2018 Q3

Quarterly Report

proximus

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1 Highlights Q3 2018[1]

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Regulated Information

- **Growing Domestic customer base in competitive setting: +8,000 Fixed Internet, +11,000 TV, + 32,000 Postpaid cards.**
- **Success of Tuttimus and Bizz All-In continued: +38,000 subscribers, total of 477,000.**
- **Q3 2018 underlying Group revenue stable, underlying Group EBITDA +1.4%.**
- **Full-year guidance raised for underlying Group EBITDA to growth between 2%-3%.**
- **Interim dividend of EUR 0.50 per share to be paid on 7 December 2018.**

▪ Proximus posted for the third quarter of 2018 a **Domestic underlying revenue of EUR 1,095 million, 0.9% below the same period of 2017**, including EUR 9 million lower Mobile terminal sales, with no effect on the margin. Revenue from Fixed Services remained fairly stable, with the revenue increase in Fixed Data and TV compensating for the ongoing Fixed Voice revenue erosion. For Mobile Services, the year-on-year decline was mitigated to 0.5%, including a 1.4% increase for Mobile Postpaid revenue, driven by the ongoing growth in the mobile customer base. Furthermore, Proximus benefitted from its acquired ICT companies, which led to a 6.3% growth in ICT revenue for the Group.
The Wholesale segment posted a 4.9% loss in revenue, mainly driven by lower wholesale roaming rates which reduced the roaming-in revenue, while benefitting the Consumer and Enterprise margins.

Proximus' carrier services, **BICS, posted a solid third quarter revenue of EUR 347 million, 3.1% higher** than the comparable period in 2017, TeleSign[2] included. In aggregate, the **Proximus Group ended the third quarter 2018 with stable revenue of EUR 1,441 million**.

▪ For its **Domestic operations, Proximus posted a healthy third-quarter 2018 underlying direct margin of EUR 840 million, up by 1.0%**. The margin benefitted from the growing customer base, focus on value management and from acquired ICT companies in the Enterprise segment. **BICS' direct margin progressed to EUR 80 million, a year-on-year increase of 14.5%**, especially driven by a continued growth in non-Voice services, with TeleSign largely contributing to this uplift. In aggregate, the underlying **Proximus Group direct margin grew by 2.1%, totaling EUR 920 million** for the third quarter of 2018.

▪ **Proximus' underlying Group operating expenses for the third quarter 2018 were up by 2.8%**. This was attributable to the consolidation of TeleSign in BICS and the recent acquisitions in the ICT domain. These additional expenses aside, Proximus posted a slightly declining cost base.

▪ The **underlying EBITDA of the Proximus Group for the third quarter 2018 totaled EUR 470 million, a 1.4% increase** compared with the same period of 2017. This includes a 1.1% increase for Proximus' Domestic operations, totaling EUR 431 million, and a 4.8% increase for BICS, including TeleSign.

▪ **Proximus invested EUR 238 million in the third quarter of 2018**, bringing the capex over the first nine months of 2018 to EUR 697 million. This includes Proximus' extensive investments in enhancing its Fixed network with the ongoing roll-out of Fiber. With its focus on improving the overall customer experience, Proximus also invests in its IT systems and digital platforms.

▪ **Proximus' third-quarter 2018 FCF totaled EUR 190 million**, bringing the year-to-date September FCF to EUR 349 million, or to EUR 395 million when excluding the 2018 cash-out related to acquisitions in the ICT domain. The remaining decrease compared to 2017 was mainly the consequence of higher cash paid for Capex (more equal distribution over the quarters versus a back-end loaded 2017), less cash from building sales, and some higher Income Tax payments (timing). This was partially offset by a growth in underlying EBITDA and less cash needed for business working capital.

[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

- Proximus continued to enlarge its customer base supported by its Back-to-School campaign, the ongoing traction of Tuttimus/Bizz All-In offers and Proximus' no frills brand Scarlet. Proximus achieved solid growth in its Mobile Postpaid base, despite the competitive intensity on the market.

+11,000[3] TV-customers, total of 1,595,000

+8,000 Fixed Internet lines, total of 2,010,000

-27,000 Fixed Voice lines, total of 2,543,000

+32,000[4] Mobile Postpaid cards, 3,984,000 in total

-27,000 Mobile Prepaid cards, 858,000 in total

+38,000 Tuttimus/Bizz All-In

57.8% Convergent HH/SO, +1.8 p.p. YoY

Dominique Leroy, CEO of Proximus Group

I'm pleased to announce sound commercial and financial results in a competitive market. We therefore raise our full-year expectations for the underlying Group EBITDA to a growth of 2% to 3%.

Our segmentation approach for the residential market is delivering results. The Proximus brand is growing a more valuable customer base with the ongoing traction of Tuttimus and Bizz All-In offers, for which we reached 477,000 subscribers by end September. The EPIC mobile offers launched end-June are also proving successful, bringing a full digital experience to millennials. In the price seekers segment, our Scarlet brand continues to grow, benefitting from its no-frills offers.

Our Mobile business remained strong for both the Consumer and Enterprise segment, with our total Postpaid customer base growing by 32,000. The Proximus Enterprise segment also benefited from its convergence strategy in ICT, differentiating on high service levels and expanding its portfolio beyond pure connectivity services. To this end, we have acquired some small but highly-specialized companies, providing expertise in offering meaningful solutions for the digital transformation of our Enterprise customers. For instance, Codit, consolidated in July, offers skills and services in the application integration area.
We maintain a strong position on the Belgian IoT market, providing Smart IoT solutions such as Smart Metering (connecting digital meters for gas and electricity), and Smart Building solutions in partnership with BESIX Group, a global construction player.

We also continuously look for ways to help Small Enterprises with their move to digital. Recently we launched the 'Bizz Online' offer. With this service we create, manage and reference our customer's Bizz Online website and help them boost their online presence.

In view of bringing an overall improved digital experience for our customers, we have given our TV app a new look and feel, have revamped the MyProximus App with enhanced features such as real-time usage monitoring, as well as the consultation and payment of invoices.

With high-quality networks being the foundation of a great customer experience, we continue to invest heavily in our networks. The Fiber roll-out plan is progressing well, delivering promising indications in terms of take-up rate and customer satisfaction.

The good commercial drivers resulted in a sound direct margin, which in turn drove a 1.1% increase in underlying Domestic EBITDA. The BICS segment posted a solid 4.8% increase in EBITDA, benefitting from the TeleSign contribution. In aggregate our underlying Group EBITDA was up by 1.4% for the third quarter 2018, leading to a year-to-date growth of 2.9%. Taking into account our best estimate for the last quarter of 2018, we feel comfortable in raising our full-year underlying Group EBITDA outlook from "slight growth" to a growth of 2% to 3%. The guidance on Domestic revenue and Capex remains unchanged. We also reconfirm our intention to return over the year 2018 a total dividend of EUR 1.50 per share.

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

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

2 Proximus Group financial review

2.1 Group financials

Table 1: Underlying Group P&L

(EUR million)	3rd Quarter 2017 IAS 18	3rd Quarter 2018 IAS 18	3rd Quarter Change %	3rd 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 INCOME (*)	1,441	1,441	0.1%	1,440	4,301	4,336	0.8%	4,332
Net Revenue	1,432	1,434	0.1%	1,433	4,271	4,307	0.8%	4,303
Other Operating Income	9	7	-14.0%	7	30	29	-3.5%	29
Costs of materials and charges to revenues (**)	-539	-522	-3.3%	-523	-1,601	-1,567	-2.1%	-1,572
TOTAL DIRECT MARGIN	901	920	2.1%	917	2,700	2,768	2.5%	2,761
Direct margin %	*62.6%*	*63.8%*	*1.3 p.p.*	*63.7%*	*62.8%*	*63.9%*	*1.1 p.p.*	*63.7%*
TOTAL EXPENSES	-437	-449	2.8%	-449	-1,322	-1,351	2.2%	-1,351
TOTAL EBITDA	464	470	1.4%	468	1,378	1,417	2.9%	1,410
Segment EBITDA margin %	*32.2%*	*32.6%*	*0.4 p.p.*	*32.5%*	*32.0%*	*32.7%*	*0.7 p.p.*	*32.5%*

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

2.1.1 Underlying Group revenue

For the third quarter of 2018, Proximus posted a Domestic underlying revenue of EUR 1,095 million. This is 0.9% or EUR 10 million below the same period of 2017, of which EUR 9 million due to lower Mobile terminal sales, with no effect on margin.

Revenue from **Fixed Services**[5] **remained fairly stable** in relation to the prior year, totaling EUR 489 million, with the increase for Fixed Data (+3.5%) and TV (+2.7%) compensating for the ongoing Fixed Voice revenue erosion, down in the third quarter by 6.6% (see table 3).

For **Mobile Services**, Proximus posted EUR 326 million of revenue, i.e. **a 0.5% year-on-year decline,** showing a slight sequential improvement from the prior quarter. Within the mix, Proximus increased its Mobile Postpaid revenue by 1.4%, driven by the ongoing growth in its mobile Postpaid customer base, which was up by 3.2% over the past year.
The higher Postpaid revenue was offset by the ongoing decline in Mobile Prepaid. In a shrinking Prepaid market, Proximus' Prepaid base is becoming smaller, partly due to active migrations to more valuable postpaid subscriptions, with the Full Control subscription in particular proving a successful alternative.

Proximus benefitted from its expanded ICT portfolio[6], accelerating its strategy to bring full end-to-end solutions to its business customers. This led to a **6.3% ICT revenue growth for the Group, reaching EUR 136 million in the third quarter 2018.** Furthermore, revenue from **Advanced Business Services progressed by EUR 2 million**.

In contrast, the **Wholesale segment posted a 4.9% loss in revenue**, mainly driven by lower wholesale rates which reduced the roaming-in revenue, while benefitting the Consumer and Enterprise margins. Moreover, **revenue from 'Other' products was negatively impacted** by a renewed collection process[7].

Proximus' carrier services, **BICS, posted a solid third quarter revenue of EUR 347 million, 3.1% above** that of the comparable period in 2017, TeleSign included. In aggregate, the **Proximus Group ended the third quarter with stable (+0.1%) underlying revenue of EUR 1,441 million**.

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

[6] See Section 4.1 on Enterprise Segment

[7] Proximus' collection process was adapted in view of improving the customer experience, reducing the number of reminders on open invoices. Moreover, reminder fees were lowered following a new legislation (see section 2.2).

Over the first nine months of 2018, Proximus' **underlying Group revenue totaled EUR 4,336 million, a 0.8% improvement on the prior year.** This includes a 0.3% revenue increase from Proximus' Domestic operations, and a 2.6% increase for BICS.

Table 2: Group revenue by segment

(EUR million)	3rd Quarter 2017 IAS 18	3rd Quarter 2018 IAS 18	3rd Quarter Change %	3rd 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
Group Reported	1,463	1,443	-1.4%	1,441	4,324	4,338	0.3%	4,335
Incidentals	*-22*	*-1*		*-1*	*-23*	*-2*		*-2*
Group underlying by Segment	1,441	1,441	0.1%	1,440	4,301	4,336	0.8%	4,332
Domestic	1,105	1,095	-0.9%	1,094	3,320	3,330	0.3%	3,327
Consumer	729	715	-1.8%	714	2,175	2,171	-0.2%	2,168
Enterprise	340	347	2.2%	347	1,031	1,049	1.8%	1,049
Wholesale	56	53	-4.9%	53	156	151	-3.4%	151
Other (incl. eliminations)	-20	-21	-4.9%	-21	-42	-41	0.3%	-41
International Carrier Services (BICS)	336	347	3.1%	347	981	1,006	2.6%	1,006

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

- **Proximus' Consumer segment posted a revenue of EUR 715 million for the third quarter 2018.** This is EUR 13 million below the same period of 2017 including a lower mobile device revenue (EUR -9 million), with no impact on direct margin, and lower Other revenue (EUR -4 million), reflecting mainly a changed collection process. Revenue from Fixed services was up from the prior year by 0.5% driven by an expanding customer base, while the benefit from the 1 August 2017 price indexation lapsed. Despite the lapsing more-for-more mobile price increase, the Mobile Postpaid services revenue trend continued to improve, up by 1.6%. Proximus attracted yet again a solid 38,000 customers to its all-in offers Tuttimus/Bizz All-In, closing the third quarter 2018 with 477,000 subscribers.

- The **Enterprise segment closed the third quarter with EUR 347 million in revenue, 2.2% higher** than the comparable period of 2017. This was mainly driven by higher revenue from ICT, including the contribution from small, specialized companies acquired over the past 12 months and was further supported by growing revenue from Advanced Business Services and Mobile services. This more than offset the pressure on more traditional telecom services.

- Proximus' **Wholesale segment reported EUR 53 million in revenue**, **-4.9% from the prior year.** In the interest of the Group wholesale roaming rates were negotiated downwards, which affected the wholesale revenue unfavorably, but benefitted the direct margin of both the Consumer and Business segments.

