Deferred tax on initial application	1
Total	140

IFRS 16

IFRS 16 will become applicable as of 1 January 2019 and replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. Under the current standard IAS 17, the Group is required to classify its leases as either finance or operating leases. Under this new standard, lessees are required to account for leasing under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. For lease out, whereby the Group acts as lessor, the classification of leases as operating or finance remains substantially unchanged from IAS 17, except for subleases.

Although the assessment of the impact is ongoing, the implementation of IFRS 16 will lead to an increase of the balance sheet total as both a Right-of-use- asset and a lease liability are recognized for all leases conveying to the Group the right to control the use of an identified asset for a period of time. Accordingly, the expenses relating to the use of the leased asset currently presented in operating expenses will be capitalized and depreciated. The discounting of lease liability will be periodically unwound into finance cost.

Proximus selected the simplified retrospective approach as a transition rule.

Judgments and estimates

The Group does not make any significant judgments and estimates other than those mentioned under note 2 in the 31 December 2017 consolidated financial statements, and other than those mentioned below in this report.

Significant events or transactions in 2018

EUR 400 million loan from the European Investment Bank

In March 2018 the Group entered into a EUR 400 million loan from the European Investment Bank due 2028 at a very attractive fixed interest rate. Proximus pre-hedged the underlying rate at end 2017 and managed to further reduce the all-in interest cost of this transaction. The Group applied hedge accounting for this derivative.

Business combinations and sale of equity instruments

The Proximus subsidiary Telindus-ISIT BV acquired two Dutch based companies, ION –IP in March 2018 and Umbrio in May 2018, both specialized in IT & network operations, monitoring and analytics for a total cash out of EUR 21 million net of cash acquired.

In April 2017 the group acquired all shares of Davinsi labs BVBA. The purchase price allocation resulted in the recognition in the second quarter 2018 of intangible fixed assets for EUR 3 million.

Per end of October 2017, Proximus' subsidiary BICS acquired 100% of TeleSign. The allocation of the purchase price per end of June 2018 is still provisional. TeleSign contributed to the EBITDA of the first half of 2018.

In the second quarter the Group sold its equity investment in HomeSend resulting in a loss on disposal recognized through Other Comprehensive Income of EUR 2 million (Group's share).

Tax on pylons

New evolutions in jurisprudence led the Group to reassess the liabilities related to Taxes on Pylons for past litigations in the second quarter 2018. The related cost for the first half year amounts to EUR 21 million in EBITDA incidental (+ EUR 9 million in financial expenses).

7.2 Consolidated income statement

(EUR million)	2nd Quarter					Year-to-date				
	2017 IAS 18 restated (*)	2018 IAS 18	Change %	2018 IFRS 15	Change IAS 18 vs IFRS 15	2017 IAS 18 restated (*)	2018 IAS 18	Change %	2018 IFRS 15	Change IAS 18 vs IFRS 15
Net revenue	1,406	1,444	2.7%	1,442	-0.1%	2,839	2,873	1.2%	2,871	-0.1%
Other operating income	11	10	-12.4%	10	0.0%	22	23	3.3%	23	0.0%
TOTAL INCOME	**1,417**	**1,454**	**2.6%**	**1,452**	**-0.1%**	**2,861**	**2,895**	**1.2%**	**2,893**	**-0.1%**
Costs of materials and services related to revenue	-516	-522	1.0%	-524	0.5%	-1,062	-1,046	-1.5%	-1,049	0.3%
Workforce expenses	-315	-305	-3.0%	-305	0.0%	-628	-614	-2.2%	-614	0.0%
Non workforce expenses	-141	-167	18.7%	-167	0.0%	-297	-332	11.6%	-332	0.0%
TOTAL OPERATING EXPENSES before depreciation & amortization	**-972**	**-994**	**2.3%**	**-997**	**0.2%**	**-1,987**	**-1,992**	**0.2%**	**-1,995**	**0.2%**
OPERATING INCOME before depreciation & amortization	**445**	**460**	**3.2%**	**456**	**-0.9%**	**874**	**903**	**3.4%**	**898**	**-0.5%**
Depreciation and amortization	-243	-261	7.1%	-261	0.0%	-478	-511	6.9%	-511	0.0%
OPERATING INCOME	**202**	**199**	**-1.4%**	**195**	**-2.0%**	**396**	**392**	**-1.0%**	**387**	**-1.3%**
Finance income	5	3	-40.0%	3	0.0%	6	4	-29.2%	4	0.0%
Finance costs	-20	-22	9.9%	-22	0.0%	-35	-35	-0.1%	-35	0.0%
Net finance costs	**-15**	**-19**	**26.7%**	**-19**	**0.0%**	**-30**	**-31**	**5.8%**	**-31**	**0.0%**
Share of loss on associates	0	0	-1.1%	0	0.0%	-1	-1	53.6%	-1	0.0%
INCOME BEFORE TAXES	**186**	**180**	**-3.7%**	**176**	**-2.2%**	**366**	**360**	**-1.6%**	**355**	**-1.4%**
Tax expense	-56	-45	-20.0%	-44	-2.6%	-111	-96	-14.0%	-94	-1.5%
NET INCOME	**130**	**135**	**3.4%**	**132**	**-2.1%**	**254**	**264**	**3.8%**	**260**	**-1.3%**
Attributable to:										
Equity holders of the parent (Group share)	126	129	2.8%	126	-2.2%	245	253	3.5%	250	-1.4%
Non-controlling interests	5	6	20.0%	6	0.0%	9	11	12.7%	11	0.0%
Basic earnings per share	0.39 EUR	0.40 EUR	2.9%	0.38 EUR	-4.2%	0.76 EUR	0.79 EUR	3.5%	0.77 EUR	-1.4%
Diluted earnings per share	0.39 EUR	0.40 EUR	2.9%	0.38 EUR	-4.2%	0.76 EUR	0.79 EUR	3.6%	0.77 EUR	-1.4%
Weighted average number of outstanding shares	322,827,005	322,594,351	-0.1%	322,594,351	0.0%	322,743,059	322,594,351	0.0%	322,594,351	0.0%
Weighted average number of outstanding shares for diluted earnings per share	323,003,142	322,677,791	-0.1%	322,677,791	0.0%	322,953,893	322,691,018	-0.1%	322,691,018	0.0%

