2016 Q3

Quarterly Report

proximus

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

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1. Highlights Q3 2016

Brussels, 28 October 2016
7.00 (CET)
Regulated Information

- **Q3'16 underlying Domestic revenue +1.5% YoY despite roaming regulation impact and competitive setting**
- **Solid 5.5% underlying Domestic EBITDA growth, driving a 4.7% increase in underlying Group EBITDA to EUR 474 million for Q3'16**
- **Strong free cash flow of EUR 555 million for first nine months of 2016**
- **2016 full-year Group underlying EBITDA outlook raised to growth of 3%-4%**
- **Interim dividend of EUR 0.50 per share to be paid on 9 December 2016**

In the third quarter of 2016, **Proximus increased its underlying Domestic revenue by 1.5% to EUR 1,105 million** mainly driven by a continued favorable evolution of Fixed Data and TV, as well as by higher Mobile device sales following the Back-to-School promotions. In a seasonally high volume quarter for roaming, the Domestic growth was mitigated by reduced roaming rates in line with the EU roaming regulation, resulting in a 1.8% decline in retail Mobile Services revenue[1]. **For the third quarter of 2016, BICS posted EUR 382 million revenue**, 9.1% less compared to the same period of 2015. In aggregate, the **Proximus Group generated underlying revenue of EUR 1,487 million in the third quarter of 2016**, 1.4% lower compared to the same period of 2015.

In a commercially more intense quarter, the underlying **Domestic direct margin increased by 0.2% to a total of EUR 846 million** in the third quarter of 2016. **BICS posted a solid direct margin of EUR 73 million**, i.e. it remained stable despite a high comparable base. In aggregate, the underlying **Proximus Group direct margin was slightly up by 0.2%, totaling EUR 918 million** for the third quarter of 2016.

Executing Proximus' strategy to reduce its cost base, the **underlying Domestic operating expenses decreased by 4.8%** in the third quarter of 2016, with workforce expenses down by 7.6% from a high comparable base in 2015. Proximus' cost management is supported by the voluntary early leave plan ahead of retirement, through which a first wave of participating employees left the company on 1 July 2016, more than offsetting the 1 July inflation-based wage indexation. Supporting future growth domains, **BICS' operating expenses were up by 3.8%** from the previous year. Combined, the **Proximus Group reduced its underlying operating expenses by 4.2%** from the previous year.

Proximus' third-quarter 2016 **underlying Group EBITDA progressed by 4.7% to EUR 474 million**, entirely driven by a 5.5% EBITDA increase for Domestic. The Domestic EBITDA margin improved year-on-year by 1.5p.p., reaching 39.3% in the third quarter of 2016. As a result of its solid Direct Margin, BICS' third quarter EBITDA erosion was limited to 3.1%.

Proximus invested a total of **EUR 183 million in the third quarter of 2016**, bringing the total **over the first nine months of 2016 to EUR 635 million**. In line with its Fit for Growth strategy, Proximus invested in further improving the customer experience for both Mobile and Fixed. With the 4G outdoor and indoor coverage having reached top quality levels of 99.6% and 97.0%[2] respectively, Proximus turned its attention to further improving the customer experience by boosting its Mobile speeds. On its Fixed network, Proximus continued the roll-out the vectoring technology, increasing its coverage to 63% by end-September and remains well on track for its Fiber-to-the-Business roll-out.

In the third quarter of 2016, Proximus posted solid **Free Cash Flow of EUR 300 million, bringing the total year-to-date FCF to EUR 555 million**. The level of FCF was supported by a higher year-to-date underlying EBITDA, and lower cash needs for business working capital[3] driven by the favorable evolution of trade receivables and payables.

[1] Roaming-in not included (part of Wholesale revenue)

[2] Based on Q3 2016 Comm Square drive tests

[3] Cash needs related to Receivables, Payables and Inventory

The successful Back-to-School promotion launched end-August led to a good commercial momentum, growing Proximus' customer base for Fixed Internet, TV and Mobile Postpaid.

The Enterprise segment posted a strong Mobile customer gain of +14,000, improving from prior quarters in spite of the competitive environment.

By growing its 3 & 4 Play customer base by 11,000 the Consumer segment strengthened its portfolio further, shifting towards high value and low-churn households/small offices.

Proximus showed continued sequential growth for its Fixed market shares with 46.4% for Fixed Internet and 35.8% for Digital TV, and maintained its Mobile market share at 40.7%.

+18,000[4] TV subscriptions, total of 1,834,000

+14,000 Fixed Internet lines, total of 1,906,000

-27,000 Fixed Voice lines, total of 2,696,000 lines

+59,000 Mobile cards, total base at 6,567,000[5]

- +34,000 Mobile Postpaid Voice cards
- -38,000 Mobile Prepaid cards
- +63,000 M2M & Internet Everywhere

+11,000 3 & 4-Play HH/SO[6], total of 1,346,000, i.e. 45.7% of total base

53.9% Convergent HH/SO, +1.5 p.p. year-on-year

Dominique Leroy, CEO of Proximus Group

With the good progress we are making on our Fit for Growth strategy, the sound customer gain and the recent launch of our new and attractive converged product portfolio, we are raising our Group underlying EBITDA outlook for the year 2016 to a growth of 3% to 4%.

We maintained a good commercial performance in the third quarter, in spite of an intensified competitive environment. With our Back-to-School promotions in the Consumer segment and strong commercial results for our Enterprise segment, we delivered a solid mobile momentum, adding 34,000 mobile postpaid voice cards in the third quarter. Moreover, we further improved on our customer mix by shifting towards higher value 3-and 4-Play offers, now representing 46% of our Household/Small Enterprise base. We expect to accelerate this trend with the recent launch of our new commercial offering Tuttimus and Bizz All-in, bringing our customers a total experience that they can customize to their own personal liking, allowing them to call, surf, watch television and work without any worries, at home and on the move.

I'm pleased that our efforts to transform our company and reduce our costs are being translated into a strong Domestic underlying EBITDA growth of 5.5%, in spite of the lowered roaming rates. This makes us confident about raising our full-year 2016 outlook for the Group underlying EBITDA.

Analyst conference call details

Proximus will host a conference call for investors and analysts on Friday 28th October 2016.

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

Dial-in UK	+44 20 3043 2440
Dial-in USA	+1 8778874163
Dial-in Europe	+32 2 4029640
Code	49995941#

[4] Total number of settop boxes.

[5] Including Voice and Data Mobile cards sold through Consumer, M2M cards in Enterprise and Mobile cards from Tango. MVNO and Wholesale segment are also included.

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

2. Financial review Proximus Group

- Domestic underlying revenue +1.5% YoY mainly driven by growth of TV, Fixed Internet and device sales, offsetting lower revenue from roaming due to new EU regulation
- BICS revenue -9.1% due to lower voice revenue in context of a shift from voice to data
- Underlying Group EBITDA progressed by 4.7%, Domestic EBITDA improved by 5.5%
- Year to date September 2016 free cash flow of EUR 555 million

2.1. Group financials

Table 1: Group P&L

Underlying Group P&L

	3rd Quarter			Year-to-date		
(EUR million)	**2015**	**2016**	**% Change**	**2015**	**2016**	**% Change**
TOTAL INCOME (*)	1,509	1,487	-1.4%	4,493	4,380	-2.5%
Costs of materials and charges to revenues (**)	-592	-569	-3.9%	-1,772	-1,649	-6.9%
TOTAL DIRECT MARGIN	917	918	0.2%	2,721	2,731	0.4%
Direct margin %	*60.8%*	*61.7%*	*1.0 p.p.*	*60.6%*	*62.3%*	*1.8 p.p.*
TOTAL EXPENSES	-464	-444	-4.2%	-1,406	-1,376	-2.1%
TOTAL EBITDA	453	474	4.7%	1,316	1,355	3.0%
Segment EBITDA margin %	*30.0%*	*31.9%*	*1.9 p.p.*	*29.3%*	*30.9%*	*1.6 p.p.*

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

2.1.1. Group revenue

In the third quarter of 2016, **Proximus posted Domestic underlying revenue of EUR 1,105 million, 1.5% higher than the previous year** and further improving from prior quarters. Revenue from Fixed was up by 1.2%, resulting from continued growth in Fixed Data (+4.1%), TV (+10.8%) and ICT (+1.0%). The third quarter Domestic revenue also benefitted from solid Mobile device sales in the Consumer segment following the Back-to-School promotions. However, Domestic growth was mitigated by the full 3-month impact of reduced roaming rates in line with the EU roaming regulation[7] and a less favorable destination mix following a change in customers' travel behavior, resulting in a 1.8% decline in Mobile Services revenue.

For the third quarter of 2016, Proximus' carrier services **BICS posted EUR 382 million revenue**, 9.1% less compared to the same period of 2015. As a result, the **Proximus Group generated underlying revenue of EUR 1,487 million** in the third quarter of 2016, 1.4% lower compared to the same period of 2015.

[7] See page 13 for more information

Table 2: Group revenue by segment

(EUR million)	3rd Quarter 2015	3rd Quarter 2016	3rd Quarter % Change	Year-to-date 2015	Year-to-date 2016	Year-to-date % Change
Group Reported	1,509	1,488	-1.4%	4,503	4,383	-2.7%
Incidentals	*0*	*0*		*-10*	*-3*	
Group underlying by Segment	1,509	1,487	-1.4%	4,493	4,380	-2.5%
Domestic	1,088	1,105	1.5%	3,262	3,283	0.7%
Consumer	720	734	1.9%	2,160	2,163	0.1%
Enterprise	331	334	0.9%	985	1,008	2.3%
Wholesale	51	51	1.1%	154	148	-3.8%
Other (incl. eliminations)	-14	-14	0.8%	-37	-35	5.5%
International Carrier Services (BICS)	420	382	-9.1%	1,231	1,097	-10.9%

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

- **1.9% growth in Consumer revenue, totaling EUR 734 million.** This resulted from the continued growth in Fixed revenue, up by 2.3% on the back of solid progress for Fixed Data and TV, and from solid growth in mobile device sales. This more than offset the pressure of the EU roaming regulation on Mobile service revenue. In spite of a full 3-month roaming impact the Mobile service revenue decline remained stable at -1.6%, including a continued growth for mobile Postpaid service revenue (+ 1.4%).
- **0.9% growth in Enterprise revenue, totaling EUR 334 million.** The Enterprise segment benefited from a positive contribution from Be-Mobile, the Smart Mobility company in which Proximus is the majority shareholder since mid-March 2016, and from higher Fixed data and ICT revenues. In spite of a continued good mobile customer growth, the Enterprise mobile service revenue ended 2.7% below the prior year, facing the full impact of the EU regulation on roaming pricing in the third quarter. This alongside the less favorable travel destination mix and competitive pricing pressure.
- **A 1.1% increase in Wholesale revenue** to EUR 51 million for the third quarter of 2016. With the outphasing of Snow no longer impacting the variance, the Wholesale business posted an increase in revenue driven by more roaming-in revenue.
- **BICS revenues decreased in the third quarter of 2016 by 9.1% year-on-year.** In line with the trend seen in the first-half of 2016, BICS' revenue decline was driven by continued high volatility in the voice business with for the third quarter 2016 a less favorable destination mix. With Messaging volumes growing both sequentially and year-on-year, up by 15.1% from the third quarter of 2015, non-Voice revenue posted a solid 7.5% increase.