- **BICS posted a 3.1% revenue growth to EUR 347 million**, including the additional business from TeleSign, consolidated since 1 November 2017. Messaging volumes carried by BICS continued their steep increase, driven by TeleSign's A2P volumes. This led to a continued solid revenue growth for non-Voice, which more than offset the lower Voice revenue.

Table 3:

Underlying Group revenue by product group

(EUR million)	3rd Quarter 2017 IAS 18	3rd Quarter 2018 IAS 18	3rd Quarter Change %	Year-to-date 2017 IAS 18	Year-to-date 2018 IAS 18	Year-to-date Change %
Revenues	1,441	1,441	0.1%	4,301	4,336	0.8%
Domestic	1,105	1,095	-0.9%	3,320	3,330	0.3%
Fixed	500	497	-0.6%	1,507	1,504	-0.2%
Fixed Services	491	489	-0.3%	1,481	1,482	0.0%
Voice	177	166	-6.6%	546	514	-6.0%
Data (Internet & Data Connectivity)	217	225	3.5%	648	670	3.5%
TV	97	99	2.7%	287	298	3.7%
Fixed Terminals (excl. TV)	9	7	-14.4%	26	23	-13.1%
Mobile	374	364	-2.8%	1,113	1,105	-0.7%
Mobile Services	327	326	-0.5%	973	963	-1.1%
Postpaid	302	307	1.4%	895	903	0.9%
Prepaid	25	19	-23.9%	79	60	-23.9%
Mobile Terminals	47	38	-18.9%	140	142	2.0%
ICT	128	136	6.3%	389	407	4.6%
Advanced Business Services	7	9	28.6%	19	23	18.5%
Subsidiaries (Tango)	31	34	6.6%	95	101	5.9%
Other Products	28	24	-16.5%	82	81	-1.9%
Wholesale	56	53	-4.9%	156	151	-3.4%
Other segment (incl. eliminations)	*-20*	*-21*	*-4.9%*	*-42*	*-41*	*0.3%*
International Carrier Services (BICS)	*336*	*347*	*3.1%*	*981*	*1,006*	*2.6%*

2.1.2 Underlying Group direct margin

Table 4:

Group direct margin by segment

(EUR million)	3rd Quarter 2017 IAS 18	3rd Quarter 2018 IAS 18	3rd Quarter Change %	3rd 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
Group Reported	924	921	-0.3%	918	2,723	2,771	1.8%	2,763
Incidentals	*-22*	*-1*		*-1*	*-23*	*-2*		*-2*
Group underlying by Segment	901	920	2.1%	917	2,700	2,768	2.5%	2,761
Domestic	831	840	1.0%	837	2,499	2,533	1.4%	2,525
Consumer	550	554	0.7%	551	1,648	1,676	1.7%	1,669
Enterprise	234	241	3.0%	241	710	716	0.8%	716
Wholesale	46	42	-7.6%	42	132	124	-6.1%	124
Other (incl. eliminations)	2	3	61.3%	3	8	16	100.1%	16
International Carrier Services (BICS)	70	80	14.5%	80	201	236	17.2%	236

For its Domestic operations, Proximus posted a third-quarter 2018 direct margin of EUR 840 million, up by 1.0% from the same period of 2017.
The Consumer segment posted a 0.7% increase in direct margin for the third quarter 2018 supported by its continued customer growth. As was expected, the growth slowed down from the first-half of 2018, including the effects from the annualizing August 2017 price changes, and from a new collection process. The Enterprise segment benefitted from its recent acquisitions, expanding its ICT portfolio, and from growing Advanced Business Services.

For both the Consumer and Enterprise segments the mobile services margin was up from the previous year, despite higher roaming volumes which carry a cost while in general being consumed within the customers' mobile bundle. Downwards negotiated wholesale rates favorably impacted the Consumer and Enterprise segments, offset by the lower visitor roaming margin in the Wholesale segment and a limited decrease in Enterprise roaming options. As a result, the direct margin from Roaming was only slightly off from 2017.

For the third quarter of 2018, BICS' direct margin progressed to EUR 80 million, a year-on-year increase of 14.5%. This includes TeleSign's[8] contribution, and was especially driven by a continued growth in A2P messaging volumes and direct cost synergies.

[8] Consolidated in BICS as of 1 November 2017

In aggregate, the **Proximus Group underlying direct margin grew by 2.1%, totaling EUR 920 million** for the third quarter of 2018.

Over the first nine months of 2018, the direct margin of the Proximus Group totaled EUR 2,768 million, +2.5% from the prior year, with Domestic operations posting a 1.4% progress and BICS +17.2%. The roam-like-at-home regulation impacted the first half of 2018, causing a EUR 26 million decrease in roaming margin over that period, while having only a minor impact in the third quarter 2018.

2.1.3 Underlying Group expenses[9]

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

(EUR million)	3rd 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	464	1.8%	464	1,381	1,411	2.1%	1,410
Incidentals	*-18*	*-15*		*-15*	*-59*	*-59*		*-59*
Group Underlying	437	449	2.8%	449	1,322	1,351	2.2%	1,351
Workforce expenses	294	303	3.2%	303	883	894	1.2%	894
Non Workforce expenses	144	146	1.9%	146	439	457	4.2%	457
Domestic Underlying	405	409	0.9%	409	1,226	1,228	0.2%	1,228
Workforce expenses	277	282	1.7%	282	832	826	-0.6%	826
Non Workforce expenses	128	127	-0.7%	127	395	402	1.8%	402
BICS Underlying	32	40	25.8%	40	96	123	27.8%	123
Workforce expenses	17	22	27.4%	22	52	67	30.4%	67
Non Workforce expenses	15	19	24.1%	19	45	56	24.8%	56
Domestic Underlying by nature	405	409	0.9%	409	1,226	1,228	0.2%	1,228
Marketing Sales & Servicing	222	225	1.6%	225	659	670	1.7%	669
Network & IT	130	129	-0.6%	129	394	384	-2.6%	384
General and Administrative (G&A)	54	54	1.8%	54	173	175	1.0%	175

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

Proximus' Group underlying operating expenses for the third quarter 2018 were up by 2.8%, or EUR 12 million, attributable to the acquired companies in the ICT domain, and the consolidation of TeleSign in BICS.

BICS posted EUR 8 million higher costs, driven by the consolidation of TeleSign. Following this acquisition in November 2017, BICS' total headcount increased by 206 FTEs compared to one year ago, totaling 717 FTEs end-September 2018.

Proximus' third quarter **Domestic expenses totaled EUR 409 million, 0.9% or EUR 4 million higher than the prior year.** This includes higher workforce expenses linked to acquisitions[10] in the ICT domain over the past 12 months, with the most recent acquisition Codit consolidated in July 2018. In total, the acquired companies led to an increase in headcount of 226 FTEs year-on-year. This mainly concerns revenue-generating employees, offering consultancy and alike services to ICT customers.
In contrast, Proximus' organic headcount for its Domestic operations decreased over the same period by 273 FTEs, mainly driven by its ongoing 'early leave'-program. As a result, Proximus' Domestic workforce ended 47 FTEs below the level of one year ago, totaling 12,562 FTEs end-September 2018.

The additional expenses from TeleSign and acquired ICT companies aside, Proximus posted a slightly declining cost base.

2.1.4 Group EBITDA- reported and underlying

Table 6: Operating income before depreciation and amortization

(EUR million)	3rd 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	468	457	-2.3%	454	1,342	1,360	1.4%	1,352
Incidentals	*-4*	*13*		*13*	*36*	*57*		*57*
Group underlying	464	470	1.4%	468	1,378	1,417	2.9%	1,410
Domestic	426	431	1.1%	428	1,272	1,304	2.5%	1,297
International Carrier Services (BICS)	38	39	4.8%	39	105	113	7.5%	113

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

[10] Davinsi Labs, Unbrace, ION-IP, Umbrio and Codit.

(1) Underlying Group EBITDA

As a result of the higher margin achieved for its **Domestic operations** in the third quarter 2018, partly offset by higher expenses, Proximus posted **a 1.1% increase in underlying Domestic EBITDA, totaling EUR 431 million. BICS posted** a third-quarter 2018 EBITDA of EUR 39 million, a **year-on-year increase of 4.8%** including TeleSign. Therefore, **in aggregate, the Proximus Group's third quarter 2018 underlying EBITDA totaled EUR 470 million, a 1.4% increase** compared with the same period of 2017.

Over the first-nine months of 2018, the Proximus Group posted **EUR 1,417 million EBITDA, a 2.9% year-on-year increase**. This includes a 2.5% growth in its Domestic EBITDA, and a 7.5% increase for BICS.

(2) Total Reported Group EBITDA (incidentals included)

In the third quarter of 2018, the Proximus Group recorded EUR 13 million negative EBITDA incidentals, mainly related to the ongoing early leave plan prior to retirement.
With incidentals included, the **Proximus Group reported EBITDA totaled EUR 457 million for the third quarter 2018**. This compares to EUR 468 million for 2017, i.e. **a decrease by 2.3%,** with 2017 including capital gains on building sales. See section 8.2 for more information on the incidentals.

2.1.5 Net income

Depreciation and amortization

The third quarter 2018 **depreciation and amortization equaled EUR 252 million, bringing the total over the first nine months of 2018 to EUR 763 million**. The increase compared to EUR 717 million for 2017 results mainly from an increasing asset base following the higher investment level over the past years and from recently acquired companies.

Net finance cost

The year-to-date September 2018 **net finance cost totaled EUR 44 million**, 7.3% lower from last year, mainly resulting from the refinancing at a lower interest rate.

Tax expenses

The tax expenses over the first nine months of 2018 amount to EUR 147 million, leading to an **effective tax rate of 26.6%**. This is lower than the 30.5% in 2017 as a result of the positive effects of the Belgian corporate income tax reform.

Net income (Group share)

With EUR 135 million net income for the third quarter 2018 the Group reported a **year-to-date net income (Group share) of EUR 389 million.** The year-over-year increase of EUR 4 million is resulted from a higher reported Group EBITDA, less tax expenses, and a lower finance cost. This was partly offset by higher depreciation and amortization.

Table 7: From Group EBITDA to net income

	3rd Quarter				Year-to-date			
(EUR million)	2017 IAS 18	2018 IAS 18	Change %	2018 IFRS 15	2017 IAS 18	2018 IAS 18	Change %	2018 IFRS 15
EBITDA	468	457	-2.3%	454	1,342	1,360	1.3%	1,352
Depreciation and amortization	-239	-252	5.4%	-252	-717	-763	6.4%	-763
Operating income (EBIT)	229	205	-10.3%	203	624	597	-4.3%	590
Net finance costs	-18	-13	-26.4%	-13	-48	-44	-7.3%	-44
Share of loss on associates	-1	0	-63.0%	0	-1	-1	24.0%	-1
Income before taxes	210	191	-9.1%	189	576	551	-4.3%	544
Tax expense	-64	-51	-20.8%	-50	-176	-147	-16.7%	-144
Non-controlling interests	5	6	11.0%	6	15	16	7.0%	16
Net income (Group share)	140	135	-3.4%	133	385	389	0.9%	383

2.1.6 Investments

Proximus invested EUR 238 million in the third quarter of 2018, bringing the capex over the first nine months of 2018 to EUR 697 million, in line with company expectations. This compares to EUR 707 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 higher than the prior year due to a more equal distribution over the quarters versus a more back-end loaded capex in 2017.

This contains especially Proximus' extensive investments in enhancing its Fixed network with the ongoing roll-out of Fiber. With its focus on improving the overall customer experience, Proximus also invests in its IT systems and digital platforms, simplification and transformation, and ensures attractive content for its TV customers.

2.1.7 Cash flows

Table 8: Cash flows

	3rd Quarter				Year-to-date			
(EUR million)	2017 IAS 18	2018 IAS 18	Change %	2018 IFRS 15	2017 IAS 18	2018 IAS 18	Change %	2018 IFRS 15
Cash flows from operating activities	484	485	0.1%	485	1,174	1,199	2.2%	1,199
Cash paid for Capex (*)	-242	-274	13.0%	-274	-717	-814	13.5%	-814
Cash flows used in other investing activities	25	-21	<-100%	-21	23	-36	<-100%	-36
Cash flow before financing activities (FCF)	**267**	**190**	**-29.0%**	**190**	**480**	**349**	**-27.2%**	**349**
Cash flows used in financing activities (**)	-159	-168	5.4%	-168	-255	-450	76.3%	-450
Net increase of cash and cash equivalents	**108**	**23**	**-78.4%**	**23**	**225**	**-100**	**<-100%**	**-100**

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

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

Proximus' third-quarter 2018 FCF totaled EUR 190 million, bringing the year-to-date September FCF to EUR 349 million, or EUR 395 million when excluding the 2018 cash-out related to the acquisition of subsidiaries in the ICT domain. The remaining decrease compared to the EUR 480 million for the same period of 2017 was mainly the consequence of higher cash paid for Capex (more equal distribution over the quarters versus a back-end loaded 2017), lower cash from sold buildings, and a timing difference in Income Tax payments. This was partially offset by a growth in underlying EBITDA and less cash needed for business working capital.