(*)Restated: Split workforce - non workforce has been aligned at group's level

7.3 Consolidated statements of other comprehensive income

(EUR million)	Half-year 2018		
	2017 IAS 18	2018 IAS 18	2018 IFRS 15
Net income	254	264	260
Other comprehensive income:			
Items that may be reclassified to profit and loss			
Exchange differences on translation of foreign operations	0	6	6
Cash flow hedges:			
Gain/(Loss) taken to equity	-6	6	6
Total before related tax effects	-6	12	12
Related tax effects			
Cash flow hedges:			
Gain/(Loss) taken to equity	-1	-2	-2
Income tax relating to items that may be reclassified	-1	-2	-2
Total of items that may be reclassified to profit and loss, net of related tax effects	-7	10	10
Items that will not be reclassified to profit and loss			
Change in the fair value of equity instruments	0	-6	-6
Total of items that will not be reclassified to profit and loss	0	-6	-6
Total comprehensive income	247	268	264
Attributable to:			
Equity holders of the parent	242	257	253
Non-controlling interests	5	11	11

7.4 Consolidated balance sheet

(EUR million)	As of 31 December 2017 IAS 18	As of 30 June 2018 IAS 18	As of 1 January 2018 IFRS 15	As of 30 June 2018 IFRS 15
ASSETS				
NON-CURRENT ASSETS	**6,735**	**6,690**	**6,842**	**6,786**
Goodwill	2,431	2,450	2,431	2,450
Intangible assets with finite useful life	1,233	1,205	1,233	1,205
Property, plant and equipment	2,976	2,954	2,976	2,954
Contract costs	0	0	120	117
Deferred income tax assets	27	36	15	14
Other non-current assets	66	46	66	46
CURRENT ASSETS	**1,793**	**1,678**	**1,871**	**1,755**
Inventories	123	141	123	141
Trade receivables	1,111	1,062	1,111	1,062
Contract assets	0	0	78	77
Current tax assets	83	86	83	86
Other current assets	137	175	137	175
Investments	5	5	5	5
Cash and cash equivalents	333	210	333	210
TOTAL ASSETS	**8,527**	**8,368**	**8,713**	**8,540**
LIABILITIES AND EQUITY				
EQUITY	**3,013**	**2,928**	**3,153**	**3,065**
Shareholders' equity	**2,857**	**2,790**	**2,997**	**2,926**
Issued capital	1,000	1,000	1,000	1,000
Reserves	-454	-448	-454	-448
Retained earnings	2,310	2,238	2,310	2,235
Retained earnings from transition to IFRS 15	0	0	140	140
Non-controlling interests	**156**	**138**	**156**	**138**
NON-CURRENT LIABILITIES	**2,789**	**3,182**	**2,835**	**3,217**
Interest-bearing liabilities	1,860	2,260	1,860	2,260
Liability for pensions, other post-employment benefits and termination benefits	515	539	515	539
Provisions	140	140	140	140
Deferred income tax liabilities	72	67	118	103
Other non-current payables	202	175	202	175
CURRENT LIABILITIES	**2,725**	**2,258**	**2,725**	**2,258**
Interest-bearing liabilities	570	235	570	235
Trade payables	1,415	1,262	1,415	1,262
Contract liabilities	0	0	96	102
Current tax payables	112	113	112	113
Other current payables	628	648	532	546
TOTAL LIABILITIES AND EQUITY	**8,527**	**8,368**	**8,713**	**8,540**

7.5 Consolidated cash flow statement

(EUR million)	2nd Quarter				Year-to-date			
	2017 IAS 18	2018 IAS 18	Change %	2018 IFRS 15	2017 IAS 18	2018 IAS 18	Change %	2018 IFRS 15
Cash flow from operating activities								
Net income	130	135	3.4%	132	254	264	3.8%	260
Adjustments for:								
Depreciation and amortization on intangible assets and property, plant and equipment	243	261	7.1%	261	478	511	6.9%	511
Increase of impairment on intangible assets and property, plant and equipment	0	0	-76.6%	0	1	0	-84.2%	0
Increase/(decrease) in provisions	-2	-2	22.5%	-2	-2	1	>100%	1
Deferred tax income	-11	-8	-26.7%	-9	-13	-17	26.2%	-18
Loss from investments accounted for using the equity method	0	0	-1.1%	0	1	1	53.6%	1
Fair value adjustments on financial instruments	1	0	<-100%	0	1	0	<-100%	0
Loans amortization	1	0	-26.6%	0	1	1	-14.4%	1
Loss/(gain) on disposal of property, plant and equipment	0	0	-46.7%	0	1	-1	<-100%	-1
Operating cash flow before working capital changes	**364**	**386**	**6.1%**	**382**	**722**	**760**	**5.2%**	**755**
Decrease/ (Increase) in inventories	-5	9	>100%	9	-11	-18	53.8%	-18
Decrease/ (Increase) in trade receivables	5	47	>100%	47	64	63	-2.0%	63
Decrease/(increase) in contract costs	0	0	-	3			-	3
Decrease / (increase) in contract asset	0	0	-	1			-	2
Decrease/ (Increase) in current income tax assets	-4	-3	-9.5%	-3	27	-3	<-100%	-3
Decrease/ (Increase) in other current assets	9	3	-60.2%	3	-21	-20	-6.9%	-20
Decrease/(Increase) in other non current assets	0	0	-	0	0	0	-	0
(Decrease)/Increase in trade payables	-28	-33	18.7%	-33	-87	-86	-1.8%	-86
(Decrease)/Increase in contract liability	0	0	-	-3			-	6
(Decrease)/Increase in income tax payables	-46	-61	32.6%	-61	-25	0	>100%	0
(Decrease)/Increase in other current payables	-48	-19	-59.4%	-16	2	17	>100%	11
(Decrease)/Increase in net liability for pensions, other post-employment benefits and termination benefits	8	-3	<-100%	-3	19	0	-99.6%	0
(Decrease)/Increase in other non-current payables and provisions	0	1	>100%	1	0	0	-	1
Decrease in working capital, net of acquisitions and disposals of subsidiaries	**-109**	**-59**	**-45.8%**	**-55**	**-32**	**-46**	**43.9%**	**-41**
Net cash flow provided by operating activities (1)	**254**	**327**	**28.4%**	**327**	**690**	**714**	**3.6%**	**714**
Cash flow from investing activities								
Cash paid for acquisitions of intangible assets and property, plant and equipment	-209	-238	14.0%	-238	-475	-540	13.7%	-540
Cash paid for acquisitions of other participating interests	-2	-1	-40.0%	-1	-2	-3	49.5%	-3
Cash paid for acquisition of consolidated companies, net of cash acquired	-5	-16	>100%	-16	-5	-22	>100%	-22
Cash received from sales of intangible assets and property, plant and equipment	1	4	>100%	4	5	5	1.5%	5
Cash received from / (paid for) sales of other participating interests and enterprises accounted for using the equity method	0	5	>100%	4	-1	5	>100%	5
Net cash used in investing activities	**-215**	**-247**	**14.7%**	**-247**	**-477**	**-555**	**16.3%**	**-555**
Cash flow before financing activities (FCF)	**39**	**80**	**>100%**	**80**	**212**	**159**	**-25.0%**	**159**
Cash flow from financing activities								
Dividends paid to shareholders	-325	-323	-0.5%	-323	-326	-323	-0.8%	-323
Dividends paid to non-controlling interests	-32	-28	-10.1%	-28	-32	-28	-10.1%	-28
Net sale of treasury shares	0	0	<-100%	0	3	0	<-100%	0
Net sale of investments	0	0	<-100%	0	1	0	-94.0%	0
Decrease of shareholders' equity	-1	-2	>100%	-2	-1	-2	>100%	-2
Cash received from cash flow hedge instrument related to long term debt	1	0	-99.2%	0	4	8	>100%	8
Issuance of long term debt	-1	0	-74.4%	0	500	400	-20.0%	400
Repayment of long term debt (2)	0	-1	>100%	-1	-1	-406	>100%	-406
Issuance / (repayment) of short term debt	105	38	-64.3%	38	-245	70	>100%	70
Cash flows from financing activities	**-251**	**-318**	**26.3%**	**-318**	**-96**	**-282**	**>100%**	**-282**
Net increase of cash and cash equivalents	**-212**	**-237**	**11.7%**	**-237**	**116**	**-123**	**<-100%**	**-123**
Cash and cash equivalents at 1 January	297	333		333	297	333		333
Cash and cash equivalents at 30 June	413	210		210	413	210		210
(1) Net cash flow from operating activities includes the following cash movements :								
Interest paid					-37	-40		-40
Interest received					1	0		0
Income taxes paid					-122	-115		-115
(2) The repayment of long term debt is the net of cash received and paid for the debt and related derivatives								