Table 3: Group revenue by product group

(EUR million)	3rd Quarter 2015	3rd Quarter 2016	3rd Quarter % Change	Year-to-date 2015	Year-to-date 2016	Year-to-date % Change
Revenues	1,509	1,487	-1.4%	4,493	4,380	-2.5%
Domestic	1,088	1,105	1.5%	3,262	3,283	0.7%
Fixed	617	624	1.2%	1,823	1,870	2.6%
Voice	200	190	-5.0%	601	575	-4.3%
Data (Internet & Data Connectivity)	205	213	4.1%	601	636	5.9%
TV	82	91	10.8%	242	266	9.6%
Terminals (excl. TV)	10	9	-11.1%	29	26	-10.8%
ICT	120	121	1.0%	349	367	5.1%
Mobile Services	337	331	-1.8%	997	993	-0.4%
Postpaid	295	296	0.3%	862	882	2.3%
Prepaid	42	35	-16.8%	135	111	-17.9%
Mobile Terminals	30	42	39.8%	120	107	-11.0%
Subsidiaries (Tango)	33	32	-1.1%	95	93	-1.6%
Other Products	35	38	9.8%	110	107	-3.2%
Wholesale	51	51	1.1%	154	148	-3.8%
Other segment (incl. eliminations)	*-14*	*-14*	*0.8%*	*-37*	*-35*	*5.5%*
International Carrier Services (BICS)	*420*	*382*	*-9.1%*	*1,231*	*1,097*	*-10.9%*

Year-to-date September 2016 Proximus posted EUR 4,380 million underlying Group revenue, including a 0.7% growth in its Domestic business to EUR 3,283 million, and EUR 1,097 million for BICS, 10.9% lower.

2.1.2. Group direct margin

Table 4: Group direct margin by segment

	3rd Quarter			Year-to-date		
(EUR million)	**2015**	**2016**	**% Change**	**2015**	**2016**	**% Change**
Group Reported	917	919	0.2%	2,732	2,734	0.1%
Incidentals	*0*	*0*		*-10*	*-3*	
Group underlying by Segment	917	918	0.2%	2,721	2,731	0.4%
Domestic	844	846	0.2%	2,509	2,525	0.6%
Consumer	560	562	0.4%	1,654	1,668	0.8%
Enterprise	236	235	-0.5%	707	713	0.8%
Wholesale	44	44	0.4%	133	130	-2.3%
Other (incl. eliminations)	4	4	20.5%	15	14	-4.5%
International Carrier Services (BICS)	73	73	-0.1%	213	206	-2.9%

The **underlying Domestic direct margin increased by 0.2%** to a total of EUR 846 million in the third quarter of 2016. This increase resulted from a favorable variance for Consumer, up by 0.4% in spite of a more intense commercial quarter, and from the positive contribution of Wholesale, up as well by 0.4%. However, the Enterprise direct margin was slightly down (-0.5%) mainly due to the regulatory impact on higher-margin revenue from roaming. For Consumer and Enterprise combined, the roaming regulation had an estimated negative impact of EUR 15 million in the third quarter 2016. The Domestic direct margin as a percentage of revenue was 76.5%.

BICS posted solid third quarter 2016 direct margin, totaling EUR 73 million, a stable performance against a high comparable base. This resulted from a solid 5.4% growth in the non-voice direct margin, offsetting a 6.4% decline in the voice direct margin. BICS' direct margin as a percentage of revenue increased by 1.7pp to 19.1% for the third quarter of 2016.

In aggregate, the **underlying Proximus Group direct margin was slightly up by 0.2%, totaling EUR 918 million** for the third quarter of 2016.

Over the **first nine months of 2016,** the Proximus Group posted an underlying direct margin of EUR 2,731 million, or 0.4% higher than for the same period of 2015.

2.1.3. Group expenses[8]

Proximus maintains a strong focus on decreasing its Domestic cost. Initiatives launched to reduce Proximus' expenses, are gradually being reflected in a declining cost base, both sequentially and on a yearly basis. **Domestic expenses** for the third quarter of 2016 totaled EUR 411 million, **a 4.8% decrease** from a high comparable base in 2015 which included higher litigation and HR related provisions. This positive evolution in the cost structure resulted from lower workforce expenses, including benefits from implementing company-wide cost reduction programs. An important enabler is the launched voluntary early leave plan ahead of retirement[9], through which a first wave of 309 FTEs left the company on 1 July 2016. The favorable effects on Proximus' cost base, however were partly offset by the impact of an inflation-based salary increase in July 2016.

In line with the trend of prior quarters, **BICS' operating costs were up by 3.8%** from last year, supporting investments in new geographies and future growth domains.

As a result, the **Proximus Group underlying operating expenses for the third quarter of 2016 were down by 4.2%** from the previous year. Workforce expenses declined by 7.1% year-on-year, supported amongst others by

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

[9] For detailed information, see second quarter 2016 results release

a lower internal headcount, totaling 13,599 FTEs end-September 2016, or 365 FTEs less compared to one year ago. Non-workforce expenses totaled EUR 156 million, or 1.6% higher than the same period of 2015.

Year-to-date September 2016 the expenses of the **Proximus Group** amounted to EUR 1,376 million, a **2.1% or EUR 30 million decline** versus the comparable period of 2015. This includes a cost reduction for Domestic of 2.8% or EUR 38 million.

Table 5: Workforce versus non-workforce

	3rd Quarter			Year-to-date		
(EUR million)	**2015**	**2016**	**% Change**	**2015**	**2016**	**% Change**
Group Underlying	464	444	-4.2%	1,406	1,376	-2.1%
Workforce expenses	311	289	-7.1%	911	877	-3.8%
Non Workforce expenses	153	156	1.6%	495	499	0.9%
Domestic Underlying	432	411	-4.8%	1,320	1,282	-2.8%
Workforce expenses	297	275	-7.6%	873	837	-4.1%
Non Workforce expenses	134	136	1.3%	447	445	-0.4%
BICS Underlying	32	33	3.8%	86	94	9.2%
Workforce expenses	13	14	4.0%	39	40	3.9%
Non Workforce expenses	19	20	3.7%	47	54	13.5%

Table 6: Opex by nature

	3rd Quarter			Year-to-date		
(EUR million)	**2015**	**2016**	**% Change**	**2015**	**2016**	**% Change**
Group Underlying by nature	464	444	-4.2%	1,406	1,376	-2.1%
Domestic by nature	432	411	-4.8%	1,320	1,282	-2.8%
Marketing Sales & Servicing	230	215	-6.7%	686	655	-4.5%
Network & IT	144	138	-4.6%	446	437	-2.0%
General and Administrative (G&A)	57	59	2.5%	188	190	1.2%
BICS	32	33	3.8%	86	94	9.2%

2.1.4. Group EBITDA

Table 7: Operating income before depreciation and amortization

	3rd Quarter			Year-to-date		
(EUR million)	**2015**	**2016**	**% Change**	**2015**	**2016**	**% Change**
Group Reported	344	441	28.2%	1,225	1,286	5.0%
Incidentals	*108*	*33*		*90*	*69*	
Group underlying	453	474	4.7%	1,316	1,355	3.0%
Domestic	412	435	5.5%	1,189	1,242	4.5%
International Carrier Services (BICS)	41	40	-3.1%	127	112	-11.2%

(1) Underlying Group EBITDA

Compared to the same period of 2015, Proximus' **third-quarter 2016 underlying Group EBITDA progressed by 4.7% to EUR 474 million.** This increase was entirely driven by **Domestic, for which the EBITDA growth further improved by 5.5%** on the previous year to EUR 435 million driven by a slightly higher Domestic direct margin, and especially by lower expenses. The Domestic EBITDA margin improved year-on-year by 1.5p.p. to reach 39.3% for the third quarter 2016.

Following a solid Direct Margin for **BICS, its third quarter 2016 EBITDA of EUR 40 million was only 3.1% lower year-on-year**, showing good recovery from the steep year-on-year decrease for the prior two quarters.

Over the first nine months of 2016, Proximus' underlying **Group EBITDA progressed by 3.0%** to a total of EUR 1,355 million, driven by a 4.5% growth in Domestic EBITDA, more than offsetting the 11.2% lower EBITDA for BICS.

(2) Reported Group EBITDA

In the third quarter of 2016, the Proximus Group recorded EUR -33 million net EBITDA incidentals. Including these, the **Proximus Group's reported EBITDA totaled EUR 441 million**, compared to EUR 344 million for the year before, i.e. +28.2%.

The EUR 33 million negative incidentals recorded in the third quarter of 2016 resulted from a non-recurring cost related to the voluntary early leave plan, whereas in the third quarter of 2015 EUR 108 million incidentals were posted, mainly related to a litigation settlement on mobile tariffs. See section 8.1 for more information on the incidentals.

2.1.5. Net income

Depreciation and amortization

The third quarter 2016 **depreciation and amortization totaled EUR 228 million**, bringing the total over the first nine months of 2016 to EUR 688 million. This compares to EUR 648 million for the same period of 2015, with the increase mainly due to a higher asset base to depreciate.

Net finance cost

The **year-to-date September 2016** net finance cost was **EUR 74 million**, 22% below last year's level of EUR 95 million. This resulted from a lower effective interest rate in 2016 on a fairly stable net finance debt, while 2015 was impacted by bond buy backs.