2.1.8 Balance sheet and shareholders' equity

Compared to year-end 2017 the goodwill increased with EUR 55 million mainly as a consequence of the acquisition of Codit, a Belgian-headquartered IT services company and two Dutch based security companies (ION-IP and Umbrio) as well as price adjustments and conversion difference on the TeleSign goodwill (EUR 6 million). The TeleSign purchase price allocation is still provisional and will be completed within 12 months after the acquisition date of 1 November 2017.

Tangible and intangible fixed assets decreased by EUR 65 million to EUR 4,144 million, the amount of Capex being lower than the depreciation and amortization.

The shareholder's equity increased from EUR 2,857 million end-December 2017 to EUR 2,928 million end-September 2018, as net income (Group Share) of EUR 389 million is higher than the payment of dividends (EUR 323 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 September 2018, Proximus' outstanding long-term debt amounted to EUR 2,266 million. Proximus maintained a solid financial position with a net debt of EUR 2,089 million end September 2018.

Table 9: Net financial position

(EUR million)	As of 31 December 2017	As of 30 September 2018
Investments, Cash and cash equivalents (*)	338	237
Derivatives	5	5
Assets	342	242
Non-current liabilities (**)	-1,860	-2,264
Current liabilities (**)	-570	-67
Liabilities	-2,430	-2,331
Net financial position	**-2,088**	**-2,089**

(*) investments included
(**) LT bonds related derivatives included
Current liabilities include the short term portion of non-current liabilities for an amount of EUR 2 million as of 30 September 2018.

2.2 Regulation

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

(EUR million)	Q3 2018		YTD'18	
Regulation impact on YoY variance	Revenue	Direct Margin	Revenue	Direct Margin
Overall net impact on Roaming (price and volume impact of roaming-out & roaming-in)	-6	-2	-30	-27
Among which regulated price impact on Roaming-Out	0	0	-26	-26
Fixed Termination Rates	0	0	-4	-2

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

Q4'18 regulation impacts for Roaming and Fixed Termination Rates are estimated to be limited.

International Roaming

The lowered roaming prices following the EU roaming regulation impacted Proximus' Mobile services revenue and margin. For the first nine months of 2018, the net roaming margin decreased year-on-year by EUR 27 million. This includes the impact from Roam like at Home pricing, the decrease in roaming options for the Enterprise segment, and visitor roaming. The Roam like at Home pricing annualized 12 June 2018. The remaining impact is therefore limited to the ongoing reduction of roaming options in the Enterprise segment, and a volume impact from roaming-out. With wholesale roaming rates negotiated downwards in the interest of the Group, the remaining impact is expected to be limited.

Fixed Termination Rates (FTR)

On 3 October 2018, the BIPT notified to the European Commission its draft decision concerning the review of the fixed termination market. Based on this draft, the new FTR would be set at 0.116 eurocent/min. The current FTR are at 0.709 eurocent for regional and 0.909 eurocent for national. Local call termination is no longer considered since Proximus closed the last local access points in 2017.
The Commission has one month to release its comments. The new FTR will enter into force the first day of the month after the publication of the final decision. Proximus estimates the monthly impact of the new FTR to be less than EUR 2 million on revenue and less than EUR 1 million on margin.

Upcoming spectrum auction

The Belgian Government is 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, e.g. 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.

In July 2018, the Belgian Government approved the principle of favoring the entry of a 4th mobile player on the market and the BIPT published the draft legislations containing the license conditions on 13 August 2018.

A package of spectrum would be reserved for such new entrant in the 700, 900, 1800 and 2100 MHz bands. This reserved spectrum cannot be sold within the first 6 years and if the operator has not reached 70% coverage. Should there be more than one candidate, the spectrum reserved for a new entrant would be allocated in a pre-auction phase where existing operators would be excluded. The new operator would also benefit from a less stringent timetable for the coverage obligations and from national roaming during maximum 8 years under the condition that it has reached 20% coverage, only in the areas where it has not yet developed its own network. Some spectrum would also be reserved for the existing operators in the 900, 1800 and 2100 MHz bands to safeguard business continuity.

Specific conditions would also be imposed to the 700 MHz license concerning the railway coverage and services for Astrid (emergency services operator in Belgium), benefitting from roaming from all the 700 MHz operators.

The BIPT has launched a consultation on the chronology of the upcoming auctions, proposing several scenarios, and on the timing for the auction of the 1400 MHz band. The spectrum auctions are not expected to start before the third quarter of 2019.

Consumer protection – reminder fees

A modification of the e-com law published on 12 September 2017 has introduced new obligations in case of non-payment of invoices. The new law foresees that the first reminder must be for free and a ceiling of EUR 10 is set for the subsequent reminders. The fee for the reactivation of the services after a full cut is capped at EUR 30 for all services. These new provisions entered into force on 1 July 2018.

2.3 Outlook and dividend

Despite the high competitive intensity, Proximus achieved solid year-to-date 2018 results, so far delivering underlying Group EBITDA ahead of company expectations.
The underlying Group EBITDA benefitted from one-off tailwinds reported in the first half of 2018 and roaming costs turned out to be lower than expected with the level of roaming-out volumes remaining below company projections.
Therefore, Proximus raises its full-year outlook, with the 2018 Group EBITDA expected to grow between 2% and 3% from the prior year. For the Domestic revenue the expectation to end the year 2018 'nearly stable' is reiterated. The capex outlook for 2018 remains unchanged as well at around EUR 1 billion.

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

Guidance metrics	FY2017 Actuals	FY2018 Outlook Feb. 2018	YTD YoY achievement	FY2018 Revised Outlook Oct. 2018
Domestic underlying **revenue**	€4,458m	Nearly stable	+0.3%	Nearly stable
Group underlying **EBITDA**	€1,823m	Slight growth	+2.9%	between 2%-3%
Capex	€1,092m*	Around €1Bn	€697m	Around €1Bn

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

The company reconfirms its intention to return over the year 2018 a EUR 1.50 gross dividend per share. On 24 October 2018, the Proximus Board of Directors approved to return to the shareholders a gross interim dividend of EUR 0.50 per share.

- Ex-coupon date: 5 December 2018
- Record date: 6 December 2018
- Payment date: 7 December 2018

3 Consumer

- Value-accretive customer mix: growing 4-Play, RGU +2.5% and ARPH[11] +0.5% to EUR 65.7.
- Traction for Tuttimus and Bizz All-in continued: +38,000 in Q3'18, base of 477,000 subscribers.
- Enlarging customer base with dual brand strategy in competitive setting: Internet +9,000, TV +11,000, mobile Postpaid +18,000.
- Q3'18 revenue impacted by reduced sales of mobile terminals, at no margin, and by a renewed collection process[12] to enhance customer experience.
- Direct margin +0.7% YoY, benefitting from larger customer base, 77.4% of revenue, +1.9pp.

Table 12: Consumer revenue and direct margin

(EUR million)	3rd 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 SEGMENT INCOME	729	715	-1.8%	714	2,175	2,171	-0.2%	2,168
Net Revenue	723	711	-1.8%	709	2,159	2,156	-0.2%	2,153
Other Operating Income	5	5	-11.0%	5	15	16	0.1%	16
Costs of materials and charges to revenues	-178	-161	-9.5%	-163	-527	-495	-6.0%	-499
TOTAL SEGMENT DIRECT MARGIN	550	554	0.7%	551	1,648	1,676	1.7%	1,669
Direct margin %	*75.5%*	*77.4%*	*1.9 p.p.*	*77.2%*	*75.8%*	*77.2%*	*1.4 p.p.*	*77.0%*

3.1 Consumer revenue

For the third quarter 2018 Proximus' Consumer segment posted a revenue of EUR 715 million. This is 1.8% or EUR 13 million below the same period of 2017 and down from the two prior quarters of 2018. This resulted from a lower mobile device revenue (EUR -9 million), with no impact on direct margin, and from less Other revenue (EUR -4 million). This latter is mainly the result of a renewed collection process, including the impact from a changed legislation on reminder fees[13].

Revenue from Fixed services totaled EUR 378 million, up by 0.5% from the prior year, including growing revenue from Internet and TV, and the continued erosion in Fixed Voice. With the price indexation of 1 August 2017 lapsing, the remaining growth drivers were the expanding Internet and TV customer base and the overall customer value management, including upselling of services.

In total, the consumer segment posted EUR 246 million revenue from Mobile services, with the year-on-year trend further improving to -0.9%. This resulted from a better revenue trend in postpaid, with a 1.6% revenue increase for the third quarter. Consumer Postpaid revenue benefitted from the growing Proximus postpaid customer base, and was no longer negatively impacted by the RLAH price regulation. However, the support from the 2017 more-for-more mobile price change annualized on 1 August.
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.
Proximus attracted yet again a solid 38,000 customers to its all-in offers Tuttimus/Bizz All-In, closing the third quarter 2018 with 477,000 subscribers.

The **Consumer revenue over the nine months of 2018 totaled EUR 2,171 million, stable (-0.2%) compared to the same period of 2017**, mainly driven by higher revenue from Fixed Services and Tango, offset by lower revenue from Mobile services due to RLAH regulation and the erosion in Prepaid, and reduced low-margin mobile device sales.

Fixed Data revenue up driven by larger customer base: +9,000 in Q3 2018; +48,000 YoY

The Proximus Consumer segment generated 4.5% more revenue from its Internet subscriptions compared to the prior year, totaling EUR 163 million in revenue for the third quarter 2018. This resulted from a solid +48,000 customer growth over the past 12 months. The total Internet customer base increased to 1,877,000, a steady annual growth of 2.6%, supported by both the Proximus and Scarlet

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

[12] Proximus' collection process was adapted in view of improving the customer experience, reducing the number of reminders on open invoices. Moreover, reminder fees were lowered following a new legislation.

[13] See section 2.2

brands. Backed by an attractive Back-to-School campaign for the Proximus brand, and the continued success of Scarlet in the no frills segment, the consumer segment grew its Internet base by 9,000 broadband lines in the third quarter. In a competitive market, the Proximus internet churn remained stable compared to the prior year. The ARPU[14] of EUR 29.0 was up by 1.9% on an annual basis, reflecting price changes since the start of 2018.

TV customer base grew by 11,000 households in the third quarter, +52,000 YoY

In one year, the Proximus and Scarlet brands combined grew their TV customer base by 52,000 TV households, growing steadily by 3.4%. With 11,000 customers added in the third quarter, the total Proximus TV base totaled 1,595,000 TV customers[15] by end September 2018. The TV ARPU for the third quarter stood at EUR 20.8, a touch below the prior year (-0.6%). The growing TV subscriber base remains an important revenue driver for the Consumer segment, with TV revenues up by 2.7% year-on-year to total EUR 99 million for the third quarter of 2018.
The customer growth was well supported by the Proximus branded Tuttimus and Familus offers, providing customers with more extensive TV content.

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

By end-September 2018 the total Fixed Voice customer base totaled 1,986,000, down -3.1% from one year ago, including a net line loss of 17,000 in the third quarter of 2018.
The Fixed Voice ARPU for the third quarter of 2018 was EUR 19.4, i.e. a decline of 3.4% 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 -6.4% year-on-year revenue decline for Fixed Voice, reaching EUR 116 million in the third quarter of 2018.

Mobile Postpaid revenue up on growth in customer base; +18,000 cards in third quarter.

The overall Consumer Mobile Services revenue continued its trend improvement, with the loss for the third quarter 2018 limited to -0.9%, totaling EUR 246 million.
The slightly better trend resulted from a further growth for Postpaid services, with revenue up by 1.6%, benefitting from a growing customer base. The Postpaid ARPU for the third quarter 2018 was EUR 28.0, with the year-on-year decrease sequentially improving to -0.9%. This reflects a mixed effect from the lapsing of both the regulatory roaming price impact and the more-for-more Mobile price adjustments of 1 August 2017. End-September 2018 the Postpaid base totaled 2,713,000 cards, 70,000 or 2.7% more compared to one year ago.

Despite bold competitive moves, the Mobile postpaid churn remained lower compared to one year ago, but was slightly up from the prior quarter. With churn rates kept under control and a successful Back- to-School campaign, Proximus grew its Consumer Postpaid subscriptions by 18,000 in the third quarter 2018.
Over the same period, the loss of Prepaid cards remained elevated, with the Prepaid base reduced by -26,000, totaling 806,000 Prepaid cards end-September 2018. The continued erosion in an already declining market, was 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 3,519,000 Mobile cards end-September 2018, with a blended mobile ARPU of EUR 23.3, up 0.6% from a year ago due to a better customer mix.

Tango revenue[16]

Tango posted a solid 6.2% revenue growth for the third quarter 2018, in an aggressive competitive market. This was driven by a steady growth in mobile revenue and the successful execution of its convergence strategy with FttH driving an increase in broadband revenue. Revenue growth increased significantly compared to the previous quarter evolution owing to a seasonal increase in ARPU (less promotions during summer months than last year).