7.6 Consolidated statements of changes in equity

(EUR million)	Issued capital	Treasury shares	Restricted reserve	Available for sale and hedge reserve	Remeasurement reserve	Foreign currency translation	Stock Compensation	Retained Earnings	Shareholders' Equity	Non-controlling interests	Total Equity
Balance at 31 December 2016	**1,000**	**-430**	**100**	**2**	**-127**	**0**	**5**	**2,270**	**2,819**	**162**	**2,981**
Total comprehensive income and expense	**0**	**0**	**0**	**-3**	**0**	**0**	**0**	**245**	**242**	**5**	**247**
Dividends to shareholders (relating to 2016)	0	0	0	0	0	0	0	-323	-323	0	-323
Dividends of subsidiaries to non-controlling interests	0	0	0	0	0	0	0	0	0	-32	-32
Business combination	0	0	0	0	0	0	0	1	1	-1	0
Treasury shares											
Exercise of stock options	0	0	0	0	0	0	0	-1	-1	0	-1
Sale of treasury shares	0	-5	0	0	0	0	0	0	-4	0	-4
Stock options											
Exercise of stock options	0	8	0	0	0	0	-1	1	8	0	8
Total transactions with equity holders	**0**	**3**	**0**	**0**	**0**	**0**	**-1**	**-322**	**-319**	**-33**	**-352**
Balance at 30 June 2017 (IAS 18)	**1,000**	**-427**	**100**	**-2**	**-127**	**0**	**4**	**2,193**	**2,741**	**135**	**2,876**
Balance at 31 December 2017 (IAS 18)	**1,000**	**-431**	**100**	**5**	**-128**	**-4**	**4**	**2,310**	**2,857**	**156**	**3,013**
Total comprehensive income and expense	**0**	**0**	**0**	**2**	**0**	**4**	**0**	**251**	**257**	**11**	**268**
Dividends to shareholders (relating to 2017)	0	0	0	0	0	0	0	-323	-323	0	-323
Dividends of subsidiaries to non-controlling interests	0	0	0	0	0	0	0	0	0	-28	-28
Business combination	0	0	0	0	0	0	0	1	1	-1	0
Treasury shares											
Sale of treasury shares	0	-2	0	0	0	0	0	-2	-4	0	-4
Stock options											
Exercise of stock options	0	1	0	0	0	0	0	0	1	0	1
Total transactions with equity holders	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**-323**	**-324**	**-29**	**-353**
Balance at 30 June 2018 (IAS 18)	**1,000**	**-431**	**100**	**7**	**-128**	**0**	**4**	**2,238**	**2,790**	**138**	**2,928**
Balance at 31 December 2017 (IAS 18)	**1,000**	**-431**	**100**	**5**	**-128**	**-4**	**4**	**2,310**	**2,857**	**156**	**3,013**
Transition to IFRS 15	0	0	0	0	0	0	0	144	144	0	144
Transition to IFRS 9	0	0	0	0	0	0	0	-3	-3	0	-3
Balance per 1 January 2018 (IFRS 15)	**1,000**	**-431**	**100**	**5**	**-128**	**-4**	**4**	**2,451**	**2,997**	**156**	**3,153**
Total comprehensive income and expense	**0**	**0**	**0**	**0**	**0**	**4**	**0**	**248**	**253**	**11**	**264**
Transfer of gains and losses on disposal of equity instruments at fair value through other comprehensive income to retained earnings	**0**	**0**	**0**	**2**	**0**	**0**	**0**	**-2**	**0**	**0**	**0**
Dividends to shareholders (relating to 2017)	0	0	0	0	0	0	0	-323	-323	0	-323
Dividends of subsidiaries to non-controlling interests	0	0	0	0	0	0	0	0	0	-28	-28
Business combination	0	0	0	0	0	0	0	1	1	-1	0
Treasury shares											
Sale of treasury shares	0	-2	0	0	0	0	0	-2	-4	0	-4
Stock options											
Exercise of stock options	0	1	0	0	0	0	0	0	1	0	1
Total transactions with equity holders	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**-323**	**-324**	**-29**	**-353**
Balance at 30 June 2018 (IFRS 15)	**1,000**	**-431**	**100**	**7**	**-128**	**0**	**4**	**2,375**	**2,926**	**138**	**3,065**