Tax expenses

The tax expenses over the first nine months of 2016 amounted to EUR 107 million, representing an **effective tax rate of 20.4%**, including tax deductions and the recognition of a deferred tax asset.

Net income (Group share)

With EUR 160 million net income (Group share) for the third quarter of 2016, Proximus brings its **year-to-date September net income (Group share) to EUR 398 million.** The year-on-year increase by EUR 56 million or 16.3% is mainly explained by higher Group EBITDA and lower finance costs, partly offset by higher depreciation and amortization.

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

	3rd Quarter			Year-to-date		
(EUR million)	2015	2016	% Change	2015	2016	% Change
EBITDA	344	441	28.2%	1,225	1,286	5.0%
Depreciation and amortization	-216	-228	5.5%	-648	-688	6.2%
Operating income (EBIT)	129	214	66.2%	577	598	3.6%
Net finance costs	-47	-26	-44.0%	-95	-74	-22.2%
Share of loss on associates	0	0	-	-2	0	-
Income before taxes	81	187	>100%	480	524	9.1%
Tax expense	-7	-21	>100%	-118	-107	-9.4%
Non-controlling interests	6	6	5.4%	20	19	-6.0%
Net income (Group share)	69	160	>100%	343	398	16.3%

2.1.6. Investments

Proximus invested a total of **EUR 183 million in the third quarter of 2016**, bringing the total **over the first nine months of 2016 to EUR 635 million**. This is EUR 12 million more than the EUR 623 million invested in the comparable period of 2015, excluding the EUR 75 million capex related to spectrum renewal.

Continuously investing in the development of our network to improve customer experience

Proximus wants to bring its customers the best mobile experience, providing the highest mobile speeds where and when it matters, and this across technologies. To this end, Proximus has further enhanced its mobile network over the past nine months by building additional mobile sites, by increasing capacity to support the mobile data growth, and by continuing the roll-out of 4G technology. With the 4G outdoor and indoor coverage having reached top quality levels of 99.6% and 97%[10] respectively, Proximus turned its attention to further improving customer experience by boosting its speeds.

Proximus mobile customers enjoy a downlink speed on a 4G device of 34.7 Mbps[11] , an increase in average speed of 52% since end-2015, i.e. 56% higher than the second-fastest operator, and even 64% higher than the third. More and more customers will be enjoying these high mobile speeds as the smartphone penetration on the Proximus network moves up to 63% by end-September 2016, with a 4G-device penetration of 43%, up 16pp from one year ago. These trends resulted in a 46% year-on-year increase in the mobile data usage, now at an average of 850 Mb/month/user, across the Proximus base. For a 4G-device user, the average usage reached 1.1 Gb/month.

Proximus was the first operator in Belgium to launch the 4G+ technology, and population coverage is now reaching 39%[12]. With an increasing number of compatible devices on the market today, an increasing number of customers will have access to Mobile data speeds of up to 225 Mbps.

Over the first nine months of 2016, Proximus continued the roll-out of the vectoring technology on its Fixed network, increasing its coverage by 20pp to reach 63% end-September. This further improved the speed experience of the broadband customer. Through the combination of DLM and vectoring, Proximus can connect a constantly growing portion of the Belgian population to 100 Mbps on copper.

Furthermore, Proximus is well on track for its Fiber-to-the-Business roll-out. In 2016 a growing number of Business customers have been connected to Fiber Point-to-Point. In meantime, multiple GPON projects covering several thousands of business sites are in the process of network design up to construction-phase, with in the third quarter the first Business customer connected to GPON. Proximus is also continuing the deployment of greenfield fiber with some major projects for new-builds, and a selected brownfield in Brussels (Bld. Anspach).

Proximus also continued to invest in its IT-systems, in further simplification and transformation which will enable to company to further decrease its cost base.

[10] Based on Q3 2016 Comm Square drive tests

[11] Based on Q32016 Comm Square drive tests

[12] Coverage 4G+ refers to population coverage where customers actually enjoy the full benefit from carrier aggregation, i.e. where the customer has both LTE800 and LTE1800 coverage.

2.1.7. Cash flows

Table 9: cash flow

(EUR million)	3rd Quarter 2015	3rd Quarter 2016	% Change	Year-to-date 2015	Year-to-date 2016	% Change
Cash flows from operating activities	521	515	-1%	1,237	1,278	3%
Cash paid for Capex (*)	-227	-215	-5.2%	-734	-723	-1.5%
Cash flows from / (used in) other investing activities	12	0	-	19	-1	-
Cash flow before financing activities (FCF)	**306**	**300**	**-2%**	**522**	**555**	**6%**
Net cash provided by / (used in) financing activities (**)	3	-105	< -100%	-404	-444	10%
Net increase of cash and cash equivalents	**309**	**195**	**-37%**	**118**	**111**	**-6%**

(*) Cash paid for acquisitions of intangible assets and property, plant and equipment
(**) Cash used to repurchase bonds and related derivatives is included in the 'cash flow used for financing activities' in the cash flow statement.

The transversal cash management initiative launched mid-2015 in view of optimizing a long-term sustainable level of free cash flow, continues to contribute to a strong **FCF, totaling EUR 555 million at end-September 2016.** This is EUR 33 million more than the EUR 522 million of FCF for the comparable period of 2015. The 2016 FCF is supported by higher underlying EBITDA, and lower cash needs for business working capital[13] driven by a favorable evolution in trade receivables and in payables.

Cash used in financing activities during the third quarter amounting to EUR 105 million is mainly the result of a short term deposit with an original maturity of more than three months.

2.1.8. Balance sheet and shareholders' equity

Goodwill increased by EUR 10 million to EUR 2,283 million due to the preliminary purchase price allocation resulting from the acquisition of Flow NV and Be-Mobile Tech NV (previously named Be-Mobile).[14]
Tangible and intangible fixed assets decreased by EUR 53 million to EUR 3,918 million as a consequence of the invested capex which was lower than the amount of depreciation and amortization.
The shareholders' equity decreased from EUR 2,801 million end-2015 to EUR 2,788 million end-September, mainly due to the return of the dividend (EUR 324 million) and the re-measurement of post-employment liabilities[15] (EUR 78 million net of taxes) exceeding the net income Group share (EUR 398 million) generated over the first nine months.
The outstanding long-term debt amounted to EUR 2,441 million. The net debt decreased to EUR 1,711 million at end-September 2016.

Table 10: Net financial position

(EUR million)	As of 31 December 2015	As of 30 September 2016
Investments, cash and cash equivalents (*)	510	722
Derivatives	6	8
Assets	516	731
Non-current liabilities (**)	-1,761	-1,765
Current liabilities (**)	-674	-677
Liabilities	-2,435	-2,441
Net financial position	**-1,919**	**-1,711**

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

[13] Cash needs related to Receivables, Payables and Inventory

[14] See page 26

[15] See section 7.1 page 27

2.2. Regulation

International Roaming

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

As of 30 April 2016, Proximus significantly lowered its rates in Europe for calling, mobile texting and mobile surfing and also made roaming options more interesting for its customers by extending the EU roaming options with top destinations such as Canada, the United States, Turkey, Morocco and Indonesia. 'Travel Passport Credit[16]' was launched for the employees of Proximus' professional customers.
Scarlet, Proximus' low-cost telecom provider, completely abolished its roaming costs for all EU countries on 29 April 2016. This action fits in with the company's philosophy of offering simple packages at the best price.

The lowered roaming prices since end-April 2016 impacted the Group's Mobile services revenue. In the third quarter of 2016, the Mobile service revenue decreased year-on-year by 1.8% on a full three-month impact. This was the combined effect of the regulation on roaming prices, and as a less favorable travel destination mix, with European destinations getting more traction.

For the Consumer and Enterprise segments combined, Proximus estimates for full-year 2016 a negative EUR 28 million impact from the lowered roaming pricing on its EBITDA[17], of which EUR 6 million due to the two months impact in the second quarter and EUR 15 million due to the three-months impact in the third quarter, which had higher roaming exposure due to the summer holiday season. The lowered pricing however has triggered a positive elasticity effect on roaming usage, with an overall increase of active roamers, especially for data, and an increase in average consumption per user.

As from 15 June 2017, 'Roam-Like-At-Home' will be implemented in the EU zone with the obligation to charge retail roaming within the EU at domestic retail price, except for the consumption beyond the Fair Use Policy (FUP) aimed at avoiding abusive usage. With regards to the FUP, the European Commission published a draft which is to be discussed with the European Governments and the body of European Regulators, BEREC, before its final adoption by 15 December 2016. BEREC has already expressed strong criticism over this proposal but its opinion is not binding for the Commission.

Fixed termination rates

On 30 August 2016, the BIPT issued its final decision regarding the fixed interconnection tariffs, revising the rates to 0.092 €cts per minute applicable as from 1 November 2016. Following pressure of the Commission, the BIPT has decided to align the national termination rate (EAA) with the rates of local and regional termination services (IAA). Proximus decided to appeal this decision.

In €ct/min	Current*	New Rate as of 01/11/16
Local	0,502	0,092
Intra Access Area (IAA)	0,709	0,092
Extra Access Area (EAA)	0,909	0,092

**Average price based on a gradient peak/off peak of 1.22 and 0.64 & a set up cost corresponding to 16% of the total cost of a 3.2 minute call.*

End user protection

On 20 July 2016, the draft law requiring the identification of the old and new prepaid cards was adopted by the Infrastructure Commission of the Parliament. The Royal Decree defining the conditions of the identification was approved in first reading by the Government in May, it has already been submitted to the Privacy Commission and was recently submitted to the Council of State. Old prepaid cards should be identified within six months. The new measures should enter into force before the end of the year.

On 22 September 2016, the Royal and Ministerial Decrees defining concrete modalities aimed at facilitating the migration of fixed services (internet, TV and packs) (so-called "Easy Switch" project) were published in the

[16] Complete pricing overview is available on www.proximus.be

[17] Estimated impact on Proximus SA, not including impact on subsidiary Tango

Official Journal. The texts targets not only consumers but also business customers who have subscribed to a residential plan. The new obligations will enter into force on 1 July 2017.