[14] Average Revenue Per User

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

[16] 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)	3rd Quarter 2017 IAS 18	3rd Quarter 2018 IAS 18	Change %	Year-to-date 2017 IAS 18	Year-to-date 2018 IAS 18	Change %
Revenues	729	715	-1.8%	2,175	2,171	-0.2%
Fixed	380	381	0.2%	1,141	1,151	0.9%
Fixed Services	376	378	0.5%	1,130	1,143	1.1%
Voice	124	116	-6.4%	381	360	-5.5%
Data (Internet & Data Connectivity)	156	163	4.5%	462	485	5.0%
TV	97	99	2.7%	287	298	3.8%
Fixed Terminals (excl. TV)	4	3	-27.5%	12	9	-24.2%
Mobile	289	278	-4.0%	858	840	-2.1%
Mobile Services	248	246	-0.9%	736	726	-1.3%
Postpaid	223	227	1.6%	657	666	1.4%
Prepaid	25	19	-23.9%	79	60	-23.9%
Mobile Terminals	41	32	-22.3%	122	114	-6.6%
ICT	7	7	-2.3%	21	22	2.3%
Subsidiaries (Tango)	28	30	6.2%	83	88	5.1%
Other Products	24	20	-17.3%	71	70	-0.9%

Table 14: Consumer operationals by product group

	Q317 IAS 18	Q318 IAS 18	Change (in abs. Amount)
From Fixed			
Number of access channels (thousands)	**3,877**	**3,862**	**-15**
Voice	2,048	1,986	-62
Broadband	1,829	1,877	48
TV unique customers (thousands)	**1,543**	**1,595**	**52**
ARPU (EUR)			
ARPU Voice	20.1	19.4	-0.7
ARPU broadband	28.4	29.0	0.5
ARPU TV	20.9	20.8	-0.1
From Mobile			
Number of active customers (thousands)	3,552	3,519	-33
Prepaid	909	806	-104
Postpaid	2,643	2,713	70
Annualized churn rate			
Prepaid	n.r.	34.7%	
Postpaid	16.3%	15.8%	-0.5 p.p.
Blended	32.5%	20.5%	-12.0 p.p.
Net ARPU (EUR)			
Prepaid	8.7	7.6	-1.1
Postpaid	28.3	28.0	-0.3
Blended	23.1	23.3	0.1
Average Mobile data usage user/month (Mb)			
4G	1,546	2,137	591
Blended	1,330	1,924	594

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.

Note that the total of Households displayed in table 16 is the combined result of Proximus' commercial performance and natural changes in the composition of households.

Table 15: Consumer **revenue by X-Play** (IFRS 15)[17]

	3rd Quarter			Year-to-date		
(EUR million)	2017 IFRS15 (pro forma)	2018 IFRS15	Change %	2017 IFRS15 (pro forma)	2018 IFRS15	Change %
Revenues (underlying)	730	714	-2.2%	2,184	2,168	-0.7%
Net Revenue (underlying)	725	709	-2.1%	2,168	2,153	-0.7%
X-Play Revenues	586	586	0.0%	1,758	1,763	0.3%
4-Play	224	240	7.2%	655	707	8.0%
3-Play	169	163	-3.4%	515	497	-3.4%
Convergent	83	81	-2.7%	254	245	-3.7%
Fixed	86	83	-4.0%	260	252	-3.1%
2-Play	73	69	-4.9%	223	212	-4.9%
Convergent	21	20	-6.2%	64	60	-6.5%
Fixed	52	49	-4.3%	159	152	-4.3%
1-Play	120	114	-5.5%	366	347	-5.2%
1P Fixed Voice	26	23	-10.7%	80	72	-10.2%
1P internet	12	14	11.5%	36	40	11.6%
1P Mobile	83	77	-6.4%	251	235	-6.1%
Prepaid	25	19	-23.9%	79	60	-23.9%
Terminals sales	49	37	-23.6%	144	134	-7.3%
Tango	28	29	5.0%	82	85	3.2%
Other net revenues	39	39	0.7%	104	111	6.2%
Other operating Income (underlying)	5	5	-11.0%	15	16	0.1%
Costs of materials & charges to revenues	-181	-163	-9.8%	-529	-499	-5.7%
Direct Margin	549	551	0.3%	1,655	1,669	0.9%
Direct Margin %	*75.2%*	*77.2%*	*1.9pp*	*75.8%*	*77.0%*	*1.2pp*

Under IFRS15, the Consumer segment posted EUR 714 million in revenue for the third quarter of 2018, a 2.2% decline from the prior year. While the services revenue from households (X-Play) remained stable at EUR 586 million, revenue from Terminals decreased by EUR 11 million, with no effect on margin.

4-Play revenue +7.2% YoY. Growing base to 721,000 HH/SO. ARPH of EUR 111.8

In the third quarter 2018, Proximus continued to improve its customer mix, with an increasing number of its Households/Small Offices on 4-Play (see table 16). Over the past twelve months, 51,000 4-Play HH/SO were added, or +7.7%, including a net 4-Play HH/SO growth of + 10,000 in the third quarter 2018. By end-September 2018, Proximus serviced 721,000 4-Play HH/SO, i.e. 24.4% of its total base. This positive evolution was especially driven by the continued success of the Proximus offers Tuttimus and Bizz all-in for which an additional 38,000 HH/SO signed up in the third quarter 2018 to reach 477,000 by end-September 2018. This further increased the penetration rate of all-in bundles in the total 4-Play base.

The enlarging 4-Play base drove a steady year-on-year 4-Play revenue increase of 7.2% for the third quarter. The ARPH of a 4-Play HH/SO stood at EUR 111.8, -0.6% from the prior year. This is a slight improvement from prior quarters following the enhanced level of RGU's to 4.87 (+0.6%) and the lapsing

[17] See section 8.3.2

regulatory pressure on Mobile roaming. This was partly offset by the annualizing support from the more-for-more price increase, and by a continued erosion in Voice traffic.

Upselling increases overall value per HH/SO.
ARPH +0.5% YoY

With more customers moving to 4-Play, the average RGUs of the total HH/SO base increased by 2.5% from the prior year, to reach 2.76. This resulted in a 0.5% growth in ARPH to EUR 65.7 for the third quarter 2018. The overall annualized full churn rate for the third quarter of 13.6% was only slightly up (0.2pp) from one year ago.

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. The 3-Play ARPH showed a steady year-on-year decrease of 2.2% to EUR 73.6 for the third quarter, due to an ongoing erosion of Fixed voice traffic and the general move to Packs.

The erosion of Single Play Fixed Voice HH/SO continued its even trend with a decrease of 10,000 HH/SO for the third quarter 2018. As a consequence, revenue from standalone Fixed Voice was further reduced to a total of EUR 23 million for the third quarter, representing 3.2% of the total Consumer revenue.

Proximus' 1-Play mobile HH/SO base totaled 687,000 at end-September 2018, with a single-Play Mobile ARPH of EUR 37.1 for the third quarter 2018, i.e. a year-on-year decrease of -6.2%, with the support from the more-for-more price change of August 2017 annualizing, and the upselling effect to multi-play offers for higher-end mobile subscribers.

Proximus' single-Play Internet HH/SO base increased to 146,000, adding +1,000 over the third quarter 2018, including the effect of Scarlet's successful standalone broadband offers. The corresponding ARPH of EUR 31.0 was up 2.4% from the prior year, including the price increase of the Proximus standalone broadband offers.

3.3 Consumer direct margin

Growing customer base resulting in higher direct margin

For the **third quarter 2018,** the Consumer segment posted **a year-on-year direct margin growth of 0.7%**, totaling EUR 554 million. The third quarter direct margin was impacted by a renewed collection process, which partly offset the customer driven direct margin growth.

Despite the RLAH impact, the **Consumer direct margin over the first nine months of 2018 grew by 1.7%** to EUR 1,676 million, or EUR 28 million higher than the comparable period of 2017. This resulted from a 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, whereas the third quarter was negatively impacted by a loss in direct margin from renewed collection process.

Table 16: Consumer **operationals by X-Play**

	Q317 IFRS15 (pro forma)	Q318 IFRS15	Val	%
HH/SO per Play - Total (000's)	**2,984**	**2,959**	**-26**	**-0.9%**
4-Play	670	721	51	7.7%
3-Play	747	736	-11	-1.5%
Convergent	259	255	-4	-1.5%
Fixed	488	481	-7	-1.5%
2-Play	415	391	-24	-5.8%
Convergent	96	91	-5	-4.7%
Fixed	319	299	-20	-6.1%
1-Play	1,153	1,111	-42	-3.6%
1P Fixed Voice	321	278	-44	-13.6%
1P internet	135	146	11	8.3%
1P Mobile	696	687	-9	-1.4%
ARPH x - play (in EUR)	**65.3**	**65.7**	**0.4**	**0.5%**
4-Play	112.4	111.8	-0.6	-0.6%
3-Play	75.3	73.6	-1.6	-2.2%
Convergent	106.0	105.4	-0.7	-0.6%
Fixed	58.8	56.9	-1.9	-3.3%
2-Play	57.9	58.4	0.6	1.0%
Convergent	71.9	71.4	-0.5	-0.7%
Fixed	53.6	54.5	0.9	1.6%
1-Play	34.6	33.7	-0.9	-2.7%
1P Fixed Voice	26.1	26.9	0.8	3.1%
1P internet	30.2	31.0	0.7	2.4%
1P Mobile	39.5	37.1	-2.4	-6.2%
Average #RGUs per HH/SO - Total	**2.69**	**2.76**	**0.07**	**2.5%**
4-Play	4.84	4.87	0.03	0.6%
3-Play	3.31	3.31	0.00	0.0%
Convergent	3.79	3.79	0.00	-0.1%
Fixed	3.06	3.05	0.00	0.0%
2-Play	2.19	2.19	0.00	-0.2%
Convergent	2.54	2.52	-0.02	-0.7%
Fixed	2.09	2.08	0.00	-0.1%
1-Play	1.22	1.22	0.00	-0.1%
1P Fixed Voice	1.06	1.06	0.00	0.0%
1P internet	1.00	1.00	0.00	0.2%
1P Mobile	1.34	1.34	-0.01	-0.4%
Annualized full churn rate (HH/SO) - Total	**13.4%**	**13.6%**	**0.2pp**	
4-Play	3.2%	3.4%	**0.3pp**	
3-Play	10.1%	10.6%	**0.5pp**	
2-Play	11.7%	13.1%	**1.4pp**	
1-Play	21.9%	22.2%	**0.3pp**	
% Convergent HH/SO - Total *	**55.9%**	**57.8%**	**1.8pp**	
4-Play	100.0%	100.0%		
3-Play	34.7%	34.7%	**0.0pp**	
2-Play	23.1%	23.4%	**0.3pp**	

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

4 Enterprise

- Q3 revenue up by 2.2%: higher revenue from ICT, Mobile Services and Advanced Business Services more than compensated for pressure on legacy telecom services.
- ICT revenue +6.8%, benefitting from acquired companies to strengthen the ICT portfolio.
- Mobile customer growth remained strong in a competitive market: +11,000 Postpaid cards.
- Steady growth for Mobile Services revenue on larger Mobile customer base, compensating for increased competitive price pressure.
- Direct margin up by 3.0%, with higher margin from ICT, Mobile services and Advanced Business Services more than offsetting the legacy margin erosion.

Table 17: Enterprise revenue and direct margin

	3rd Quarter				Year-to-date			
(EUR million)	2017 IAS 18	2018 IAS 18	Change %	2018 IFRS 15	2017 IAS 18	2018 IAS 18	Change %	2018 IFRS 15
TOTAL SEGMENT INCOME	340	347	2.2%	347	1,031	1,049	1.8%	1,049
Net Revenue	339	346	2.1%	346	1,026	1,046	1.9%	1,046
Other Operating Income	1	1	NR	1	5	3	-31.7%	3
Costs of materials and charges to revenues	-106	-106	0.3%	-106	-320	-333	3.9%	-334
TOTAL SEGMENT DIRECT MARGIN	234	241	3.0%	241	710	716	0.8%	716
Direct margin %	*68.8%*	*69.4%*	*0.6 p.p.*	*69.5%*	*68.9%*	*68.3%*	*-0.6 p.p.*	*68.2%*

4.1 Enterprise revenue

For the third quarter of 2018, Proximus' Enterprise segment posted EUR 347 million in revenue, up 2.2% from 2017. This was mainly driven by higher revenue from ICT, further supported by growing revenue from Advanced Business Services and Mobile services.

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. This led to a solid 6.8% revenue increase for ICT in the third quarter 2018, driven by the contribution from specialized companies acquired over the past 12 months, accelerating the shift from product deals to service revenue.

In addition, the Enterprise segment made further progress in Advanced Business Services[18] (+28.6%), driven by Smart Mobility and convergent business solutions[19]. Furthermore, the revenue from mobile services was up by 0.9%, resulting from a 4.7% growth over the past twelve months in the Enterprise mobile customer base, which more than offset the competitive pressure on pricing.

The growth pools mentioned above, more than offset the pressure on the more traditional telecom services. In the third quarter 2018, the Fixed Voice revenue erosion trend continued, driven by a lower park and lower usage, while Fixed Data revenue was slightly up from its comparable base of 2017.