7.7 Segment reporting

See reconciliation of reported and underlying figures in section 8.2

	30 June 2018										
	Group Proximus					underlying by segment					
(EUR million)	Reported under IFRS 15	IFRS 15 Adjustment	Reported under IAS 18	Incidental	Underlying	BICS	Domestic (Group excl. BICS)	Consumer	Enterprise	Wholesale	Others
Net revenue	2,871	-2	2,873	0	2,873	659	2,213	1,445	700	97	-29
Other revenues	23	0	23	-1	22	0	22	11	2	0	8
TOTAL INCOME	2,893	-2	2,895	-1	2,894	659	2,235	1,456	702	97	-21
COSTS OF MATERIALS AND SERVICES RELATED TO REVENUE	-1,049	-3	-1,046	0	-1,046	-503	-542	-333	-227	-16	33
Direct margin	1,845	-5	1,850	-1	1,849	156	1,693	1,122	476	82	13
Workforce expenses	-614	0	-614	23	-591	-46	-545				
Non workforce expenses	-332	0	-332	21	-311	-37	-274				
TOTAL OPERATING EXPENSES	-946	0	-945	45	-901	-83	-819				
OPERATING INCOME before depreciation & amortization	898	-5	903	44	947	74	874				
Depreciation and amortization	-511	0	-511	0	-511	-44	-467				
OPERATING INCOME	387	-5	392	44	436	29	407				
Net finance costs	-31	0	-31								
Share of loss on associates	-1	0	-1								
INCOME BEFORE TAXES	355	-5	360								
Tax expense	-94	1	-96								
NET INCOME	260	-3	264								
Attributable to:											
Equity holders of the parent (Group share)	250	3	253								
Non-controlling interests	11	0	11								

(EUR million)	30 June 2017								
	Group Proximus			underlying by segment					
	Reported under IAS 18	Incidental	Underlying	BICS	Domestic (Group excl. BICS)	Consumer	Enterprise	Wholesale	Others
Net revenue	2,839	0	2,839	644	2,195	1,437	686	100	-28
Other revenues	22	0	22	1	21	10	4	0	6
TOTAL INCOME	2,861	0	2,861	645	2,216	1,447	690	100	-22
COSTS OF MATERIALS AND SERVICES RELATED TO REVENUE	-1,062	0	-1,062	-513	-549	-349	-214	-14	28
Direct margin	1,799	0	1,799	132	1,667	1,098	476	86	6
Workforce expenses (*)	-628	38	-589	-35	-555				
Non workforce expenses (*)	-297	2	-296	-29	-266				
TOTAL OPERATING EXPENSES	-925	40	-885	-64	-821				
OPERATING INCOME before depreciation & amortization	874	40	914	68	846				
Depreciation and amortization	-478	0	-478	-38	-440				
OPERATING INCOME	396	40	436	30	406				
Net finance costs	-30								
Share of loss on associates	-1								
INCOME BEFORE TAXES	366								
Tax expense	-111								
NET INCOME	254								
Attributable to :									
Equity holders of the parent (Group share)	245								
Non-controlling interests	9								

(*) Restated: split workforce - non workforce has been aligned at group's level

7.8 Group financing activities related to interest bearing liabilities

(EUR million)	As of 31 December 2017	Cash flows	As of 30 June 2018
Long-term			
Unsubordinated debentures	1,850	1	1,851
Leasing and similar obligations	6	-1	5
Credit institutions	0	400	400
Other loans	0	0	0
Derivatives held for trading	4	0	4
Current portion of amounts payable > one year			
Unsubordinated debentures	405	-405	0
Leasing and similar obligations	2	0	2
Other financial debts			
Credit institutions	164	70	234
Total liabilities from financing activities	2,430	65	2,496

7.9 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 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

The following table shows the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of assets and financial liabilities at January 1, 2018. It also includes the fair value hierarchy of the financial instruments and the valuation levels

As of January 1, 2018 (EUR million)	Original classification under IAS 39 (1)	New classification under IFRS 9 (2)	Original carrying amount under IAS 39	New carrying amount under IFRS 9	Fair value	Level
ASSETS						
Non-current assets						
Other participating interests	AFS	FVTOCI	8	8	8	
Other non-current assets						
Derivatives held for trading	FVTPL	FVTPL	5	5	5	Level 2
Other financial assets	LaR	Amortized cost	51	51	51	
Current assets						
Trade receivables	LaR	Amortized cost	1,111	1,111	1,111	
Interest bearing						
Other receivables	LaR	Amortized cost	6	6	6	
Non-interest bearing						
Other receivables	LaR	Amortized cost	8	8	8	
Derivatives held-for-hedging	HeAc	FVTOCI	2	2	2	Level 1
Investments	HTM	Amortized cost	5	5	5	
Cash and cash equivalents						
Short-term deposits	LaR	Amortized cost	28	28	28	
Cash at bank and in hand	LaR	Amortized cost	305	305	305	
LIABILITIES						
Non-current liabilities						
Interest-bearing liabilities						
Unsubordinated debentures not in a hedge relationship	OFL	Amortized cost	1,850	1,850	1,989	Level 2
Derivatives held for trading	FVTPL	FVTPL	4	4	4	Level 2
Non-interest-bearing liabilities						
Other non-current payables	OFL	Amortized cost	202	202	202	
Current liabilities						
Interest-bearing liabilities, current portion						
Unsubordinated debentures not in a hedge relationship	OFL	Amortized cost	405	405	407	Level 2
Interest-bearing liabilities						
Other loans	OFL	Amortized cost	164	164	164	
Trade payables	OFL	Amortized cost	1,415	1,415	1,415	
Other current payables						
Other derivatives	FVTPL	FVTPL	1	1	1	Level 1
Other debt	FVTPL	FVTPL	37	37	37	Level 3
Other amounts payable	OFL	Amortized cost	289	289	289	