2.3. Outlook 2016

The execution of our Fit for Growth strategy in 2016, aimed at delivering sustainable growth for Proximus, has delivered a good progress in our Domestic underlying EBITDA, which grew by 4.5% over the first nine months of 2016. As we expected, the high comparable base for BICS partly offset the realized Domestic growth. With our Group underlying EBITDA growing by 3.0% over the first nine months of 2016, and taking into account the benefits from our ongoing cost reduction initiatives, we feel comfortable in raising our estimates for the year 2016 to a growth of 3% to 4% for the Group underlying EBITDA.

2016 Outlook	Q3'16 Actuals	YTD Sep'16 Actuals	Outlook 2016
Domestic* underlying revenue	1.5%	0.7%	Slight growth
Group underlying EBITDA	4.7%	3.0%	3% to 4% growth
Capex (excl. Spectrum)	€183m	€635m	Around €950m

Proximus Board of Directors approved to return to the shareholders a total gross interim dividend of EUR 0.50 per share:

- Ex-coupon date: 7 December 2016
- Record date: 8 December 2016
- Payment date: 9 December 2016

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

3. Consumer

- **Solid Fixed revenue due to continued growth of Fixed Data and TV**
- **Mobile postpaid service revenue up by 1.4%, in spite of 3-month roaming regulation impact, more than offset by loss in Prepaid. Total Mobile service revenue -1.6% YoY**
- **Customer mix further enhanced, adding 11,000 3-&4-Play HH/SO, now 45.7% of total base**
- **Direct margin +0.4% YoY to EUR 562 million, i.e. 76.6% of revenue, including impact higher device sales**

Table 11: Consumer revenue and direct margin

	3rd Quarter			Year-to-date		
(EUR million)	**2015**	**2016**	**% Change**	**2015**	**2016**	**% Change**
TOTAL SEGMENT INCOME	720	734	1.9%	2,160	2,163	0.1%
Costs of materials and charges to revenues	-161	-172	7.0%	-505	-494	-2.1%
TOTAL SEGMENT DIRECT MARGIN	560	562	0.4%	1,654	1,668	0.8%
Direct margin %	*77.7%*	*76.6%*	*-1.1 p.p.*	*76.6%*	*77.1%*	*0.5 p.p.*

Consumer Revenue

Consumer posted **EUR 734 million underlying revenue for the third quarter of 2016**, 1.9% above the comparable period of 2015. Revenue from Fixed showed continued growth in the third quarter, up by 2.3%. The higher revenue from Fixed was driven by a solid 10.8% growth for TV revenue, while Fixed Data revenue was up by +5.5%. This was partly offset by lower revenue from Fixed Voice (-5.1%).
The lowered roaming pricing since end-April 2016, in line with the European regulation, impacted the third quarter Mobile Service revenue. In spite of this full three month impact, the year-on-year decline remained stable compared to the prior quarter at -1.6%. This includes a continued positive variance for Postpaid revenue, up by +1.4% year-on-year, with the impact from the lower roaming rates being offset by a larger customer base, uptiering of customers and higher mobile data consumption.
Contrary to prior quarters, the Consumer segment posted higher revenue from Mobile terminals, driven by the Back-to-School promotion and higher sales to indirect sales channels.
By end September 2016, the Consumer segment serviced 2,945,000 HH/SO. This includes a year-over-year increase of 70,000 3- and 4 Play HH/SO. By end-September 2016, the number of HH/SO having 3- or 4 Plays increased to 45.7% of the total, which is a 2.3pp improvement on the previous year.

Over the first nine months of 2016, Proximus' Consumer underlying revenue totaled EUR 2,163 million, or 0.1% up from the previous year.

3.1. Consumer reporting by product group

NOTE: In line with Proximus' strategy, most products are sold through multi-play Packs, a trend which will even be reinforced by the launch of the converged offers Tuttimus and Bizz All-in since 17 October 2016. The packs are sales arrangements with multiple deliverables. The revenue is allocated to the different components based on their relative fair values being the amount for which the component could be sold separately and considering the cash cap[18].
The third quarter 2016 product ARPU of TV and Internet were impacted since August 2016 by the Maxi Pack migration, including a free TV-bouquet for customers. As a consequence of the application of the above mentioned accounting policy the TV ARPU mathematically increased, while the ARPU of other products included in the Maxi-Pack, and especially Internet ARPU was lowered.

[18] When an amount allocated to a delivered component is contingent upon the delivery of additional components the amount allocated is limited to the cash received.

Table 12: Consumer revenue by product group

	3rd Quarter			Year-to-date		
(EUR million)	2015	2016	% Change	2015	2016	% Change
Revenues	720	734	1.9%	2,160	2,163	0.1%
Fixed	375	383	2.3%	1,107	1,143	3.2%
Voice	138	131	-5.1%	414	396	-4.4%
Data (Internet & Data Connectivity)	142	150	5.5%	414	448	8.1%
TV	82	91	10.8%	242	266	9.6%
Terminals (excl. TV)	5	4	-22.1%	14	11	-21.1%
ICT	7	7	-1.5%	21	21	-0.2%
Mobile Services	255	251	-1.6%	756	750	-0.8%
Postpaid	213	216	1.4%	621	639	2.9%
Prepaid	42	35	-16.8%	135	111	-17.9%
Mobile Terminals	28	37	35.2%	108	93	-14.1%
Subsidiaries (Tango)	33	32	-1.1%	95	93	-1.6%
Other Products	30	30	-1.5%	94	84	-10.2%

5.5% Fixed Data revenue increase on growing customer base and higher ARPU

The third quarter 2016 Consumer revenue from **Fixed Data was up by 5.5%** from the previous year, **totaling EUR 150 million**. The Fixed Data revenue was supported by the growing customer base, up by 77,000 or 4.5% in a one-year period to reach a total of 1,767,000 Fixed Internet customers by end-September 2016. In spite of competitive offers in the Fixed domain, Proximus grew its Consumer Fixed Internet base for its two main brands Proximus and Scarlet by 12,000 net adds in the third quarter. The net customer growth was kept fairly stable to the prior quarter, supported by the Back-to-School promotions which started mid-August, and good control of churn levels, remaining well below those of the prior year. The third quarter Broadband ARPU of EUR 28.4 improved by 0.7% compared to the same period in 2015, including the effect of the 1 January 2016 price adjustment, and including the IFRS allocation of Pack discounts. (see note above)

Year-to-date September 2016, the revenue from Fixed internet totaled EUR 448 million, up by 8.1% from the previous year.

+18,000 TV subscriptions in Q3, revenue up 10.8% from previous year

Revenue from **TV totaled EUR 91 million** for the **third quarter of 2016**, up 10.8% from the same period of 2015. Consumer's TV revenue continued to do well, driven by the continued subscriber and ARPU growth. In a one year timeframe, the Proximus and Scarlet brands combined grew their customer base by 6.4%. As a result, Consumer ended September 2016 with a total of 1,472,000 TV-households, or 1,834,000[19] including multi-settop boxes.
In the third quarter of 2016, the TV-household base grew by a total of 14,000. With multi-settop boxes included, this was 18,000. The recurring TV ARPU increased year-on-year by 3.8% to EUR 20.7. (see IFRS note above)

Over the **first nine months of 2016**, the revenue from TV totaled EUR 266 million, or 9.6% higher than the previous year.

-20,000 Consumer Fixed Voice lines in Q3, revenue -5.1%

By end-September 2016, the Consumer **Fixed Voice** customer base totaled 2,058,000, i.e. a net loss of 20,000 lines in the **third quarter of 2016**.
The Fixed Voice ARPU for the third quarter of 2016 was EUR 21.2, i.e. a fairly stable decline of 2.3% from the previous year, due to a higher multi-play Pack penetration, with customers benefiting from a discount. This was partly offset by the price adjustments[20]

[19] Incl. multi-settop boxes

[20] Price changes on 1 January 2016 and 1 July 2016

A lower Fixed Voice customer base combined with a lower ARPU resulted in a **-5.1% year-on-year revenue decline for Fixed Voice**, ending the third quarter of 2016 with EUR 131 million.

Year-to-date September 2016, Consumer's Fixed Voice revenue amounted to EUR 396 million, down 4.4% versus the comparable period of 2015.

Mobile service revenue -1.6%, stable decline despite of full roaming impact in third quarter

Consumer's Mobile service revenue totaled EUR 251 million for the third quarter of 2016, or -1.6%, with the lowered EU roaming rates since 30 April 2016 fully reflected in the year-on-year variance. In spite of the roaming pressure, Mobile postpaid revenue continued to grow, up by 1.4%. This could not, however, fully offset the 16.8% decrease in Prepaid revenue. Moreover, a less favorable travel destination mix, with a higher traction for European destinations, continued to put some additional pressure on roaming revenues.

In the third quarter of 2016, Proximus' Consumer segment added 14,000 **Postpaid cards**, excluding Internet Everywhere data cards. By end-September 2016, Consumer had a total of 2,962,000 Postpaid cards, up by 2.3% from the previous year. The third quarter 2016 Consumer postpaid ARPU of EUR 29.3 showed a stable 2.1% decline, though continued to show sequential growth from prior quarters. Compared with the previous year, the postpaid ARPU was impacted by the reduced roaming pricing, while the impact from the mid-August 2015 revamped mobile offers (with more data abundance) had started to fade. Moreover, increased data consumption had a favorable impact on the ARPU.
This resulted from a higher smartphone penetration at 63%, and in particular an increasing number of customers with a 4G-device. The usage by 4G users in the third quarter of 2016 increased by 20% to 1,107Mb[21]per month on average. This increased the blended data usage to 842 Mb, up 45% from one year ago. The average data consumption of 4G users was more than four times greater than that of non-4G users.

Reflecting Proximus' more attractive Prepaid offer "Full-Control" launched mid-June 2016, the loss of Prepaid cards remained stable at -29,000 for the third quarter of 2016, in a declining market.
Besides a lower prepaid customer base, the revenue was also pressured by a 7.6% decrease in Prepaid ARPU to EUR 9.6, mainly due to lower year-on-year SMS usage.
When combining Prepaid and Postpaid, Consumer's Mobile customer base ended September 2016 with a total of 4,172,000 cards, and a blended ARPU of EUR 22.8, 0.3% lower versus one year ago but sequentially growing from the EUR 22.6 posted in the second quarter of 2016.
The Postpaid/Prepaid customer mix improved to 71%/29% from 68%/32% one year ago.