Over the first nine months of 2018, the Enterprise segment posted **EUR 1.049 million revenue, a 1.8% increase,** despite the competitive and regulatory headwinds. Higher revenue from ICT (including acquisitions), Advanced business services and terminals more than offset the erosion of Fixed Voice.

[18] Definition see Section 8.4

[19] Call Connect solutions

Lower Fixed Voice revenue on line erosion and lower usage

The Enterprise segment posted **EUR 49 million in Fixed Voice revenue for the third quarter of 2018**, **showing a steady year-on-year decline of 7.2%.** 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 third quarter was -10,000, bringing the Enterprise total Fixed Voice Line base to 549,000 at end-September 2018, i.e. a year-on-year line loss of -6.7%. The Fixed Voice ARPU of EUR 29.7 remained fairly stable compared to the prior year (-0.5%), 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 on 1 January 2018.

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

The third-quarter 2018 revenue from Fixed Data **totaled EUR 62 million**, i.e. slightly up from the prior year (+0.8%). This resulted from somewhat higher revenue from Data Connectivity, by far the largest part in this product category. 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 continued to face high competition on the low and medium Internet markets. Nonetheless, Proximus managed to mitigate its third quarter net line loss to less than -1,000 Internet lines, mainly low-end lines, keeping the total at 133,000 by end-September 2018. This is a 2.1% decrease from one year ago. The lower Internet base was partly compensated for by a 1.7% increase in Broadband ARPU to EUR 44, supported by price indexation effects and a growing share of high-end internet in the park.

ICT revenue up by 6.8% on strengthened ICT portfolio

Proximus' Enterprise segment benefited from its expanding ICT portfolio. Over the past year, Proximus has acquired some small-sized but highly specialized companies[20]: Unbrace, ION-IP, Umbrio, and more recently, Codit. These companies support 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. The acquired companies accelerated the shift towards more value adding services. With the revenue from these companies included, Enterprise ICT revenue was up by **6.8%, totaling EUR 129 million**.

Growing customer base drives 0.9% increase in Mobile Services revenue

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

The good customer experience provided by Proximus' mobile network and high service levels led to a continued growth in the Enterprise customer base. With Mobile churn remaining low at 9.0% in the third quarter of 2018, the Enterprise segment grew its Mobile Voice base by +11,000 cards. This led to a customer base of 1,021,000, 4.7% higher than the prior year, in a highly competitive market. Besides a growing mobile customer base, the mobile revenue also benefited from growing data usage per customer. For the third quarter 2018, the average national data usage was 1.7 GB/user/month, up by 33% compared to a year ago.

The benefit of continued customer growth was partly offset by a lower Postpaid ARPU of EUR 25.2. The year-on-year ARPU decrease remained stable compared to the prior period, i.e. -4.1%, and was the consequence of an ongoing decrease in subscriptions for Roaming Options, customers moving to more advantageous price bundles, and competitive price pressure.

M2M growth in the third quarter of 2018 was strong, with an additional 32,000 M2M cards activated, with the sequential increase related to the Road User Charging product. This brought Proximus' total number of M2M cards to 1,273,000 at end-September 2018, or a 6.3% increase from the prior year. Proximus' Enterprise segment maintained its leadership position on the M2M market.

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[20] Codit, Belgium-headquartered market leader in business application integration, API Management, Azure and Internet of Things was acquired 11 July 2018. 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 acquired on 1 October 2017. Davinsi Labs, a cybersecurity company was acquired on 4 May 2017.

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

(EUR million)	3rd Quarter			Year-to-date		
	2017 IAS 18	2018 IAS 18	Change %	2017 IAS 18	2018 IAS 18	Change %
Revenues	340	347	2.2%	1,031	1,049	1.8%
Fixed	119	116	-3.0%	366	353	-3.5%
Fixed Services	115	111	-2.9%	351	339	-3.5%
Voice	53	49	-7.2%	166	154	-7.2%
Data (Internet & Data Connectivity)	61	62	0.8%	185	185	-0.2%
Fixed Terminals (excl. TV)	5	5	-3.8%	14	14	-4.0%
Mobile	85	86	1.2%	255	265	4.0%
Mobile Services	79	80	0.9%	237	237	-0.3%
Mobile Terminals	6	6	5.5%	17	28	61.9%
ICT	121	129	6.8%	368	385	4.7%
Advanced Business Services	7	9	28.6%	19	23	18.5%
Subsidiaries (Tango)	3	4	9.7%	12	13	11.6%
Other Products	4	4	-11.8%	12	11	-8.4%

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)	3rd Quarter			Year-to-date		
	2017 IFRS 15 (pro forma)	2018 IFRS 15	Change %	2017 IFRS 15 (pro forma)	2018 IFRS 15	Change %
Revenues (underlying)	340	347	2.1%	1,031	1,049	1.8%
Net Revenue (underlying)	339	346	2.1%	1,026	1,046	1.9%
Fixed	119	116	-3.0%	366	353	-3.5%
Fixed Services	115	111	-2.9%	351	339	-3.5%
Voice	53	49	-7.2%	166	154	-7.2%
Data (Internet & Data Connectivity)	61	62	0.8%	185	185	-0.2%
Fixed Terminals (excl. TV)	5	5	-3.8%	14	14	-4.0%
Mobile	85	86	1.2%	255	265	4.0%
Mobile Services	79	80	0.9%	237	236	-0.3%
Mobile Terminals	6	6	5.7%	18	28	61.3%
ICT	121	129	6.5%	367	385	4.9%
Advanced Business Services	7	8	29.3%	19	22	19.7%
Subsidiaries (Tango)	3	4	7.9%	12	13	8.7%
Other Products	3	3	-13.1%	8	8	-2.0%
Other Operating Income	1	1	32.4%	5	3	-31.7%

4.2 Enterprise direct margin

Enterprise posted a 3.0% increase in the direct margin for the third quarter.

The **direct margin of the third quarter grew** to EUR 241 million. The direct margin contribution of acquired ICT companies was further supported by a higher direct margin from Mobile services and Advanced Business Services. The growth in these areas more than offset the ongoing margin erosion for Fixed Voice.

The 2018 third-quarter direct margin as a percentage of revenue slightly increased to 69.4%, compared to 68.8% a year ago.

Over the **first nine months of 2018**, the Enterprise direct margin grew by 0.8% to EUR 716 million, resulting from the same drivers as stated above.

Table 20: Enterprise operationals

	Q317 IAS 18	Q318 IAS 18	Change (in abs. Amount)
From Fixed			
Number of access channels (thousands)	**724**	**682**	**-42**
Voice	589	549	-39
Broadband	135	133	-3
ARPU (EUR)			
ARPU Voice	29.9	29.7	-0.2
ARPU Broadband	43.2	44.0	0.8
From Mobile			
Number of mobile cards (thousands)	2,173	2,295	121
Among which voice and data cards	975	1,021	46
Among which M2M	1,198	1,273	75
Annualized churn rate (blended)	9.4%	9.0%	-0.4pp
Net ARPU (EUR)			
Postpaid	26.3	25.2	-1.1
Average Mobile data usage user/month (Mb)			
4G	1,412	1,804	392
Blended	1,254	1,669	415

5 Wholesale

Table 21: Wholesale revenue and direct margin

(EUR million)	3rd Quarter 2017 IAS 18	2018 IAS 18	Change %	Year-to-date 2017 IAS 18	2018 IAS 18	Change %
TOTAL SEGMENT INCOME	56	53	-4.9%	156	151	-3.4%
Net Revenue	56	53	-4.9%	156	150	-3.5%
Other Operating Income	0	0	2.9%	0	0	4.9%
Costs of materials and charges to revenues	-11	-11	6.7%	-24	-27	10.9%
TOTAL SEGMENT DIRECT MARGIN	46	42	-7.6%	132	124	-6.1%
Direct margin %	*81.2%*	*78.9%*	*-2.3 p.p.*	*84.5%*	*82.2%*	*-2.3 p.p.*

Proximus' Wholesale segment reported **EUR 53 million in revenue** and a **direct margin of EUR 42 million** for the **third quarter of 2018.**

The decline in revenue was mainly due to lower roaming-in revenue resulting from downward negotiated wholesale roaming rates, which was not fully compensated for by the increase in visitor traffic.

Following the steep volume increase in roaming-out, triggered by the roam-like-at-home regulation, Proximus negotiated its wholesale roaming rates in the Group's interest. While this affected the wholesale Direct margin unfavorably, it benefitted the direct margin of both the Consumer and Business segments.

6 BICS (International Carrier Services)

- **Steep growth in SMS A2P volumes, strongly supported by TeleSign's consolidation which accelerated BICS' strategic ambitions in this growing market.**
- **Q3'18 direct margin +14.5% YoY, TeleSign contribution and synergies increasing Direct margin to 23.0% of revenue.**
- **Q3'18 Segment result up 4.8% YoY, Segment contribution margin of 11.4%; +0.2pp YoY.**

Table 22: BICS P&L

(EUR million)	3rd Quarter 2017 IAS 18	2018 IAS 18	Change %	Year-to-date 2017 IAS 18	2018 IAS 18	Change %
TOTAL SEGMENT INCOME	336	347	3.1%	981	1,006	2.6%
Net Revenue	336	346	3.2%	980	1,005	2.6%
Other Operating Income	0	0	NR	1	0	NR
Costs of materials and charges to revenues	-266	-267	0.1%	-779	-770	-1.2%
TOTAL SEGMENT DIRECT MARGIN	70	80	14.5%	201	236	17.2%
Direct margin %	*20.8%*	*23.0%*	*2.3 p.p.*	*20.5%*	*23.5%*	*2.9 p.p.*
TOTAL EXPENSES	-32	-40	25.8%	-96	-123	27.8%
Workforce expenses	-17	-22	27.4%	-52	-67	30.4%
Non Workforce expenses	-15	-19	24.1%	-45	-56	24.8%
TOTAL SEGMENT RESULT	38	39	4.8%	105	113	7.5%
Segment contribution margin	*11.2%*	*11.4%*	*0.2 p.p.*	*10.7%*	*11.2%*	*0.5 p.p.*

6.1 BICS revenue

For **the third quarter of 2018, BICS' revenue grew to EUR 347 million, up by 3.1% from the comparable period of 2017,** including the additional business from TeleSign, consolidated since 1 November 2017.
The volume of Voice traffic carried by BICS remained well above 6 billion minutes in the third quarter 2018, though it was 1.7% below that of the comparable period of 2017. With slightly lower Voice volumes, and especially because of a less favorable destination mix (with limited unit margin erosion), BICS posted a 5% decline in Voice revenue from the prior year.

In contrast, Messaging volumes carried by BICS continued to rise steeply, and were up by 134.1% from the third quarter 2017. This was driven by boosting A2P[21] volumes, including the solid contribution of TeleSign, accelerating BICS' strategic ambitions in this growing market. This led to continued solid revenue growth for non-Voice of 27.0%, reaching EUR 108 million in the third quarter 2018.

Table 23: BICS revenue

	3rd Quarter			Year-to-date		
(EUR million)	**2017 IAS 18**	**2018 IAS 18**	**Change %**	**2017 IAS 18**	**2018 IAS 18**	**Change %**
Voice	251	238	-5.0%	754	705	-6.5%
Non Voice	85	108	27.0%	227	301	32.8%
Total revenue	336	347	3.1%	981	1,006	2.6%

Table 24: BICS volumes

	3rd Quarter			Year-to-date		
Volumes (in million)	**2017**	**2018**	**Change %**	**2017**	**2018**	**Change %**
Voice	6,241	6,135	-1.7%	18,267	18,133	-0.7%
Non Voice (Messaging)	1,101	2,578	134.1%	2,919	7,488	156.5%

6.2 BICS direct margin

For the third quarter of 2018, BICS posted a direct margin of EUR 80 million, up 14.5% compared to the prior year, with TeleSign largely contributing to this uplift. The Direct margin as percent of revenue improved by 2.3pp from the prior year to reach 23.0% in the third quarter 2018.

Despite of the pressure on Voice revenue, BICS managed to grow its Voice direct margin by 11.2%, benefitting from TeleSign's authentication services.
BICS' non-Voice direct margin benefitted from the BICS-TeleSign combination, with strong growth in SMS A2P volumes and the realization of direct cost synergies, resulting in an overall non-Voice margin growth of 16.9% for the third quarter, totaling EUR 47 million.

Table 25: BICS direct margin

	3rd Quarter			Year-to-date		
(EUR million)	**2017 IAS 18**	**2018 IAS 18**	**Change %**	**2017 IAS 18**	**2018 IAS 18**	**Change %**
Voice	29	33	11.2%	88	100	14.1%
Non Voice	40	47	16.9%	113	135	19.7%
Total direct margin	70	80	14.5%	201	236	17.2%

6.3 BICS segment result

BICS' segment result for the third quarter of 2018 totaled EUR 39 million, up 4.8% compared to the prior year, driven by the consolidation of TeleSign.
The direct margin increase was partly offset by higher third-quarter expenses, up by EUR 8 million, driven by the consolidation of TeleSign.
In the third quarter of 2018, the segment margin as percentage of revenue progressed to 11.4%.