(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
OFL: Other financial liabilities
Hedge activity
HeAc: Hedge accounting

(2) New categories according to IFRS 9 are as follows :
FVTPL: Financial assets/liabilities at fair value through profit and loss
FVTOCI: Financial assets at fair value through other comprehensive income
Amortized costs

As of June 30, 2018 (EUR million)	Classification under IFRS 9 (1)	Carrying amount under IFRS 9	Fair value	Level
ASSETS				
Non-current assets				
Other non-current assets				
Derivatives held for trading	FVTPL	5	5	Level 2
Other financial assets	Amortized cost	11	11	
Current assets				
Trade receivables	Amortized cost	1,062	1,062	
Interest bearing				
Other receivables	Amortized cost	24	24	
Non-interest bearing				
Other receivables	Amortized cost	1	1	
Derivatives held for trading	FVTPL	-1	-1	Level 1
Derivatives held-for-hedging	FVTOCI	0	0	Level 1
Investments	Amortized cost	5	5	
Cash and cash equivalents				
Short-term deposits	Amortized cost	26	26	
Cash at bank and in hand	Amortized cost	184	184	
LIABILITIES				
Non-current liabilities				
Interest-bearing liabilities				
Unsubordinated debentures not in a hedge relationship	Amortized cost	1,851	1,967	Level 2
Credit institutions	Amortized cost	400	400	Level 2
Derivatives held for trading	FVTPL	4	4	Level 2
Non-interest-bearing liabilities				
Other non-current payables	Amortized cost	175	175	
Current liabilities				
Interest-bearing liabilities, current portion				
Interest-bearing liabilities				
Other loans	Amortized cost	234	234	
Trade payables	Amortized cost	1,262	1,262	
Other current payables				
Other debt	FVTPL	37	37	Level 3
Other amounts payable	Amortized cost	250	250	

(1) New categories according to IFRS 9 are as follows :
FVTPL: Financial assets/liabilities at fair value through profit and loss
FVTOCI: Financial assets at fair value through other comprehensive income
Amortized costs

Valuation technique

The Group holds financial instruments classified in Level 1, 2 and 3.
The valuation techniques for fair value measuring the Level 2 financial instruments are:

Other derivatives in Level 2

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

Unsubordinated debentures

The unsubordinated debentures are recognized at amortized costs.
In case of anticipated settlement, in the context of the Group portfolio restructuring, those debentures are measured at their transaction price once the transaction is binding for the Group. Their fair values, calculated for each debenture separately, were obtained by discounting the interest rates at which the Group could borrow at 30 June 2018 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.

7.10 Contingent liabilities

BICS SA received withholding tax assessments and penalty orders from the Indian tax authorities in relation to payments made by an Indian tax resident customer to BICS in the period 1 April 2007 to 31 March 2009 for an aggregate amount of INR 654 million (equivalent to EUR 8.2 million). BICS filed appeals against the above assessments with the competent Indian Courts opposing the view of the Indian tax authorities that Indian withholding taxes are due on the payments. Furthermore, BICS is opposing the assessment in relation to the period 1 April 2008 to 31 March 2009 on procedural grounds. BICS has not paid the assessed amounts and has not recorded a tax provision. Management assesses that the position as recognized in these financial statements reflects the best estimate of the probable final outcome.

7.11 Post balance sheet events

On July 12, 2018 the Group acquired Codit, a Belgium-headquartered IT services company and a market leader in business application integration, API Management, Microsoft Azure and Internet of Things. The acquisition of Codit is in line with Proximus' Fit for Growth strategy and the ambition to invest in key strategic domains, enabling Proximus to become a Digital Service Provider for its enterprise customers. Today, Codit is employing over 160 highly skilled people in Belgium, the Netherlands, France, Switzerland, the United Kingdom, Portugal and Malta. The initial accounting of this transaction is currently being prepared.

7.12 Others

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

8 Additional information

8.1 Reporting remarks

IFRS 15 impact on reporting

The main implications for Proximus relate to mobile joint offers and to commissions paid to acquire contracts.

1. Under IFRS 15, as of 1 January 2018, revenue arising from customer contracts, is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

   The revenue allocation to Service revenue and Device revenue is based on the relative stand-alone selling price of the device and services:
   - More revenue is allocated to the device, and less to Service revenue
   - Higher upfront revenue is recorded related to the device

2. Commissions paid for the acquisition of contracts are deferred whereas they were recognized immediately under IAS 18.

Comparative table IAS18/IFRS15 (underlying)

(EUR million)	IAS 18 Q2'18	IFRS 15 Q2'18	Variance abs.	IAS 18 YTD'18	IFRS 15 YTD'18	Variance abs.	
Revenues	**1,454**	**1,452**	**-1.6**	**2,894**	**2,892**	**-1.9**	
Net revenue	**1,444**	**1,442**	**-1.6**	**2,873**	**2,870**	**-2.6**	
Services	817	801	-16.0	1,629	1,598	-31.4	nearly fully within Consumer
Devices	55	73	17.8	119	157	37.2	
Other (including Tango & penalties)	572	568	-3.8	1,124	1,116	-7.8	mainly within Consumer
Other operating income	**10**	**9,73**	**0.0**	**22**	**22**	**0.0**	
Cost of Goods Sold	-522	-524	-2.5	-1,046	-1,049	-3.1	equally split between Consumer and Enterprise
Direct Margin	**932**	**928**	**-4.1**	**1,849**	**1,844**	**-5.0**	
direct margin %	64.1%	63.9%	-0.2pp	63.9%	63.7%	-0.1pp	
Operating Expenses	**-440**	**-439**	**0.1**	**-902**	**-902**	**0.1**	
Workforce	-295	-295	0.0	-591	-591	0.0	
Non Workforce	-145	-145	0.1	-311	-311	0.1	
EBITDA	**493**	**489**	**-4.0**	**947**	**942**	**-4.9**	
ebitda %	33.9%	33.6%	-0.2pp	32.7%	32.6%	-0.1pp	