Over the **first nine months of 2016**, the mobile service revenue of Consumer totaled EUR 750 million, 0.8% lower than in the same period of 2015.

Revenue Tango

For the third quarter of 2016, Tango posted revenue of EUR 32 million, or 1.1% lower versus the prior year. In addition to the effect of the end of anonymity on prepaid, Tango's revenue was impacted by lowered EU roaming pricing following the EU regulation.
Over a one-year period, Tango added 16,000 active postpaid cards, of which a solid 6,000 in the third quarter of 2016. For Prepaid however, Tango saw its customer base being reduced by 9,000 cards due to the end of anonymity for prepaid users. Overall, Tango's mobile customer base totaled 278,000 cards by end-September 2016.
In spite of the Roaming regulation, the third quarter blended mobile ARPU increased by 0.5% to EUR 30.1 due to a favorable customer mix, with a growing part of Postpaid customers, and a better price-tiering.

Table 13: Tango

	3rd Quarter			Year-to-date		
(EUR million)	**2015**	**2016**	**% Change**	**2015**	**2016**	**% Change**
Revenue (in EUR mio) (1)	33	32	-1.1%	95	93	-1.6%
Total active mobile customers (in '000)	287	278	-3.2%	287	278	-3.2%
Blended mobile net ARPU (EUR/month)	29.9	30.1	0.5%	29.0	28.8	-0.7%

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

[21] On the 4G and 3G networks

Table 14: Consumer operationals by product group

	Q3'15	Q3'16	Change (in abs. Amount)
From Fixed			
Number of access channels (thousands)	**3,811**	**3,824**	**14**
Voice	2,121	2,058	-63
Broadband	1,690	1,767	77
TV (thousands)	**1,716**	**1,834**	**118**
Unique Customers	1,384	1,472	89
of which multiple settop boxes	332	361	29
ARPU (EUR)			
ARPU Voice	21.7	21.2	-0.5
ARPU broadband	28.2	28.4	0.2
ARPU TV	20.0	20.7	0.8
From Mobile			
Number of active customers (thousands)	4,236	4,172	-64
Prepaid	1,341	1,210	-131
Postpaid	2,895	2,962	67
Among Which Paying cards	2,393	2,469	76
Among Which Internet Everywhere cards	502	494	-9
Annualized churn rate			
Prepaid	35.0%	37.9%	2.9 p.p.
Postpaid	13.8%	15.5%	1.8 p.p.
Blended	21.9%	23.4%	1.5 p.p.
Net ARPU (EUR)			
Prepaid	10.4	9.6	-0.8
Postpaid	30.0	29.3	-0.6
Blended	22.8	22.8	-0.1
Average Mobile data usage user/month (Mb)			
4G	920	1,107	187
Blended	581	842	261

3.2. Consumer reporting by X-Play

NOTE:
In line with its convergence strategy, Proximus also reports its consumer revenue and ARPU per Household/Small Office (ARPH). As of 2016, Scarlet revenue and operationals are included. The 2015 figures have been restated accordingly.
With the strategic focus on converged bundles, reinforced by the launch of Proximus' new 4P offers Tuttimus and Bizz All-In on 17 October 2016, the relevance of the X-play view will continue to grow, as opposed to the view per product.

Table 15: Consumer revenue by X-Play

	3rd Quarter			Year-to-date		
(EUR million)	2015	2016	% Change	2015	2016	% Change
Revenues	720	734	1.9%	2,160	2,163	0.1%
Revenues X-Play	577	590	2.3%	1,697	1,752	3.2%
4-Play	184	197	7.3%	535	581	8.5%
3-Play	179	185	3.5%	525	551	4.8%
2-Play	82	79	-3.5%	246	238	-3.2%
1-Play	132	128	-2.8%	391	383	-2.1%
Prepaid	42	35	-16.8%	135	111	-17.9%
Terminals sales	36	43	20.3%	129	110	-15.0%
Tango	33	32	-1.1%	95	93	-1.6%
Other	33	33	0.8%	104	97	-6.9%

+2.3%

Revenue from X-Play on growing base

Over the third quarter of 2016, Consumer generated EUR 590 million revenue from HH/SO, a 2.3% or a EUR 13 million increase compared to the same period of 2015. This was driven by the year-on-year increase (+4,000) of HH/SO, reaching 2,945,000 at end-September 2016 and especially by a further improvement in the customer mix. Proximus' strategy to focus on attractive multi-play offers resulted in a more valuable and stickier customer base. The average ARPH increased by 2.0% to EUR 66.8, including a favorable impact from the January 2016 price increases. At the same time, the average annualized full-churn rate of 12.7% was 0.6pp lower compared to one year ago. The average RGU[22] per HH/SO progressed to 2.63 in the third quarter of 2016, up from 2.57 one year ago.

+7.3%

4-Play revenue 7,000 HH/SO added in Q3

The continued volume increase in 4-Play HH/SO was Consumer's main revenue growth driver. For the third quarter of 2016, Consumer posted EUR 197 million revenue from 4-Play, making up 27% of the total Consumer revenue. The increase in 4-Play revenue of 7.3% from the previous year resulted from the ongoing expansion of the 4-Play HH/SO base, increasing by 40,000 in one year's time, to reach 571,000 HH/SO by end-September 2016. In the third quarter of 2016, 7,000 4-Play HH/SO were added. On average, a 4-Play HH/SO generated an ARPH of EUR 116.1/month. The third-quarter 2016 annualized full-churn rate sequentially decreased quarter over quarter to reach 2.4% in the third quarter of 2016, -0.6pp from the previous year.

+3.5%

3-Play revenue 4,000 HH/SO added in Q3

The second-largest revenue driver for Consumer is the growth in 3-Play. The third-quarter 2016 revenue for 3-Play grew by 3.5% to a total of EUR 185 million. This was driven by a volume increase, up by 31,000 in one year, of which 4,000 in the third quarter of 2016. The ARPH in the third quarter of 2016 was EUR 80.0, slightly up from the prior quarters, although 0.9% below the comparable period of 2015, reflecting a higher proportion of Scarlet TRIO customers in the base and the impact of the roaming regulation on Mobile postpaid revenue.

[22] Revenue Generating Units

Table 16: Consumer operationals by X-Play

	Q315	Q316	val	%
Households/Small Offices per Play - Total (thousands)	**2,942**	**2,945**	**4**	**0.1%**
4 - Play	531	571	**40**	7.5%
3 - Play	744	775	**31**	4.1%
2 - Play	462	446	**-15**	-3.3%
1 - Play	1,204	1,153	**-52**	-4.3%
Fixed Voice	430	372	**-58**	-13.5%
Fixed Internet	117	125	**8**	6.9%
TV	N/A	N/A		
Mobile Postpaid	658	656	**-1**	-0.2%
Average revenue x - play (in EUR)	**65.5 €**	**66.8 €**	**1.3 €**	**2.0%**
4 - Play	116.6 €	116.1 €	-0.5 €	-0.5%
3 - Play	80.7 €	80.0 €	-0.7 €	-0.9%
2 - Play	59.0 €	59.1 €	0.1 €	0.2%
1 - Play	36.4 €	36.9 €	0.5 €	1.3%
Average #RGUs per househould/Small Office - Total	**2.57**	**2.63**	**0.06**	**2.3%**
4 - Play	4.83	4.82	-0.01	-0.2%
3 - Play	3.34	3.33	-0.01	-0.3%
2 - Play	2.22	2.20	-0.01	-0.6%
1 - Play	1.23	1.23	0.00	0.3%
Annualized full churn rate (household/Small Office level) - Total	**13.3%**	**12.7%**	**-0.6p.p.**	
4 - Play	3.0%	2.4%	-0.6p.p.	
3 - Play	11.8%	9.6%	-2.2p.p.	
2 - Play	12.3%	10.9%	-1.4p.p.	
1 - Play	19.1%	20.5%	1.4p.p.	
% Convergent HH / SO - Total (i.e. % of HH/SO having Mobile + Fixed component)	**52.5%**	**53.9%**	**1.5 p.p.**	
4 - Play	100.0%	100.0%		
3 - Play	36.5%	37.6%	1.1p.p.	
2 - Play	23.5%	23.4%	-0.1p.p.	

Consumer direct margin

0.4% year-on-year segment direct margin growth

The revenue growth for Consumer's Fixed services in the third quarter of 2016 resulted in a continued positive direct margin evolution compared with the previous year, in spite of promotional joint-offers pushing the mobile terminal costs higher during the quarter. For the **third quarter of 2016 the underlying direct margin totaled EUR 562 million, i.e. 0.4% higher** than for the same period in 2015. This resulted in an underlying direct margin of 76.6 % of revenue, a 1.1 p.p. decrease year-on-year due to mobile device revenue (at a lower margin) taking a larger portion of the product mix.

4. Enterprise

Underlying Enterprise revenue totaled EUR 334 million, + 0.9% YoY driven by higher revenue from Be-Mobile and ICT
Strong mobile customer growth in competitive market: +14,000 Voice cards, + 64,000 M2M
In a seasonally high volume quarter for roaming, the Mobile Service revenue declined by 2.7% reflecting 3-month impact of EU-roaming regulation and changed travel mix
Pressure on higher-margin revenue resulted in slight direct margin erosion, -0.5% YoY

Table 17: Enterprise revenue and direct margin

	3rd Quarter			Year-to-date		
(EUR million)	**2015**	**2016**	**% Change**	**2015**	**2016**	**% Change**
TOTAL SEGMENT INCOME	331	334	0.9%	985	1,008	2.3%
Costs of materials and charges to revenues	-95	-99	4.3%	-278	-295	5.9%
TOTAL SEGMENT DIRECT MARGIN	236	235	-0.5%	707	713	0.8%
Direct margin %	*71.4%*	*70.4%*	*-1.0 p.p.*	*71.7%*	*70.7%*	*-1.0 p.p.*

Enterprise Revenue

For the **third quarter of 2016**, the underlying Enterprise revenue totaled EUR 334 million, up by 0.9% from the comparable period of 2015. The creation of Be-Mobile NV[23] mid-March 2016, contributed to the growth. Furthermore, revenue from ICT grew by 1.1% in a seasonally slower quarter.
The revenue growth of Proximus' Enterprise segment was however tempered by the erosion of legacy Fixed Voice and the lowered roaming pricing in line with EU regulation. Moreover, the change in customer travel behavior was confirmed over the summer holiday period. These effects combined with the ongoing competitive pressure, led to a 2.7% year-on-year decline in mobile service revenue.