[21] Application to Person

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. The figures have not 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 recognition
- 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 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**)
	Contract asset
Not applicable	- 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.
	Contract costs
Commissions paid to acquire contracts are expensed as incurred.	- 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'
	Contract liabilities
Items were recognized in deferred income	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 September 2018 (IFRS 15)						
	Group	BICS	Domestic (Group excl. BICS)	Consumer	Enterprise	Wholesale	Others
Net revenue (underlying)	4,303	1,005	3,298	2,153	1,046	150	-51
Net revenue (incidentals)	0	0	0	0	0	0	0
Net revenue (reported)	4,303	1,005	3,298	2,153	1,046	150	-51
Other operating income (underlying)	29	0	29	16	3	0	10
Other operating income (incidentals)	*2*	*0*	*2*	*2*	*0*	*0*	*0*
Other operating income (reported)	31	0	31	18	3	0	10
Revenue (underlying)	4,332	1,006	3,327	2,169	1,049	150	-41
Total income (incidentals)	2	0	2	2	0	0	0
Total income (reported)	4,335	1,006	3,329	2,171	1,049	150	-41

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, lease in, whereby the Group acts as lessee, is required to be accounted for 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 finance 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 will be recognized for all leases conveying to the Group the right to control the use of an identified asset for a period of time. Accordingly, this will result in a shift in lease expense classification from operating expenses to financing cost and amortization.

Proximus selected the simplified retrospective approach as a transition rule, meaning that comparative periods will not be restated and that the cumulative impact of applying IFRS 16 will be accounted to equity per 1 January 2019.

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

In April 2017 the group acquired all shares of Davinsi labs BVBA. The purchase price allocation is final and 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 September 30, 2018 is still provisional. TeleSign contributed to the EBITDA of the first nine months of 2018.

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.
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 cash paid for the acquisition of these consolidated companies in 2018 amounts to EUR 46 million, net of cash acquired.
The purchase price allocation for these acquisitions is still provisional.

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

	3rd Quarter					Year-to-date				
(EUR million)	**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	1,432	1,434	0.1%	1,433	-0.1%	4,271	4,307	0.8%	4,303	-0.1%
Other operating income	31	9	-72.4%	9	0.5%	53	31	-41.4%	31	0.1%
TOTAL INCOME	**1,463**	**1,443**	**-1.4%**	**1,442**	**0.0%**	**4,324**	**4,338**	**0.3%**	**4,335**	**-0.1%**
Costs of materials and services related to revenue	-539	-522	-3.2%	-523	0.3%	-1,601	-1,567	-2.1%	-1,572	0.3%
Workforce expenses	-312	-317	1.6%	-317	0.0%	-940	-931	-0.9%	-931	0.0%
Non workforce expenses	-144	-148	2.8%	-148	0.0%	-441	-480	8.8%	-480	0.0%
TOTAL OPERATING EXPENSES before depreciation & amortization	**-995**	**-986**	**-0.9%**	**-988**	**0.2%**	**-2,982**	**-2,978**	**-0.1%**	**-2,982**	**0.2%**
OPERATING INCOME before depreciation & amortization	**468**	**457**	**-2.3%**	**454**	**-0.8%**	**1,342**	**1,360**	**1.4%**	**1,352**	**-0.6%**
Depreciation and amortization	-239	-252	5.4%	-252	0.0%	-717	-763	6.4%	-763	0.0%
OPERATING INCOME	**229**	**205**	**-10.3%**	**203**	**-1.3%**	**624**	**597**	**-4.3%**	**590**	**-1.1%**
Finance income	1	2	52.0%	2	0.0%	5	6	14.8%	6	0.0%
Finance costs	-18	-15	-18.0%	-15	0.0%	-53	-50	-5.2%	-50	0.0%
Net finance costs	**-18**	**-13**	**-26.4%**	**-13**	**0.0%**	**-48**	**-44**	**-7.3%**	**-44**	**0.0%**
Share of loss on associates	-1	0	-63.0%	0	0.0%	-1	-1	24.0%	-1	0.0%
INCOME BEFORE TAXES	**210**	**191**	**-9.1%**	**189**	**-0.9%**	**576**	**551**	**-4.3%**	**544**	**-1.4%**
Tax expense	-64	-51	-20.8%	-50	-1.5%	-176	-147	-16.7%	-144	-1.5%
NET INCOME	**146**	**141**	**-3.3%**	**139**	**-1.4%**	**400**	**405**	**1.2%**	**399**	**-1.4%**
Attributable to:										
Equity holders of the parent (Group share)	140	135	-3.4%	133	-1.3%	385	389	0.9%	383	-1.4%
Non-controlling interests	5	6	11.0%	6	0.0%	15	16	7.0%	16	0.0%
Basic earnings per share	0.43 EUR	0.42 EUR	-3.4%	0.41 EUR	-1.3%	1.19 EUR	1.20 EUR	1.0%	1.19 EUR	-1.4%
Diluted earnings per share	0.43 EUR	0.42 EUR	-3.4%	0.41 EUR	-1.3%	1.19 EUR	1.20 EUR	1.0%	1.19 EUR	-1.4%
Weighted average number of outstanding shares	322,860,853	322,672,964	-0.1%	322,672,964	0.0%	322,782,755	322,620,843	-0.1%	322,620,843	0.0%
Weighted average number of outstanding shares for diluted earnings per share	322,968,136	322,737,051	-0.1%	322,737,051	0.0%	322,959,265	322,706,478	-0.1%	322,706,478	0.0%

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

7.3 Consolidated statements of other comprehensive income

	Year-to-date		
(EUR million)	**2017 IAS 18**	**2018 IAS 18**	**2018 IFRS 15**
Net income	400	405	399
Other comprehensive income:			
Items that may be reclassified to profit and loss			
Exchange differences on translation of foreign operations	0	8	8
Cash flow hedges:			
Gain/(Loss) taken to equity	-13	6	6
Transfer to profit or loss for the period	0	-1	-1
Other (describe)	0	-1	-1
Total before related tax effects	-13	12	12
Related tax effects			
Cash flow hedges:			
Gain/(Loss) taken to equity	-1	-1	-1
Income tax relating to items that may be reclassified	-1	-1	-1
Total of items that may be reclassified to profit and loss, net of related tax effects	-14	11	11
Items that will not be reclassified to profit and loss			
Change in the fair value of equity instruments	0	-5	-5
Total of items that will not be reclassified to profit and loss	0	-5	-5
Total before related tax effects	0	-5	-5
Items that will not be reclassified to profit and loss, net of related tax effects	0	-5	-5
Total comprehensive income	386	410	405
Attributable to:			
Equity holders of the parent	378	392	387
Non-controlling interests	8	18	18

7.4 Consolidated balance sheet

(EUR million)	As of 31 December 2017 IAS 18	As of 30 September 2018 IAS 18	As of 1 January 2018 IFRS 15	As of 30 September 2018 IFRS 15
ASSETS				
NON-CURRENT ASSETS	**6,735**	**6,710**	**6,842**	**6,805**
Goodwill	2,431	2,486	2,431	2,486
Intangible assets with finite useful life	1,233	1,169	1,233	1,169
Property, plant and equipment	2,976	2,975	2,976	2,975
Contract costs	0	0	120	116
Deferred income tax assets	27	35	15	14
Other non-current assets	66	45	66	45
CURRENT ASSETS	**1,793**	**1,694**	**1,871**	**1,770**
Inventories	123	128	123	128
Trade receivables	1,111	1,082	1,111	1,082
Contract assets	0	0	78	76
Current tax assets	83	83	83	83
Other current assets	137	164	137	164
Investments	5	5	5	5
Cash and cash equivalents	333	233	333	233
TOTAL ASSETS	**8,527**	**8,404**	**8,713**	**8,574**
LIABILITIES AND EQUITY				
EQUITY	**3,013**	**3,072**	**3,153**	**3,207**
Shareholders' equity	**2,857**	**2,928**	**2,997**	**3,063**
Issued capital	1,000	1,000	1,000	1,000
Reserves	-454	-444	-454	-444
Retained earnings	2,310	2,372	2,310	2,367
Retained earnings from transition to IFRS 15	0	0	140	140
Non-controlling interests	**156**	**144**	**156**	**144**
NON-CURRENT LIABILITIES	**2,789**	**3,157**	**2,835**	**3,192**
Interest-bearing liabilities	1,860	2,264	1,860	2,264
Liability for pensions, other post-employment benefits and termination benefits	515	532	515	532
Provisions	140	138	140	138
Deferred income tax liabilities	72	64	118	99
Other non-current payables	202	159	202	159
CURRENT LIABILITIES	**2,725**	**2,175**	**2,725**	**2,175**
Interest-bearing liabilities	570	67	570	67
Trade payables	1,415	1,273	1,415	1,273
Contract liabilities	0	0	96	92
Current tax payables	112	141	112	141
Other current payables	628	694	532	601
TOTAL LIABILITIES AND EQUITY	**8,527**	**8,404**	**8,713**	**8,574**

7.5 Consolidated cash flow statement

(EUR million)	3rd Quarter			Year-to-date		
	2017 IAS 18	2018 IAS 18	2018 IFRS 15	2017 IAS 18	2018 IAS 18	2018 IFRS 15
Cash flow from operating activities						
Net income	146	141	139	400	405	399
Adjustments for:						
Depreciation and amortization on intangible assets and property, plant and equipment	239	252	252	717	763	763
Increase of impairment on intangible assets and property, plant and equipment	0	0	0	2	0	0
Increase/(decrease) in provisions	0	-2	-2	-2	-1	-1
Deferred tax income	0	-2	-3	-13	-19	-21
Loss from investments accounted for using the equity method	1	0	0	1	1	1
Fair value adjustments on financial instruments	1	0	0	2	0	0
Loans amortization	1	0	0	2	1	1
Loss/(gain) on disposal of property, plant and equipment	-22	-1	-1	-22	-3	-3
Operating cash flow before working capital changes	**366**	**388**	**385**	**1,087**	**1,148**	**1,140**
Decrease/ (Increase) in inventories	2	13	13	-9	-5	-5
Decrease/ (Increase) in trade receivables	-48	-14	-14	16	49	49
Decrease/(increase) in contract costs	0	0	2	0	0	5
Decrease / (increase) in contract asset	0	0	1	0	0	3
Decrease/ (Increase) in current income tax assets	3	1	1	30	-2	-2
Decrease/ (Increase) in other current assets	15	14	14	-6	-6	-6
(Decrease)/Increase in trade payables	40	28	28	-48	-58	-58
(Decrease)/Increase in contract liability	0	0	-10		0	-4
Increase in income tax payables	57	27	27	32	27	27
Increase in other current payables	40	24	33	42	41	44
Increase in net liability for pensions, other post-employment benefits and termination benefits	10	4	4	30	4	4
Increase in other non-current payables and provisions	0	2	2	0	2	2
Decrease in working capital, net of acquisitions and disposals of subsidiaries	**119**	**97**	**100**	**87**	**51**	**59**
Net cash flow provided by operating activities (1)	**484**	**485**	**485**	**1,174**	**1,199**	**1,199**
Cash flow from investing activities						
Cash paid for acquisitions of intangible assets and property, plant and equipment	-242	-274	-274	-717	-814	-814
Cash paid for acquisitions of other participating interests	0	0	0	-2	-3	-3
Cash paid for acquisition of consolidated companies, net of cash acquired	-1	-24	-24	-6	-46	-46
Cash received from sales of intangible assets and property, plant and equipment	28	3	3	33	8	8
Cash received from / (paid for) sales of other participating interests and enterprises accounted for using the equity method	-2	0	0	-2	4	4
Net cash used in investing activities	**-217**	**-295**	**-295**	**-694**	**-850**	**-850**
Cash flow before financing activities (FCF)	**267**	**190**	**190**	**480**	**349**	**349**
Cash flow from financing activities						
Dividends paid to shareholders	-1	0	0	-326	-323	-323
Dividends paid to non-controlling interests	0	0	0	-32	-28	-28
Net sale of treasury shares	1	3	3	4	3	3
Net sale of investments	0	0	0	1	0	0
Decrease of shareholders' equity	0	-1	-1	-1	-4	-4
Cash received from cash flow hedge instrument related to long term debt	0	0	0	3	8	8
Issuance of long term debt	1	0	0	501	400	400
Repayment of long term debt (2)	0	-1	-1	-1	-407	-407
Issuance / (repayment) of short term debt	-160	-168	-168	-405	-98	-98
Cash flows from financing activities	**-159**	**-168**	**-168**	**-255**	**-450**	**-450**
Net increase of cash and cash equivalents	**108**	**23**	**23**	**225**	**-100**	**-100**
Cash and cash equivalents at 1 January	297	333	333	297	333	333
Cash and cash equivalents at 30 September	521	233	233	521	233	233
(1) Net cash flow from operating activities includes the following cash movements :						
Interest paid				-37	-39	-39
Interest received				1	1	1
Income taxes paid				-127	-140	-140
(2) The repayment of long term debt is the net of cash received and paid for the debt and related derivatives						
(3) Gains and losses from debt restructuring are part of the Cash used in financing activities.						