Rounding

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

8.2 Incidentals

	GROUP Revenue		GROUP EBITDA		GROUP Revenue		GROUP EBITDA	
(EUR million)	Q2'17	Q2'18	Q2'17	Q2'18	YTD '17	YTD '18	YTD '17	YTD '18
Reported	1,417	1,454	445	460	2,861	2,895	874	903
Underlying	1,417	1,454	464	493	2,861	2,894	914	947
Incidentals	0	0	-19	-33	0	1	-40	-44
Incidentals:	0	0	-19	-33	0	1	-40	-44
Capital gains on building sales	-	-	-	-	-	1	-	1
Early Leave Plan and Collective Agreement	-	-	-19	-11	-	-	-38	-22
M&A-related transaction costs	-	-	-1	-1	-	-	-3	-2
Reversal UK rent provision 2014	-	-	1	-	-	-	1	
Pylon Tax provision update (<2018)	-	-	-	-21	-	-	-	-21

8.3 Quarterly results tables (IAS 18 unless otherwise stated)

8.3.1 Group – Financials

(EUR million)	Q117	Q217	Q317	Q417	2017	Q118	Q218
REPORTED							
Revenues	1,444	1,417	1,463	1,478	5,802	1,441	1,454
EBITDA	428	445	468	431	1,772	443	460
UNDERLYING							
Revenues per Segment	1,443	1,417	1,441	1,477	5,778	1,441	1,454
Domestic	1,111	1,105	1,105	1,137	4,458	1,121	1,114
Consumer	720	727	729	734	2,909	731	725
Enterprise	349	343	340	369	1,400	351	351
Wholesale	52	48	56	51	207	48	50
Other (incl. eliminations)	-9	-13	-20	-17	-58	-8	-13
International Carrier Services (BICS)	332	312	336	339	1,320	319	340
Costs of materials and charges to revenues	-545	-516	-539	-565	-2,166	-524	-522
Direct Margin	898	901	901	912	3,612	917	932
Direct Margin %	*62.2%*	*63.6%*	*62.6%*	*61.7%*	*62.5%*	*63.6%*	*64.1%*
Total expenses before D&A	-449	-436	-437	-466	-1,789	-462	-440
EBITDA	449	464	464	445	1,823	454	493
Segment EBITDA margin %	*31.1%*	*32.8%*	*32.2%*	*30.2%*	*31.6%*	*31.5%*	*33.9%*

Product view

(EUR million)	Q117	Q217	Q317	Q417	2017	Q118	Q218
Revenues	1,443	1,417	1,441	1,477	5,778	1,441	1,454
Domestic	1,111	1,105	1,105	1,137	4,458	1,121	1,114
Fixed	505	502	500	500	2,007	506	502
Fixed Services	496	494	491	491	1,972	498	494
Voice	188	182	177	175	721	177	171
Data (Internet & Data Connectivity)	214	216	217	219	866	222	224
TV	95	96	97	98	385	99	99
Fixed Terminals (excl. TV)	9	9	9	8	34	8	8
Mobile	366	373	374	381	1,493	371	371
Mobile Services	321	326	327	322	1,296	314	323
Postpaid	294	298	302	300	1,195	294	302
Prepaid	27	28	25	22	101	20	21
Mobile Terminals	45	47	47	58	198	56	48
ICT	133	128	128	149	538	135	136
Advanced Business Services	6	6	7	9	28	7	7
Subsidiaries (Tango)	31	33	31	35	131	34	33
Other Products	27	27	28	30	112	30	27
Wholesale	52	48	56	51	207	48	50
Other segment (incl. eliminations)	*-9*	*-13*	*-20*	*-17*	*-58*	*-8*	*-13*
International Carrier Services (BICS)	*332*	*312*	*336*	*339*	*1,320*	*319*	*340*

8.3.2 Consumer –Financials

X-Play view

(EUR million)	Q117 IFRS15 (pro forma)	Q217 IFRS15 (pro forma)	Q317 IFRS15 (pro forma)	Q417 IFRS15 (pro forma)	2017 IFRS15 (pro forma)	Q118 IFRS15 (pro forma)	Q218 IFRS15
Revenues (underlying)	719	734	730	744	2,928	730	724
Net Revenue (underlying)	714	729	725	740	2,908	725	718
X-Play Revenues	583	589	586	585	2,343	588	589
4-Play	211	220	224	227	882	231	236
3-Play	174	172	169	168	682	168	166
Convergent	86	85	83	82	336	82	82
Fixed	87	87	86	86	346	85	84
2-Play	76	74	73	72	294	72	70
Convergent	22	21	21	20	84	20	20
Fixed	54	53	52	51	210	52	50
1-Play	123	123	120	118	485	117	116
1P Fixed Voice	28	26	26	25	105	25	24
1P internet	12	12	12	13	48	13	13
1P Mobile	83	84	83	81	331	79	79
Prepaid	27	28	25	22	101	20	21
Terminals sales	46	49	49	56	200	52	45
Tango	26	28	28	30	113	28	28
Other net revenues	32	34	39	46	151	37	35
Other operating Income (underlying)	5	5	5	5	20	5	5
Costs of materials & charges to revenues	-172	-176	-181	-194	-722	-174	-161
Direct Margin	547	558	549	551	2,206	556	563
Direct Margin %	*76.1%*	*76.1%*	*75.2%*	*74.0%*	*75.3%*	*76.1%*	*77.7%*

Product view

(EUR million)	Q117	Q217	Q317	Q417	2017	Q118	Q218
Revenues	720	727	729	734	2,909	731	725
Fixed	381	380	380	381	1,522	387	384
Fixed Services	377	376	376	377	1,507	384	381
Voice	130	126	124	122	503	124	119
Data (Internet & Data Connectivity)	153	154	156	157	619	161	162
TV	95	96	97	98	385	99	99
Fixed Terminals (excl. TV)	4	4	4	4	15	3	3
Mobile	281	288	289	290	1,148	281	282
Mobile Services	242	247	248	243	979	237	243
Postpaid	215	219	223	221	878	217	222
Prepaid	27	28	25	22	101	20	21
Mobile Terminals	39	42	41	47	170	43	39
ICT	7	7	7	7	28	8	7
Subsidiaries (Tango)	27	29	28	31	114	29	29
Other Products	24	23	24	25	96	26	24
Costs of materials & charges to revenues	-173	-175	-178	-193	-720	-174	-159
Direct Margin	547	551	550	541	2,189	556	566
Direct Margin %	*76.0%*	*75.9%*	*75.5%*	*73.7%*	*75.3%*	*76.2%*	*78.0%*