Year-to-date September 2016, the revenue from the Enterprise segment totaled EUR 1,008 million, posting a solid 2.3% growth compared to the same period of 2015.

Table 18: Enterprise revenue by product group

	3rd Quarter			Year-to-date		
(EUR million)	2015	2016	% Change	2015	2016	% Change
Revenues	331	334	0.9%	985	1,008	2.3%
Fixed	242	241	-0.5%	716	728	1.7%
Voice	61	58	-4.9%	187	179	-4.1%
Data (Internet & Data Connectivity)	63	63	1.0%	187	189	1.0%
Terminals (excl. TV)	5	5	-0.2%	15	14	-0.7%
ICT	113	115	1.1%	328	346	5.4%
Mobile Services	82	80	-2.7%	241	243	0.8%
Mobile Terminals	3	5	88.4%	12	14	17.6%
Other Products	4	8	85.4%	16	22	37.1%

[23] Smart Mobility company combining the activities of Be-Mobile and Flow with Proximus' subsidiary Mobile-For. Being the majority shareholder, Proximus consolidates the turnover of the company.

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

For the third quarter of 2016, Enterprise reported EUR 58 million revenue for Fixed Voice, showing a year-on-year decline of 4.9% with the variance benefitting from a limited 1 July 2016 price change.
The Fixed line erosion fell back in the third quarter to -7,000 lines, i.e. it remained fairly stable compared to the previous year. The line loss continues to be triggered by customers rationalizing on Fixed line connections, technology migrations to VoIP and competitive pressure. This brought the Enterprise total Fixed Voice Line customer base to 630,000 at end-September 2016, i.e. a year-on-year line loss of -6.0%.
The third quarter Fixed Voice ARPU of EUR 30.7 was up 1.0% from the previous year.

Year-to-date September 2016, Fixed Voice revenue totaled EUR 179 million, a 4.1% decline from the previous year.

Stable 1.0% increase in Fixed Data revenue driven by continued growth of data connectivity services

The third-quarter 2016 revenue from Fixed Data, consisting of Fixed Internet and, for a greater part, Data Connectivity, totaled EUR 63 million, 1.0% higher than the same period of 2015. This was driven by the favorable revenue trend from Data Connectivity services following the roll-out of a number of large customer projects on the Proximus Explore platform and fiber projects for large enterprises.

The third quarter 2016 revenue from Fixed Internet was slightly down year-on-year. In a competitive environment, the Enterprise segment grew its Internet customer base by 1,000 totaling 138,000 internet lines by end-September 2016, or up by 0.8% from one year ago. While the ARPU continued to show some sequential growth reaching EUR 43.8 in the third quarter of 2016, it was down by -1.4% compared to one year ago. This reflects the impact of the outphasing and migration of legacy products in the context of simplification programs offering new solutions at more attractive pricing for the customers. Moreover, the ARPU variance was no longer supported by the 1 July 2015 price adjustments.

Year-to-date September 2016, the revenue from Fixed Data totaled 189 million, 1.0% up from the previous year.

ICT revenue up by 1.1% from the previous year

+1.1%
ICT revenue

In the third quarter of 2016, Enterprise posted EUR 115 million in ICT revenue, which unlike in the second quarter, was not boosted by large product deals. Hence the year-on-year variance fell back to a 1.1%, i.e. a similar growth rate as for the first quarter.

Over the **first nine months of 2016**, the Enterprise segment generated EUR 346 million in ICT revenue, i.e. 5.4% above the same period of 2015.

Strong Mobile customer growth in competitive setting. Mobile Service revenue lower due to roaming regulation and travel destination mix

For the third quarter of 2016, the Enterprise segment posted Mobile Services revenue of EUR 80 million, 2.7% lower versus the previous year. In a seasonally high-roaming quarter, the combination of less travelers, a shift in the destination mix in favor of European destinations and a full three-month impact of lowered roaming pricing led to a 6.2% decline in the mobile ARPU to EUR 28.1 in the third quarter.

The pressure on roaming revenue could not be offset by the continued favorable evolution of the Enterprise customer base, growing by 4.4% in a one-year (M2M cards excluded), to a total of 924,000 cards. The net Mobile customer growth showed further improvement on the prior quarters, with 14,000 mobile cards other than M2M added in the third quarter.

14,000
Mobile net adds

The sustained growth in the mobile customer base was supported by a low Mobile churn of 8.9%, reflecting the good customer experience of Proximus' mobile network and service levels, and increasing customer satisfaction.

Moreover, Proximus' Enterprise segment activated another 64,000 M2M cards in the third quarter of 2016, mainly as part of the Road User Charging project[24] which became effective on 1 April 2016, bringing the total number of M2M cards to 1,169,000 at end-September 2016. The Road User Charging project is fully operational, hence the park should have reached its peak and could encounter fluctuations over the following quarters.

Within the Medium Enterprise segment the tiering continued to improve with high-end pricing plans gaining traction. With the smartphone penetration progressing and the number of 4G-users growing, the average data usage went up by 54% compared to one year ago. In the third quarter of 2016, Enterprise customers with a 4G-device had an average monthly data consumption of 1,074 Mb, 32% more than during the same period of 2015. Customers with a 4G device use more than three times as much data per month as customers with a non-4G device.

Year-to-date September 2016, revenue from Mobile services amounted to EUR 243 million, a 0.8% favorable evolution compared to the previous year.

Enterprise direct margin

For the **third quarter of 2016**, Enterprise posted an underlying direct margin of EUR 235 million, i.e. 0.5% lower compared to the same period of 2015. The favorable margin evolution of the smart mobility company Be-Mobile NV, ICT and Data Connectivity was offset by the pressure on Mobile Services and Fixed Voice.

-0.5%
direct margin YOY

Year-to-date September 2016, the Enterprise segment direct margin totaled EUR 713 million, 0.8% above that of the previous year.

Table 19: Enterprise operationals

	Q3'15	Q3'16	Change (in abs. Amount)
From Fixed			
Number of access channels (thousands)	**808**	**768**	**-39**
Voice	670	630	-40
Broadband	137	138	1
ARPU (EUR)			
ARPU Voice	30.3	30.7	0.3
ARPU Broadband	44.5	43.8	-0.6
From Mobile			
Number of active customers (thousands)	1,338	2,093	755
Among which voice and data cards	885	924	39
Among which M2M (including a limited number of Internet Everywhere cards)	453	1,169	716
Annualized churn rate (blended)	8.9%	8.9%	
Net ARPU (EUR)			
Postpaid	30.0	28.1	-1.9
Average Mobile data usage user/month (Mb)			
4G	811	1,074	263
Blended	590	880	290

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

5. Wholesale

Table 20: Wholesale revenue and direct margin

	3rd Quarter			Year-to-date		
(EUR million)	2015	2016	% Change	2015	2016	% Change
TOTAL SEGMENT INCOME	51	51	1.1%	154	148	-3.8%
Costs of materials and charges to revenues	-7	-7	5.2%	-21	-19	-13.0%
TOTAL SEGMENT DIRECT MARGIN	44	44	0.4%	133	130	-2.3%
Direct margin %	*86.3%*	*85.8%*	*-0.6 p.p.*	*86.1%*	*87.5%*	*1.3 p.p.*

Proximus' Wholesale segment reported EUR 51 million revenue for the **third quarter of 2016**, up 1.1% compared to the same period of 2015. Roaming data volume growth along with the annualization of the outphasing of Snow which no longer had an impact on the variance, improved the trend compared to the previous quarters.

Year-to-date September 2016, Proximus' Wholesale revenue totaled EUR 148 million, or 3.8% lower than for the same period of 2015. This was mainly related to the ceased revenue stream from Snow, with Snow customers fully outphased by mid-2015, although for a large part appealed by Proximus' Scarlet offer.

6. International Carrier Services – BICS

Stable direct margin for Q3'16 in spite of competitive environment and high comparable base
Growth in non-voice direct margin offsetting lower voice direct margin
Q3'16 expenses slightly up, investing in new geographies and growth initiatives
Q3'16 segment result ended 3.1% lower YoY, a significant improvement on prior two quarters

Table 21: BICS P&L

	3rd Quarter			Year-to-date		
(EUR million)	2015	2016	% Change	2015	2016	% Change
TOTAL SEGMENT INCOME	420	382	-9.1%	1,231	1,097	-10.9%
Costs of materials and charges to revenues	-348	-310	-10.9%	-1,018	-891	-12.5%
TOTAL SEGMENT DIRECT MARGIN	73	73	-0.1%	213	206	-2.9%
Direct margin %	*17.4%*	*19.1%*	*1.7 p.p.*	*17.3%*	*18.8%*	*1.5 p.p.*
TOTAL EXPENSES	-32	-33	3.8%	-86	-94	9.2%
Workforce expenses	-13	-14	4.0%	-39	-40	3.9%
Non Workforce expenses	-19	-20	3.7%	-47	-54	13.5%
TOTAL SEGMENT RESULT	41	40	-3.1%	127	112	-11.2%
Segment contribution margin	*9.7%*	*10.3%*	*0.6 p.p.*	*10.3%*	*10.3%*	*0.0 p.p.*

BICS Revenue

The **third-quarter 2016 underlying revenue from BICS totaled EUR 382 million**, down by -9.1% compared to its record-high revenue posted one year ago. In line with the trend seen in the first-half of 2016, BICS' revenue decline was driven by continued high volatility in the voice business. Compared to the same period of 2015, BICS carried 8.6% more voice traffic but with a less favorable destination mix. This led to a 12.6% decline in voice revenue, which is nevertheless an improvement on prior quarters.
Messaging volumes on the other hand grew both sequentially and year-on-year, up by 15.1% from the third quarter of 2015, leading to a solid 7.5% increase in non-voice revenue.
Year-to-date September 2016, the revenue of BICS totaled EUR 1,097 million, a decline of 10.9% from the previous year.