7.6 Consolidated statements of changes in equity

(EUR million)	Issued capital	Treasury shares	Restricted reserve	Available for sale and hedge reserve	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	**0**	**0**	**0**	**-7**	**0**	**0**	**0**	**385**	**378**	**8**	**386**
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	9	0	0	0	0	-1	1	9	0	9
Total transactions with equity holders	**0**	**4**	**0**	**0**	**0**	**0**	**-1**	**-322**	**-318**	**-33**	**-351**
Balance at 30 September 2017 (IAS 18)	**1,000**	**-426**	**100**	**-5**	**-127**	**0**	**4**	**2,334**	**2,879**	**138**	**3,017**
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	**0**	**0**	**0**	**1**	**0**	**5**	**0**	**386**	**392**	**18**	**410**
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	-3	-2	0	-2
Stock options											
Exercise of stock options	0	1	0	0	0	0	0	0	2	0	2
Total transactions with equity holders	**0**	**3**	**0**	**0**	**0**	**0**	**0**	**-324**	**-321**	**-30**	**-351**
Balance at 30 September 2018 (IAS 18)	**1,000**	**-428**	**100**	**6**	**-128**	**1**	**4**	**2,372**	**2,928**	**144**	**3,072**
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	**0**	**0**	**0**	**1**	**0**	**5**	**0**	**381**	**387**	**18**	**405**
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	-3	-2	0	-2
Stock options											
Exercise of stock options	0	1	0	0	0	0	0	0	2	0	2
Total transactions with equity holders	**0**	**3**	**0**	**0**	**0**	**0**	**0**	**-324**	**-321**	**-30**	**-351**
Balance at 30 September 2018 (IFRS 15)	**1,000**	**-428**	**100**	**6**	**-128**	**1**	**4**	**2,507**	**3,063**	**144**	**3,207**

7.7 Segment reporting

See reconciliation of reported and underlying figures in section 8.2

	30 September 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	4,303	3	4,307	0	4,307	1,005	3,301	2,156	1,046	150	-51
Other revenues	31	0	31	-2	29	0	29	16	3	0	10
TOTAL INCOME	4,335	3	4,338	-2	4,336	1,006	3,330	2,171	1,049	151	-41
COSTS OF MATERIALS AND SERVICES RELATED TO REVENUE	-1,572	5	-1,567	0	-1,567	-770	-797	-495	-333	-27	57
Direct margin	2,763	8	2,771	-2	2,768	236	2,533	1,676	716	124	16
Workforce expenses	-931	0	-931	37	-894	-67	-826				
Non workforce expenses	-480	0	-480	23	-457	-56	-402				
TOTAL OPERATING EXPENSES	-1,411	0	-1,411	59	-1,353	-123	-1,228				
OPERATING INCOME before depreciation & amortization	1,352	8	1,360	57	1,417	113	1,304				
Depreciation and amortization	-763	0	-763	0	-763	-67	-696				
OPERATING INCOME	590	7	597	57	654	46	609				
Net finance costs	-44	0	-44								
Share of loss on associates	-1	0	-1								
INCOME BEFORE TAXES	544	8	551								
Tax expense	-144	-2	-147								
NET INCOME	399	6	405								
Attributable to:											
Equity holders of the parent (Group share)	383	6	389								
Non-controlling interests	16	0	16								

(EUR million)	Group Proximus: Reported under IAS 18	Group Proximus: Incidental	Group Proximus: Underlying	underlying by segment: BICS	underlying by segment: Domestic (Group excl. BICS)	underlying by segment: Consumer	underlying by segment: Enterprise	underlying by segment: Wholesale	underlying by segment: Others
	30 September 2017								
Net revenue	4,271	0	4,271	980	3,292	2,161	1,025	156	-50
Other revenues	53	-23	30	1	29	15	5	0	8
TOTAL INCOME	4,324	-23	4,301	981	3,320	2,176	1,029	156	-42
COSTS OF MATERIALS AND SERVICES RELATED TO REVENUE	-1,601	0	-1,601	-779	-822	-528	-319	-24	49
Direct margin	2,723	-23	2,700	202	2,498	1,649	710	132	7
Workforce expenses (*)	-940	56	-884	-42	-842				
Non workforce expenses (*)	-441	2	-439	-55	-385				
TOTAL OPERATING EXPENSES	-1,381	59	-1,323	-97	-1,226				
OPERATING INCOME before depreciation & amortization	1,342	36	1,377	105	1,272				
Depreciation and amortization	-717	0	-717	-58	-660				
OPERATING INCOME	624	36	659	48	613				
Net finance costs	-48								
Share of loss on associates	-1								
INCOME BEFORE TAXES	576								
Tax expense	-176								
NET INCOME	400								
Attributable to :									
Equity holders of the parent (Group share)	385								
Non-controlling interests	15								

(*) 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	Non-cash changes: Business combination	Non-cash changes: Amortiz-ation	As of 30 September 2018
Long-term					
Unsubordinated debentures	1,850	0	0	1	1,851
Leasing and similar obligations	6	-1	0	0	5
Credit institutions	0	400	4	0	404
Derivatives held for trading	4	0	0	0	4
Current portion of amounts payable > one year					
Unsubordinated debentures	405	-405	0	0	0
Leasing and similar obligations	2	0	0	0	2
Other financial debts					
Credit institutions	164	-98	1	0	65
Total liabilities from financing activities	2,430	-104	5	0	2,331

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;
- 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	25	25	25	
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	HeAcc	HeAcc	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 September 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	1,082	1,082	
Interest bearing				
Other receivables	Amortized cost	7	7	
Non-interest bearing				
Other receivables	Amortized cost	21	21	
Investments	Amortized cost	5	5	
Cash and cash equivalents				
Short-term deposits	Amortized cost	32	32	
Cash at bank and in hand	Amortized cost	201	201	
LIABILITIES				
Non-current liabilities				
Interest-bearing liabilities				
Unsubordinated debentures not in a hedge relationship	Amortized cost	1,851	1,951	Level 2
Credit institutions	Amortized cost	404	405	Level 2
Derivatives held for trading	FVTPL	4	4	Level 2
Non-interest-bearing liabilities				
Other non-current payables	Amortized cost	159	159	
Current liabilities				
Interest-bearing liabilities, current portion				
Interest-bearing liabilities				
Other loans	Amortized cost	65	65	
Trade payables	Amortized cost	1,273	1,273	
Other current payables				
Other debt	FVTPL	38	38	Level 3
Other amounts payable	Amortized cost	298	298	

(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 September 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 7.8 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

No significant post balance sheet events are identified.

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 Q3'18	IFRS 15 Q3'18	Variance abs.	IAS 18 YTD'18	IFRS 15 YTD'18	Variance abs.
Revenues	1,441	**1,440**	**-1**	**4,336**	**4,332**	**-3**
Net revenue	**1,434**	**1,433**	**-1**	**4,307**	**4,303**	**-3**
Services	815	798	-17	2,444	2,396	-48
Devices	46	64	19	165	221	56
Other (including Tango & penalties)	573	570	-3	1,697	1,686	-11
Other operating income	**7**	**7**	**0**	**29**	**29**	**0**
Cost of Goods Sold	-522	-523	-1	-1,567	-1,572	-5
Direct Margin	**920**	**917**	**-3**	**2,768**	**2,761**	**-8**
direct margin %	63.8%	63.7%	-0.1pp	63.9%	63.7%	-0.1pp
Operating Expenses	**-449**	**-449**	**0**	**-1,351**	**-1,351**	**0**
Workforce	-303	-303	0	-894	-894	0
Non Workforce	-146	-146	0	-457	-457	0
EBITDA	**470**	**468**	**-3**	**1,417**	**1,410**	**-7**
ebitda %	32.6%	32.5%	-0.1pp	32.7%	32.5%	-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)	**Q3'17**	**Q3'18**	**Q3'17**	**Q3'18**	**YTD '17**	**YTD '18**	**YTD '17**	**YTD '18**
Reported	1,463	1,443	468	457	4,324	4,338	1,342	1,360
Underlying	1,441	1,441	464	470	4,301	4,336	1,378	1,417
Incidentals	22	1	4	-13	23	2	-36	-57
Incidentals:	22	1	4	-13	23	2	-36	-57
Capital gains on building sales	22	1	22	1	23	2	23	2
Early Leave Plan and Collective Agreement	-	-	-18	-11	-	-	-56	-33
M&A-related transaction costs	-	-	-1	-3	-	-	-4	-5
Reversal UK rent provision 2014	-	-	1	-	-	-	1	
Pylon Tax provision update (<2018)	-	-	-	-	-	-	-	-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	Q318
REPORTED								
Revenues	1,444	1,417	1,463	1,478	5,802	1,441	1,454	1,443
EBITDA	428	445	468	431	1,772	443	460	457
UNDERLYING								
Revenues per Segment	1,443	1,417	1,441	1,477	5,778	1,441	1,454	1,441
Domestic	1,111	1,105	1,105	1,137	4,458	1,121	1,114	1,095
Consumer	720	727	729	734	2,909	731	725	715
Enterprise	349	343	340	369	1,400	351	351	347
Wholesale	52	48	56	51	207	48	50	53
Other (incl. eliminations)	-9	-13	-20	-17	-58	-8	-13	-21
International Carrier Services (BICS)	332	312	336	339	1,320	319	340	347
Costs of materials and charges to revenues (*)	-545	-516	-539	-565	-2,166	-524	-522	-522
Direct Margin	898	901	901	912	3,612	917	932	920
Direct Margin %	*62.2%*	*63.6%*	*62.6%*	*61.7%*	*62.5%*	*63.6%*	*64.1%*	*63.8%*
Total expenses before D&A	-449	-436	-437	-466	-1,789	-462	-440	-449
EBITDA	449	464	464	445	1,823	454	493	470
Segment EBITDA margin %	*31.1%*	*32.8%*	*32.2%*	*30.2%*	*31.6%*	*31.5%*	*33.9%*	*32.6%*

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

Product view

(EUR million)	Q117	Q217	Q317	Q417	2017	Q118	Q218	Q318
Revenues	1,443	1,417	1,441	1,477	5,778	1,441	1,454	1,441
Domestic	1,111	1,105	1,105	1,137	4,458	1,121	1,114	1,095
Fixed	505	502	500	500	2,007	506	502	497
Fixed Services	496	494	491	491	1,972	498	494	489
Voice	188	182	177	175	721	177	171	166
Data (Internet & Data Connectivity)	214	216	217	219	866	222	224	225
TV	95	96	97	98	385	99	99	99
Fixed Terminals (excl. TV)	9	9	9	8	34	8	8	7
Mobile	366	373	374	381	1,493	371	371	364
Mobile Services	321	326	327	322	1,296	314	323	326
Postpaid	294	298	302	300	1,195	294	302	307
Prepaid	27	28	25	22	101	20	21	19
Mobile Terminals	45	47	47	58	198	56	48	38
ICT	133	128	128	149	538	135	136	136
Advanced Business Services	6	6	7	9	28	7	7	9
Subsidiaries (Tango)	31	33	31	35	131	34	33	34
Other Products	27	27	28	30	112	30	27	24
Wholesale	52	48	56	51	207	48	50	53
Other segment (incl. eliminations)	*-9*	*-13*	*-20*	*-17*	*-58*	*-8*	*-13*	*-21*
International Carrier Services (BICS)	*332*	*312*	*336*	*339*	*1,320*	*319*	*340*	*347*

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	Q318 IFRS15
Revenues (underlying)	719	734	730	744	2,928	730	724	714
Net Revenue (underlying)	714	729	725	740	2,908	725	718	709
X-Play Revenues	583	589	586	585	2,343	588	589	586
4-Play	211	220	224	227	882	231	236	240
3-Play	174	172	169	168	682	168	166	163
Convergent	86	85	83	82	336	82	82	81
Fixed	87	87	86	86	346	85	84	83
2-Play	76	74	73	72	294	72	70	69
Convergent	22	21	21	20	84	20	20	20
Fixed	54	53	52	51	210	52	50	49
1-Play	123	123	120	118	485	117	116	114
1P Fixed Voice	28	26	26	25	105	25	24	23
1P internet	12	12	12	13	48	13	13	14
1P Mobile	83	84	83	81	331	79	79	77
Prepaid	27	28	25	22	101	20	21	19
Terminals sales	46	49	49	56	200	52	45	37
Tango	26	28	28	32	114	28	28	29
Other net revenues	32	34	39	45	149	37	35	39
Other operating Income (underlying)	5	5	5	5	20	5	5	5
Costs of materials & charges to revenues	-172	-176	-181	-194	-722	-174	-161	-163
Direct Margin	547	558	549	551	2,206	556	563	551
Direct Margin %	*76.1%*	*76.1%*	*75.2%*	*74.0%*	*75.3%*	*76.1%*	*77.7%*	*77.2%*

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

Note – the Pro-Forma figures refer to:
1/ Adjustments to reflect the IFRS 15 impact on 2017 figures
2/ Following the application of GDPR[22] there was a limited impact on the reported household data for the Consumer segment in the second quarter 2018, with some information no longer being available to define the composition of households. To ease comparison, the data of 2017 and Q1'18 was adjusted accordingly, assuming a stable impact of GDPR over this period. The derived KPI's such as ARPH and RGU were also restated.