8.3.3 Consumer Operationals

X-play view – pro forma figures adjusted for IFRS15 and GDPR

	Q117 IFRS15 (pro forma)	Q217 IFRS15 (pro forma)	Q317 IFRS15 (pro forma)	Q417 IFRS15 (pro forma)	**2017 IFRS15 (pro forma)**	Q118 IFRS15 (pro forma)	Q218 IFRS15
HH/SO per Play - Total (000's)	**2,990**	**2,998**	**2,984**	**2,979**	2,979	**2,977**	**2,979**
4-Play	636	658	670	683	**683**	697	711
3-Play	753	751	747	746	**746**	746	742
Convergent	267	262	259	258	**258**	257	256
Fixed	486	489	488	488	**488**	489	486
2-Play	429	421	415	411	**411**	402	397
Convergent	99	98	96	94	**94**	92	92
Fixed	330	323	319	317	**317**	310	305
1-Play	1,172	1,168	1,153	1,139	**1,139**	1,132	1,130
1P Fixed Voice	344	332	321	311	**311**	298	288
1P internet	131	133	135	139	**139**	143	145
1P Mobile	697	703	696	689	**689**	690	697
ARPH x - play (in EUR)	**65.1**	**65.6**	**65.3**	**65.4**	65.3	**65.9**	**66.2**
4-Play	113.2	113.6	112.4	112.1	**112.8**	111.5	111.7
3-Play	76.6	76.1	75.3	74.7	**75.7**	74.9	74.6
Convergent	106.0	106.9	106.0	105.8	**106.2**	106.6	106.1
Fixed	60.2	59.4	58.8	58.3	**59.2**	58.3	57.8
2-Play	58.5	58.1	57.9	57.9	**58.1**	59.3	58.7
Convergent	72.6	72.5	71.9	71.9	**72.2**	72.7	71.8
Fixed	54.3	53.8	53.6	53.7	**53.8**	55.3	54.8
1-Play	34.8	35.0	34.6	34.4	**34.7**	34.5	34.6
1P Fixed Voice	26.5	26.1	26.1	26.4	**26.3**	27.7	27.0
1P internet	30.2	30.0	30.2	30.4	**30.2**	31.0	31.1
1P Mobile	39.8	40.3	39.5	38.9	**39.6**	38.2	38.6
Average #RGUs per HH/SO - Total	**2.65**	**2.67**	**2.69**	**2.71**	2.71	**2.72**	**2.73**
4-Play	4.82	4.83	4.84	4.83	**4.83**	4.85	4.85
3-Play	3.31	3.31	3.31	3.31	**3.31**	3.31	3.30
Convergent	3.78	3.79	3.79	3.79	**3.79**	3.79	3.79
Fixed	3.06	3.06	3.06	3.05	**3.05**	3.05	3.05
2-Play	2.20	2.19	2.19	2.19	**2.19**	2.19	2.18
Convergent	2.54	2.54	2.54	2.53	**2.53**	2.53	2.52
Fixed	2.09	2.09	2.09	2.08	**2.08**	2.09	2.08
1-Play	1.22	1.22	1.22	1.22	**1.22**	1.22	1.22
1P Fixed Voice	1.06	1.06	1.06	1.06	**1.06**	1.06	1.06
1P internet	1.00	1.00	1.00	1.00	**1.00**	1.00	1.00
1P Mobile	1.34	1.34	1.34	1.34	**1.34**	1.33	1.33
Annualized full churn rate (HH/SO) - Total	**13.6%**	**11.5%**	**13.4%**	**13.1%**	12.9%	**14.5%**	**11.9%**
4-Play	2.8%	2.5%	3.2%	3.0%	**2.9%**	3.6%	2.9%
3-Play	10.2%	8.9%	10.1%	9.4%	**9.7%**	11.3%	9.3%
2-Play	12.3%	10.5%	11.7%	10.7%	**11.3%**	13.4%	11.8%
1-Play	21.8%	18.6%	21.9%	22.3%	**21.1%**	23.7%	19.4%
% Convergent HH/SO - Total *	**55.1%**	**55.6%**	**55.9%**	**56.3%**	56.3%	**56.7%**	**57.2%**
4-Play	100.0%	100.0%	100.0%	100.0%	**100.0%**	100.0%	100.0%
3-Play	35.5%	34.9%	34.7%	34.6%	**34.6%**	34.4%	34.5%
2-Play	23.1%	23.2%	23.1%	22.9%	22.9%	23.0%	23.1%

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

Product view

	Q117	Q217	Q317	Q417	2017	Q118	Q218
From Fixed							
Number of access channels (thousands)	3,872	3,885	3,877	3,883	3,883	3,881	3,870
Voice	2,066	2,063	2,048	2,036	2,036	2,020	2,002
Broadband	1,806	1,821	1,829	1,847	1,847	1,861	1,868
TV unique customers (thousands)	1,516	1,533	1,543	1,560	1,560	1,575	1,584
ARPU (EUR)							
ARPU Voice	21.0	20.4	20.1	19.9	20.4	20.4	19.8
ARPU broadband	28.4	28.3	28.4	28.4	28.4	28.9	28.9
ARPU TV	20.9	20.8	20.9	21.0	20.9	20.9	20.9
From Mobile							
Number of active customers (thousands)	3,646	3,631	3,552	3,552	3,552	3,533	3,528
Prepaid	1,057	998	909	901	901	870	832
Postpaid	2,589	2,633	2,643	2,651	2,651	2,663	2,695
Annualized churn rate							
Prepaid	39.0%	38.5%	n.r.	24.3%	n.r.	29.0%	34.7%
Postpaid	15.1%	13.3%	16.3%	17.1%	15.6%	17.3%	14.2%
Blended	22.7%	21.0%	32.5%	19.1%	23.9%	20.4%	19.5%
Net ARPU (EUR)							
Prepaid	8.1	9.0	8.7	8.2	8.5	7.6	8.2
Postpaid	27.9	28.0	28.3	27.8	28.0	27.3	27.7
Blended	22.0	22.6	23.1	22.8	22.6	22.4	23.0
Average Mobile data usage user/month (Mb)							
4G	1,303	1,407	1,546	1,625		1,818	2,163
Blended	1,083	1,192	1,330	1,414		1,614	1,922