Table 22: BICS revenue

	3rd Quarter			Year-to-date		
(EUR million)	**2015**	**2016**	**% Change**	**2015**	**2016**	**% Change**
Voice	347	303	-12.6%	1,029	877	-14.7%
Non Voice	73	79	7.5%	202	220	8.6%
Total revenues	420	382	-9.1%	1,231	1,097	-10.9%

Table 23: BICS volumes

	3rd Quarter			Year-to-date		
Volumes (in million)	**2015**	**2016**	**% Change**	**2015**	**2016**	**% Change**
Voice	6,398	6,948	8.6%	19,761	19,557	-1.0%
Non Voice (Messaging)	785	903	15.1%	2,151	2,645	23.0%

BICS direct margin

In spite of operating in a competitive environment, BICS' **third quarter 2016 direct margin of EUR 73 million** remained stable year-on-year. This resulted from a 5.4% growth in the non-voice direct margin totaling EUR 41 million, offsetting a 6.4% decline in voice direct margin to EUR 32 million.

Over the **first nine months of 2016**, BICS' direct margin of EUR 206 million was 2.9% below the previous year.

Table 24: BICS direct margin

	3rd Quarter			Year-to-date		
(EUR million)	**2015**	**2016**	**% Change**	**2015**	**2016**	**% Change**
Voice	34	32	-6.4%	102	91	-11.1%
Non Voice	39	41	5.4%	110	116	4.7%
Total direct margin	73	73	-0.1%	213	206	-2.9%

BICS segment result

BICS' underlying segment result totaled EUR 40 million for the **third quarter of 2016**, 3.1% below that of the same period of 2015, yet showing significant improvement on the prior two quarters. This resulted from BICS achieving a stable direct margin, while BICS third quarter expenses where slightly up compared to the same period of 2015 due to continued investments in new geographies and growth initiatives.
The underlying segment margin for the third quarter of 2016 was 10.3%, 0.6 p.p. higher compared to the year before.
Year-to-date September 2016, the segment result of BICS amounted to EUR 112 million, 11.2% lower than for the same period of 2015.

7. Condensed consolidated financial statements

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

Accounting policies

The accounting policies and methods of the Group used as of 2016 are consistent with those applied in the 31 December 2015 consolidated financial statements, with the exception that the Group adopted the new standards, interpretations and revisions that became mandatory for the Proximus Group on 1 January 2016. These have only a limited impact.

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

Judgments and estimates

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

Significant events or transactions

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

In the first-quarter of 2016, Be-Mobile NV (previously Mobile-For), a fully owned Proximus Group subsidiary, acquired control of Be-Mobile Tech NV and Flow NV . The purpose is to create a leading player of Smart Mobility solutions in Belgium and abroad. As a result of the transaction, the Proximus Group retained a 61% share in Be-Mobile. The purchase price allocation had not been performed at September 30, 2016. Therefore, goodwill has been provisionally determined at EUR 10 million. The transaction generated an equity decrease of EUR 20 million mainly as a result of the recognition of a financial instrument on the non-controlling shares.

Early leave plan and collective agreement

On 27 April 2016, the social partners and the Board of Directors approved a voluntary early leave plan and a collective agreement.

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

(In EUR million)

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

7.1. Consolidated income statement

(EUR million)	3rd Quarter 2015	3rd Quarter 2016	3rd Quarter % Change	Year-to-date 2015	Year-to-date 2016	Year-to-date % Change
Net revenue	1,496	1,476	-1.3%	4,457	4,349	-2.4%
Other operating income	13	11	-14.7%	46	34	-26.6%
TOTAL INCOME	1,509	1,488	-1.4%	4,503	4,383	-2.7%
Costs of materials and services related to revenue	-592	-569	-3.9%	-1,771	-1,649	-6.9%
Workforce expenses	-311	-289	-7.1%	-911	-877	-3.8%
Non workforce expenses	-266	-156	-41.5%	-598	-484	-19.0%
Non-recurring expenses	4	-33	-	3	-86	-
TOTAL OPERATING EXPENSES before depreciation & amortization	-1,165	-1,046	-10.2%	-3,278	-3,097	-5.5%
OPERATING INCOME before depreciation & amortization	344	441	28.2%	1,225	1,286	5.0%
Depreciation and amortization	-216	-228	5.5%	-648	-688	6.2%
OPERATING INCOME	129	214	66.2%	577	598	3.6%
Finance income	5	1	-80.1%	21	3	-87.0%
Finance costs	-53	-27	-47.7%	-116	-77	-33.8%
Net finance costs	-47	-26	-44.0%	-95	-74	-22.2%
Share of loss on associates	0	0	-	-2	0	-
INCOME BEFORE TAXES	81	187	>100%	480	524	9.1%
Tax expense	-7	-21	>100%	-118	-107	-9.4%
NET INCOME	75	166	>100%	362	417	15.1%
Non-controlling interests	6	6	5.4%	20	19	-6.0%
Net income (Group share)	69	160	>100%	343	398	16.3%
Basic earnings per share	0.21 EUR	0.50 EUR	>100%	1.06 EUR	1.24 EUR	16.1%
Diluted earnings per share	0.21 EUR	0.50 EUR	>100%	1.06 EUR	1.23 EUR	16.2%
Weighted average number of outstanding shares	321,934,845	322,435,255	0.2%	321,689,513	322,295,553	0.2%
Weighted average number of outstanding shares for diluted earnings per share	322,347,162	322,695,908	0.1%	322,228,354	322,591,453	0.1%

7.2. Consolidated statements of other comprehensive income

(EUR million)	As of 30 September 2015	As of 30 September 2016
Net income	362	417
Other comprehensive income:		
Items that may be reclassified to profit and loss		
Cash flow hedges:		
Gain/(loss) taken to equity	-4	-1
Transfer to profit or loss for the period	3	0
Total before related tax effects	-1	0
Related tax effects		
Cash flow hedges:		
Gain/(loss) taken to equity	1	0
Transfer to profit or loss for the period	-1	0
Income tax relating to items that may be reclassified	0	0
Items that may be reclassified to profit and loss, net of related tax effects	-1	0
Items that will not be reclassified to profit and loss		
Remeasurement of defined benefit obligations	0	-106
Total before related tax effects	0	-106
Related tax effects		
Remeasurement of defined benefit obligations	0	26
Income tax relating to items that will not be reclassified	0	26
Items that may be reclassified to profit and loss, net of related ta	0	-79
Total comprehensive income	362	338
Attributable to:		
Equity holders of the parent	342	320
Non-controlling interests	20	18

7.3. Consolidated balance sheet

(EUR million)	As of 31 December 2015	As of 30 September 2016
ASSETS		
NON-CURRENT ASSETS	**6,386**	**6,336**
Goodwill	2,272	2,283
Intangible assets with finite useful life	1,162	1,074
Property, plant and equipment	2,809	2,844
Investments in associates	2	2
Other participating interests	9	10
Deferred income tax assets	89	81
Other non-current assets	43	43
CURRENT ASSETS	**1,897**	**2,118**
Inventories	108	130
Trade receivables	1,140	1,129
Current tax assets	14	12
Other current assets	124	125
Investments	8	110
Cash and cash equivalents	502	613
TOTAL ASSETS	**8,283**	**8,454**
LIABILITIES AND EQUITY		
EQUITY	**2,965**	**2,943**
Shareholders' equity	**2,801**	**2,788**
Issued capital	1,000	1,000
Treasury shares	-448	-439
Restricted reserve	100	100
Remeasurement reserve	-112	-190
Stock compensation	5	5
Retained earnings	2,255	2,313
Non-controlling interests	**164**	**155**
NON-CURRENT LIABILITIES	**2,663**	**2,814**
Interest-bearing liabilities	1,761	1,765
Liability for pensions, other post-employment benefits and termination benefits	464	626
Provisions	157	158
Deferred income tax liabilities	96	84
Other non-current payables	185	181
CURRENT LIABILITIES	**2,655**	**2,697**
Interest-bearing liabilities	674	677
Trade payables	1,330	1,229
Tax payables	82	127
Other current payables	570	665
TOTAL LIABILITIES AND EQUITY	**8,283**	**8,454**

7.4. Consolidated cash flow statement

(EUR million)	3rd Quarter 2015	3rd Quarter 2016	Year-to-date 2015	Year-to-date 2016
Cash flow from operating activities				
Net income	75	166	362	417
Adjustments for:				
Depreciation and amortization on intangible assets and property, plant and equipment	216	228	648	688
Increase in provisions	5	0	8	1
Deferred tax expense / (income)	7	-8	4	24
Loss from investments accounted for using the equity method	0	0	2	0
Fair value adjustments on financial instruments	-3	0	-14	1
Loans amortization	24	2	30	5
Gain on disposal of fixed assets	-3	0	-13	-3
Other non-cash movements	1	0	3	0
Operating cash flow before working capital changes	**321**	**388**	**1,031**	**1,133**
Decrease / (increase) in inventories	4	-12	-17	-21
Decrease in trade receivables	28	28	1	19
Increase in current income tax assets	-2	0	-2	0
Decrease / (increase) in other current assets	-13	17	17	-1
Increase / (decrease) in trade payables	-8	15	-82	-31
Increase in income tax payables	10	2	100	45
Increase in other current payables	185	58	208	68
Increase / (decrease) in net liability for pensions, other post-employment benefits and termination benefits	-3	30	-19	56
Increase / (decrease) in other non-current payables and provisions	0	-10	0	10
Decrease in working capital, net of acquisitions and disposals of subsidiaries	**201**	**127**	**206**	**145**
Net cash flow provided by operating activities	**521**	**515**	**1,237**	**1,278**
Cash flow from investing activities				
Cash paid for acquisitions of intangible assets and property, plant and equipment	-227	-215	-734	-723
Cash paid for acquisitions of other participating interests	-1	0	-2	-2
Cash paid for acquisition of consolidated companies, net of cash acquired	0	0	0	-6
Cash received / (paid) for sales of consolidated companies, net of cash disposed of	0	0	-3	0
Cash received from sales of intangible assets and property, plant and equipment	11	0	23	4
Cash received from sales of other participating interests and enterprises accounted for using the equity method	1	0	0	2
Net cash used in investing activities	**-215**	**-215**	**-716**	**-723**
Cash flow before financing activities (FCF)	**306**	**300**	**522**	**555**
Cash flow from financing activities				
Dividends paid to shareholders	-2	0	-328	-324
Dividends paid to non-controlling interests	0	0	-36	-26
Net sale of treasury shares	4	-5	19	9
Net purchase of investments	0	-100	-2	-101
Repayment of long term debt (2)	0	-1	-57	-2
Net cash used in financing activities (1)	**3**	**-105**	**-404**	**-444**
Net increase of cash and cash equivalents	**309**	**195**	**118**	**111**
Cash and cash equivalents at 1 January			702	502
Cash and cash equivalents at 30 September			819	613