Product view

(EUR million)	Q117	Q217	Q317	Q417	2017	Q118	Q218	Q318
Revenues	720	727	729	734	2,909	731	725	715
Fixed	381	380	380	381	1,522	387	384	381
Fixed Services	377	376	376	377	1,507	384	381	378
Voice	130	126	124	122	503	124	119	116
Data (Internet & Data Connectivity)	153	154	156	157	619	161	162	163
TV	95	96	97	98	385	99	99	99
Fixed Terminals (excl. TV)	4	4	4	4	15	3	3	3
Mobile	281	288	289	290	1,148	281	282	278
Mobile Services	242	247	248	243	979	237	243	246
Postpaid	215	219	223	221	878	217	222	227
Prepaid	27	28	25	22	101	20	21	19
Mobile Terminals	39	42	41	47	170	43	39	32
ICT	7	7	7	7	28	8	7	7
Subsidiaries (Tango)	27	29	28	31	114	29	29	30
Other Products	24	23	24	25	96	26	24	20
Of which Installation & Activation	3	4	4	4	16	4	4	5
Costs of materials & charges to revenues	-173	-175	-178	-193	-720	-174	-159	-161
Direct Margin	547	551	550	541	2,189	556	566	554
Direct Margin %	*76.0%*	*75.9%*	*75.5%*	*73.7%*	*75.3%*	*76.2%*	*78.0%*	*77.4%*

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

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	Q318 IFRS15
HH/SO per Play - Total (000's)	**2,990**	**2,998**	**2,984**	**2,979**	2,979	**2,977**	**2,979**	**2,959**
4-Play	636	658	670	683	**683**	697	711	721
3-Play	753	751	747	746	**746**	746	742	736
Convergent	267	262	259	258	**258**	257	256	255
Fixed	486	489	488	488	**488**	489	486	481
2-Play	429	421	415	411	**411**	402	397	391
Convergent	99	98	96	94	**94**	92	92	91
Fixed	330	323	319	317	**317**	310	305	299
1-Play	1,172	1,168	1,153	1,139	**1,139**	1,132	1,130	1,111
1P Fixed Voice	344	332	321	311	**311**	298	288	278
1P internet	131	133	135	139	**139**	143	145	146
1P Mobile	697	703	696	689	**689**	690	697	687
ARPH x - play (in EUR)	**65.1**	**65.6**	**65.3**	**65.4**	65.3	**65.9**	**66.2**	**65.7**
4-Play	113.2	113.6	112.4	112.1	**112.8**	111.5	111.7	111.8
3-Play	76.6	76.1	75.3	74.7	**75.7**	74.9	74.6	73.6
Convergent	106.0	106.9	106.0	105.8	**106.2**	106.6	106.1	105.4
Fixed	60.2	59.4	58.8	58.3	**59.2**	58.3	57.8	56.9
2-Play	58.5	58.1	57.9	57.9	**58.1**	59.3	58.7	58.4
Convergent	72.6	72.5	71.9	71.9	**72.2**	72.7	71.8	71.4
Fixed	54.3	53.8	53.6	53.7	**53.8**	55.3	54.8	54.5
1-Play	34.8	35.0	34.6	34.4	**34.7**	34.5	34.6	33.7
1P Fixed Voice	26.5	26.1	26.1	26.4	**26.3**	27.7	27.0	26.9
1P internet	30.2	30.0	30.2	30.4	**30.2**	31.0	31.1	31.0
1P Mobile	39.8	40.3	39.5	38.9	**39.6**	38.2	38.6	37.1
Average #RGUs per HH/SO - Total	**2.65**	**2.67**	**2.69**	**2.71**	2.71	**2.72**	**2.73**	**2.76**
4-Play	4.82	4.83	4.84	4.83	**4.83**	4.85	4.85	4.87
3-Play	3.31	3.31	3.31	3.31	**3.31**	3.31	3.30	3.31
Convergent	3.78	3.79	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	3.05
2-Play	2.20	2.19	2.19	2.19	**2.19**	2.19	2.18	2.19
Convergent	2.54	2.54	2.54	2.53	**2.53**	2.53	2.52	2.52
Fixed	2.09	2.09	2.09	2.08	**2.08**	2.09	2.08	2.08
1-Play	1.22	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	1.06
1P internet	1.00	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	1.34
Annualized full churn rate (HH/SO) - Total	**13.6%**	**11.5%**	**13.4%**	**13.1%**	12.9%	**14.5%**	**11.9%**	**13.6%**
4-Play	2.8%	2.5%	3.2%	3.0%	**2.9%**	3.6%	2.9%	3.4%
3-Play	10.2%	8.9%	10.1%	9.4%	**9.7%**	11.3%	9.3%	10.6%
2-Play	12.3%	10.5%	11.7%	10.7%	**11.3%**	13.4%	11.8%	13.1%
1-Play	21.8%	18.6%	21.9%	22.3%	**21.1%**	23.7%	19.4%	22.2%
% Convergent HH/SO - Total *	**55.1%**	**55.6%**	**55.9%**	**56.3%**	56.3%	**56.7%**	**57.2%**	**57.8%**
4-Play	100.0%	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%	34.7%
2-Play	23.1%	23.2%	23.1%	22.9%	22.9%	23.0%	23.1%	23.4%

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

Product view

	Q117	Q217	Q317	Q417	2017	Q118	Q218	Q318
From Fixed								
Number of access channels (thousands)	3,872	3,885	3,877	3,883	3,883	3,881	3,870	3,862
Voice	2,066	2,063	2,048	2,036	2,036	2,020	2,002	1,986
Broadband	1,806	1,821	1,829	1,847	1,847	1,861	1,868	1,877
TV unique customers (thousands)	1,516	1,533	1,543	1,560	1,560	1,575	1,584	1,595
ARPU (EUR)								
ARPU Voice	21.0	20.4	20.1	19.9	20.4	20.4	19.8	19.4
ARPU broadband	28.4	28.3	28.4	28.4	28.4	28.9	28.9	29.0
ARPU TV	20.9	20.8	20.9	21.0	20.9	20.9	20.9	20.8
From Mobile								
Number of active customers (thousands)	3,646	3,631	3,552	3,552	3,552	3,533	3,528	3,519
Prepaid	1,057	998	909	901	901	870	832	806
Postpaid	2,589	2,633	2,643	2,651	2,651	2,663	2,695	2,713
Annualized churn rate								
Prepaid	39.0%	38.5%	n.r.	24.3%	n.r.	29.0%	34.7%	34.7%
Postpaid	15.1%	13.3%	16.3%	17.1%	15.6%	17.3%	14.2%	15.8%
Blended	22.7%	21.0%	32.5%	19.1%	23.9%	20.4%	19.5%	20.5%
Net ARPU (EUR)								
Prepaid	8.1	9.0	8.7	8.2	8.5	7.6	8.2	7.6
Postpaid	27.9	28.0	28.3	27.8	28.0	27.3	27.7	28.0
Blended	22.0	22.6	23.1	22.8	22.6	22.4	23.0	23.3
Average Mobile data usage user/month (Mb)								
4G	1,303	1,407	1,546	1,625		1,818	2,163	2,137
Blended	1,083	1,192	1,330	1,414		1,614	1,922	1,924

8.3.4 Enterprise – Financials

(EUR million)	Q117	Q217	Q317	Q417	2017	Q118	Q218	Q318
Revenues	349	343	340	369	1,400	351	351	347
Fixed	124	122	119	119	484	119	118	116
Fixed Services	119	118	115	114	465	114	113	111
Voice	57	55	53	52	218	53	51	49
Data (Internet & Data Connectivity)	62	62	61	62	247	61	62	62
Fixed Terminals (excl. TV)	5	5	5	5	19	5	5	5
Mobile	85	85	85	90	345	90	89	86
Mobile Services	79	79	79	79	317	77	80	80
Mobile Terminals	6	5	6	11	28	13	9	6
ICT	126	121	121	141	509	127	129	129
Advanced Business Services	6	6	7	9	28	7	7	9
Subsidiaries (Tango)	4	4	3	5	17	5	4	4
Other Products	3	4	4	4	16	4	3	4
Costs of materials and charges to revenues	-111	-104	-106	-125	-445	-115	-112	-106
Direct Margin	238	239	234	244	955	237	239	241
Direct Margin %	68.3%	69.7%	68.8%	66.1%	68.2%	67.4%	68.0%	69.4%

8.3.5 Enterprise – Operationals

	Q117	Q217	Q317	Q417	2017	Q118	Q218	Q318
From Fixed								
Number of access channels (thousands)	746	735	724	715	715	701	692	682
Voice	609	599	589	580	580	567	559	549
Broadband	137	137	135	135	135	134	133	133
ARPU (EUR)								
ARPU Voice	31.2	30.5	29.9	29.8	30.4	31.0	30.3	29.7
ARPU Broadband	42.8	43.3	43.2	43.4	43.2	43.3	43.5	44.0

	Q117	Q217	Q317	Q417	2017	Q118	Q218	Q318
From Mobile								
Number of mobile cards (thousands)	2,132	2,155	2,173	2,197	2,197	2,222	2,251	2,295
Among which voice and data cards	952	965	975	988	988	999	1,010	1,021
Among which M2M	1,180	1,190	1,198	1,209	1,209	1,223	1,241	1,273
Annualized churn rate (blended)	10.6%	10.5%	9.4%	10.4%	10.2%	9.7%	8.9%	9.0%
Net ARPU (EUR)								
Postpaid	26.9	26.6	26.3	26.1	26.5	24.8	25.5	25.2
Average Mobile data usage user/month (Mb)								
4G	1,266	1,345	1,412	1,480		1,647	1,905	1,804
Blended	1,094	1,180	1,254	1,328		1,499	1,745	1,669

8.3.6 Wholesale – Financials

(EUR million)	Q117	Q217	Q317	Q417	2017	Q118	Q218	Q318
REPORTED								
Revenues	52	48	56	51	207	48	50	53
UNDERLYING								
Revenues	52	48	56	51	207	48	50	53
Direct Margin	45	41	46	43	175	41	41	42
Direct Margin %	*86.4%*	*86.2%*	*81.2%*	*85.4%*	*84.7%*	*85.4%*	*82.5%*	*78.9%*

8.3.7 Retail Operationals and MVNO customers reported in Wholesale

	Q117	Q217	Q317	Q417	2017	Q118	Q218	Q318
From Fixed								
Number of access channels (thousands)								
Voice (1)	8	8	8	8	8	8	8	8
Broadband (1)	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	9
MVNO	17	19	21	21	21	22	23	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	Q318
REPORTED								
Revenues	332	312	336	339	1,320	319	340	347
Segment Result	31	33	37	37	139	34	39	39
UNDERLYING								
Revenues	**332**	**312**	**336**	**339**	**1,320**	**319**	**340**	**347**
Revenues from Voice	262	241	251	249	1,003	226	240	238
Revenues from non-Voice	70	71	85	90	317	93	100	108
Costs of materials and charges to revenues	-268	-245	-266	-261	-1,041	-242	-261	-267
Direct Margin	**64**	**67**	**70**	**78**	**279**	**77**	**79**	**80**
Direct Margin %	*19.4%*	*21.5%*	*20.8%*	*23.0%*	*21.2%*	*24.0%*	*23.4%*	*23.0%*
Total expenses before D&A	-31	-33	-32	-41	-137	-42	-41	-40
Workforce expenses	-18	-17	-17	-21	-72	-23	-23	-22
Non Workforce expenses	-14	-16	-15	-20	-65	-19	-18	-19
Segment result	**33**	**34**	**38**	**37**	**143**	**35**	**39**	**39**
Segment contribution margin %	*9.9%*	*11.0%*	*11.2%*	*11.0%*	*10.8%*	*10.9%*	*11.4%*	*11.4%*

8.3.9 BICS - Operationals

Volumes in million	Q117	Q217	Q317	Q417	2017	Q118	Q218	Q318
Voice	6,118	5,907	6,241	6,118	24,385	5,997	6,001	6,135
Non-Voice (Messaging)	879	939	1,101	1,909	4,828	2,457	2,453	2,578

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).

Average Mobile data usage: we provide the split 4G and blended (implying all networks – 2G, 3G and 4G).

The average usage in our report is calculated by dividing the total data usage of the last month of the quarter by the number of data users in the last month of the quarter.

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)

5 December 2018	Interim dividend Ex-coupon date
7 December 2018	Interim dividend Payment date
21 January 2019	Start of quiet period ahead of Q4 2018 results
1 March 2019	Announcement of Q4 2018 results
11 April 2019	Start of quiet period ahead of Q1 2019 results
17 April 2019	Annual General Meeting
3 May 2019	Announcement of Q1 2019 results

8.7 Contact details

Investor relations

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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 26 October 2018.

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

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