8.3.4 Enterprise – Financials

(EUR million)	Q117	Q217	Q317	Q417	2017	Q118	Q218
Revenues	349	343	340	369	1,400	351	351
Fixed	124	122	119	119	484	119	118
Fixed Services	119	118	115	114	465	114	113
Voice	57	55	53	52	218	53	51
Data (Internet & Data Connectivity)	62	62	61	62	247	61	62
Fixed Terminals (excl. TV)	5	5	5	5	19	5	5
Mobile	85	85	85	90	345	90	89
Mobile Services	79	79	79	79	317	77	80
Mobile Terminals	6	5	6	11	28	13	9
ICT	126	121	121	141	509	127	129
Advanced Business Services	6	6	7	9	28	7	7
Subsidiaries (Tango)	4	4	3	5	17	5	4
Other Products	3	4	4	4	16	4	3
Costs of materials and charges to revenues	-111	-104	-106	-125	-445	-115	-112
Direct Margin	238	239	234	244	955	237	239
Direct Margin %	*68.3%*	*69.7%*	*68.8%*	*66.1%*	*68.2%*	*67.4%*	*68.0%*

8.3.5 Enterprise – Operationals

	Q117	Q217	Q317	Q417	2017	Q118	Q218
From Fixed							
Number of access channels (thousands)	746	735	724	715	715	701	692
Voice	609	599	589	580	580	567	559
Broadband	137	137	135	135	135	134	133
ARPU (EUR)							
ARPU Voice	31.2	30.5	29.9	29.8	30.4	31.0	30.3
ARPU Broadband	42.8	43.3	43.2	43.4	43.2	43.3	43.5

	Q117	Q217	Q317	Q417	2017	Q118	Q218
From Mobile							
Number of mobile cards (thousands)	2,132	2,155	2,173	2,197	2,197	2,222	2,251
Among which voice and data cards	952	965	975	988	988	999	1,010
Among which M2M	1,180	1,190	1,198	1,209	1,209	1,223	1,244
Annualized churn rate (blended)	10.6%	10.5%	9.4%	10.4%	10.2%	9.7%	8.9%
Net ARPU (EUR)							
Postpaid	26.9	26.6	26.3	26.1	26.5	24.8	25.5
Average Mobile data usage user/month (Mb)							
4G	1,266	1,345	1,412	1,480		1,647	1,905
Blended	1,094	1,180	1,254	1,328		1,499	1,745

8.3.6 Wholesale – Financials

(EUR million)	Q117	Q217	Q317	Q417	2017	Q118	Q218
Revenues	52	48	56	51	207	48	50
Direct Margin	45	41	46	43	175	41	41
Direct Margin %	*86.4%*	*86.2%*	*81.2%*	*85.4%*	*84.7%*	*85.4%*	*82.5%*

8.3.7 Retail Operationals and MVNO customers reported in Wholesale

	Q117	Q217	Q317	Q417	2017	Q118	Q218
From Fixed							
Number of access channels (thousands)							
Voice (1)	8	8	8	8	8	8	8
Broadband (1)	1	1	1	1	1	1	1
From Mobile							
Number of active Mobile customers (thousands)							
Retail (1)	9	9	9	8	8	8	9
MVNO	17	19	21	21	21	22	23

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

8.3.8 BICS – Financials

(EUR million)	Q117	Q217	Q317	Q417	2017	Q118	Q218
REPORTED							
Revenues	332	312	336	339	1,320	319	340
Segment Result	31	33	37	37	139	34	39
UNDERLYING							
Revenues	332	312	336	339	1,320	319	340
Revenues from Voice	262	241	251	249	1,003	226	240
Revenues from non-Voice	70	71	85	90	317	93	100
Costs of materials and charges to revenues	-268	-245	-266	-261	-1,041	-242	-261
Direct Margin	64	67	70	78	279	77	79
Direct Margin %	*19.4%*	*21.5%*	*20.8%*	*23.0%*	*21.2%*	*24.0%*	*23.4%*
Total expenses before D&A	-31	-33	-32	-41	-137	-42	-41
Workforce expenses	-18	-17	-17	-21	-72	-23	-23
Non Workforce expenses	-14	-16	-15	-20	-65	-19	-18
Segment result	33	34	38	37	143	35	39
Segment contribution margin %	*9.9%*	*11.0%*	*11.2%*	*11.0%*	*10.8%*	*10.9%*	*11.4%*

8.3.9 BICS - Operationals

Volumes in million	Q117	Q217	Q317	Q417	2017	Q118	Q218
Voice	6,118	5,907	6,241	6,118	24,385	5,997	6,001
Non-Voice (Messaging)	879	939	1,101	1,909	4,828	2,457	2,453

8.4 Definitions

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

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

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

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

ARPU: Average Revenue per Unit (i.e. per voice line, per broadband line, per mobile card…)

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

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

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

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

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

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

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

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

Domestic: defined as the Proximus Group excluding BICS

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

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

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

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

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

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

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

Mobile ARPU: Monthly ARPU is equal to total Mobile Voice and Mobile Data revenues (inbound and outbound, visitor roaming excluded), divided by the average number of Active Mobile Voice and Data customers for that period, divided by the number of months of that same period. This also includes 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: 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 interim condensed consolidated financial statements, established in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU, give a true and fair view of the assets, financial position and results of Proximus and of the entities included in the consolidation. The financial report gives an accurate overview of the information that needs to be disclosed. The Executive Committee is represented by Dominique Leroy, Chief Executive Officer, Sandrine Dufour, Chief Financial Officer, Bart Van Den Meersche, Chief Enterprise Market Officer, Guillaume Boutin, Chief Consumer Market Officer, Geert Standaert, Chief Technology Officer, Renaud Tilmans, Chief Customer Operations Officer, Jan Van Acoleyen, Chief Human Resources Officer and Dirk Lybaert, Chief Corporate Affairs Officer.

8.6 Financial calendar (dates could be subject to change)

8 October 2018	Start of quiet period ahead of Q3 2018 results
26 October 2018	Announcement of Q3 2018 results
21 January 2019	Start of quiet period ahead of Q4 2018 results
1 March 2019	Announcement of Q4 2018 results

8.7 Contact details

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8.8 Investor & analyst Conference Call

Analyst conference call details

Proximus will host a conference call for investors and analysts on Friday 27 July 2018.

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

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