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

7.5. Consolidated statements of changes in equity

(EUR million)	Issued capital	Treasury shares	Restricted reserve	Available for sale and hedge reserve	Remeasur-ement reserve	Foreign currency translation	Stock Compen-sation	Retained Earnings	Share'rs' Equity	Non-controlling interests	Total Equity
Balance at 31 December 2014	**1,000**	**-470**	**100**	**2**	**-130**	**0**	**8**	**2,270**	**2,779**	**189**	**2,969**
Fair value changes in cash flow hedges	*0*	*0*	*0*	*-1*	*0*	*0*	*0*	*0*	*-1*	*0*	*-1*
Equity changes not recognised in the income statement	0	0	0	-1	0	0	0	0	-1	0	-1
Net income	0	0	0	0	0	0	0	343	343	20	362
Total comprehensive income and expense	**0**	**0**	**0**	**-1**	**0**	**0**	**0**	**343**	**342**	**20**	**362**
Dividends to shareholders (relating to 2014)	0	0	0	0	0	0	0	-322	-322	0	-322
Dividends of subsidiaries to non-controlling interests	0	0	0	0	0	0	0	0	0	-36	-36
Treasury shares											
Exercise of stock options	0	21	0	0	0	0	0	-2	19	0	19
Stock options											
Amortization deferred stock compensation	0	0	0	0		0	0	0	0	0	0
Exercise of stock options	0	0	0	0	0	0	-2	2	0	0	0
Total transactions with equity holders	**0**	**21**	**0**	**0**	**0**	**0**	**-2**	**-322**	**-302**	**-36**	**-338**
Balance at 30 September 2015	**1,000**	**-449**	**100**	**2**	**-130**	**0**	**6**	**2,291**	**2,819**	**173**	**2,992**
Balance at 31 December 2015	**1,000**	**-448**	**100**	**2**	**-114**	**0**	**5**	**2,255**	**2,801**	**164**	**2,965**
Remeasurment defined benefit obligations	*0*	*0*	*0*	*0*	*-78*	*0*	*0*	*0*	*-78*	*-1*	*-79*
Equity changes not recognised in the income statement	0	0	0	0	-78	0	0	0	-78	-1	-79
Net income	0	0	0	0	0	0	0	398	398	19	417
Total comprehensive income and expense	**0**	**0**	**0**	**0**	**-78**	**0**	**0**	**398**	**320**	**18**	**338**
Dividends to shareholders (relating to 2015)	0	0	0	0	0	0	0	-322	-322	-26	-348
Business combination	0	0	0	0	0	0	0	-20	-20	-1	-20
Treasury shares											
Exercise of stock options	0	5	0	0	0	0	0	-1	4	0	4
Sale of treasury shares	0	4	0	0	0	0	0	1	5	0	5
Stock options											
Exercise of stock options	0	0	0	0	0	0	-1	1	0	0	0
Total transactions with equity holders	**0**	**9**	**0**	**0**	**0**	**0**	**-1**	**-341**	**-332**	**-27**	**-359**
Balance at 30 September 2016	**1,000**	**-439**	**100**	**2**	**-192**	**0**	**5**	**2,313**	**2,788**	**155**	**2,943**

7.6. Segment reporting

Nine months ended 30 September 2016								
(EUR million)		Group Proximus	BICS	Domestic (Group excl. BICS)	Consumer	Enterprise	Wholesale	Others
Turnover		4,349	1,094	3,255	*2,149*	*1,004*	*148*	*-46*
Other revenues		31	3	28	*14*	*4*	*0*	*11*
REVENUES	***underlying***	**4,380**	**1,097**	**3,283**	***2,163***	***1,008***	***148***	***-35***
Non-recurring revenue		0	0	0	*0*	*0*	*0*	*0*
Adjustments		3	0	3	*0*	*0*	*0*	*0*
TOTAL INCOME	***reported***	**4,383**	**1,097**	**3,286**	***2,163***	***1,008***	***148***	***-35***
Elim intersegment	***included in above revenue figures***							
Turnover		-58	-28	-30	*-4*	*-3*	*0*	*-23*
Other revenues		-10	0	-10	*0*	*0*	*0*	*-10*
COST OF SALES	***underlying***	**-1,649**	**-891**	**-759**	***-494***	***-295***	***-19***	***49***
Adjustments		0	0	0	*0*	*0*	*0*	*0*
COSTS OF MATERIALS AND SERVICES RELATED TO REVENUE	***reported***	**-1,649**	**-891**	**-759**	***-494***	***-295***	***-19***	***49***
Workforce expenses		-877	-40	-837				
Non workforce expenses		-499	-54	-445				
OPERATING EXPENSES	***underlying***	**-1,376**	**-94**	**-1,282**				
Non-recurring expenses		-86	0	-86				
Adjustments		15	0	15				
TOTAL OPERATING EXPENSES	***reported***	**-1,448**	**-94**	**-1,354**				
OPERATING INCOME before depreciation & amortization	***reported***	**1,286**	**112**	**1,174**				
Adjustments & non-recurring		69	0	69				
EBITDA	***underlying***	**1,355**	**112**	**1,242**				
Depreciation and amortization	***reported***	**-688**	**-57**	**-631**				
OPERATING INCOME	***reported***	**598**	**55**	**543**				
Net finance costs		**-74**						
INCOME BEFORE TAXES		**524**						
Tax expense		**-107**						
NET INCOME		**417**						
Non-controlling interests		**19**						
Net income (Group share)		**398**						

Nine months ended 30 September 2015 - restated								
(EUR million)		Group Proximus	BICS	Domestic (Group excl. BICS)	Consumer	Enterprise	Wholesale	Others
Turnover		4,457	1,227	3,229	*2,140*	*983*	*154*	*-47*
Other revenues		36	4	33	*20*	*3*	*0*	*10*
REVENUES	***underlying***	**4,493**	**1,231**	**3,262**	***2,160***	***985***	***154***	***-37***
Non-recurring revenue		0	0	0	*0*	*0*	*0*	*0*
Adjustments		10	0	10	*0*	*0*	*0*	*0*
TOTAL INCOME	***reported***	**4,503**	**1,231**	**3,272**	***2,160***	***985***	***154***	***-37***
Elim intersegment	***included in above revenue figures***							
Turnover		-61	-30	-30	*-4*	*-4*	*0*	*-22*
Other revenues		-9	0	-9	*0*	*0*	*0*	*-9*
COST OF SALES	***underlying***	**-1,772**	**-1,018**	**-753**	***-505***	***-278***	***-21***	***52***
Adjustments		0	0	0	*0*	*0*	*0*	*0*
COSTS OF MATERIALS AND SERVICES RELATED TO REVENUE	***reported***	**-1,771**	**-1,018**	**-753**	***-505***	***-278***	***-21***	***52***
Workforce expenses		-911	-39	-873				
Non workforce expenses		-495	-47	-447				
OPERATING EXPENSES	***underlying***	**-1,406**	**-86**	**-1,320**				
Non-recurring expenses		3	0	3				
Adjustments		-103	0	-103				
TOTAL OPERATING EXPENSES	***reported***	**-1,506**	**-86**	**-1,420**				
OPERATING INCOME before depreciation & amortization	***reported***	**1,225**	**127**	**1,099**				
Adjustments & non-recurring		90	0	90				
EBITDA	***underlying***	**1,316**	**127**	**1,189**				
Depreciation and amortization	***reported***	**-648**	**-58**	**-590**				
OPERATING INCOME	***reported***	**577**	**68**	**509**				
Net finance costs		**-95**						
Share of loss on associates		**-2**						
INCOME BEFORE TAXES		**480**						
Tax expense		**-118**						
NET INCOME		**362**						
Non-controlling interests		**20**						
Net income (Group share)		**343**						

7.7. Financial instruments

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

- The carrying amounts and fair values of the financial instruments at 30 September 2016;
- The categorization of the fair valued financial instruments within the fair value hierarchy;
- The fair valuation techniques used.

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

Fair Value and Fair Value Hierarchy

Set out below is a comparison of the carrying amounts and fair value of financial instruments as at 30 September 2016 and the fair value hierarchy:
The financial instruments were categorized according to principles that are consistent with those applied for the preparation of Note 33.4 of the 2015 Financial Statements.
No transfer between Levels occurred during 2016.

As of 30 September 2016 (EUR million)	Category according to IAS 39 (1)	Carrying amount	Fair value	Level
ASSETS				
Non-current assets				
Other participating interests	AFS	10	10	
Other non-current assets				
Derivatives held for trading	FVTPL	8	8	Level 2
Other financial assets	LaR	35	35	
Current assets				
Trade receivables	LaR	1,129	1,129	
Other current assets				
Derivatives held for trading	HeAc	-1	-1	Level 1
VAT and other receivables	N/A	19	19	
Investments	AFS	5	5	Level 1
Investments	HTM	105	105	
Cash and cash equivalents				
Short-term deposits	LaR	613	613	
LIABILITIES				
Non-current liabilities				
Interest-bearing liabilities				
Unsubordinated debentures not in a hedge relationship	OFL	1,755	1,992	Level 2
Leasing and similar obligations	OFL	2	2	
Credit institutions	OFL	1	1	
Derivatives held for trading	FVTPL	7	7	Level 2
Non-interest-bearing liabilities				
Other non-current payables	OFL	181	181	
Current liabilities				
Interest-bearing liabilities, current portion				
Unsubordinated debentures not in a hedge relationship	OFL	675	687	Level 2
Leasing and similar obligations	OFL	2	2	
Trade payables	OFL	1,229	1,229	
Other current payables				
Derivatives held-for-hedging	HeAc	-1	-1	Level 1
Other debt	OFL	26	26	Level 3
V.A.T. and other amounts payable	OFL	327	327	

(1) The categories according to IAS 39 are the following :
AFS: Available-for-sale financial assets
HTM: Financial assets held-to-maturity
LaR: Loans and Receivables financial assets
FVTPL: Financial assets/liabilities at fair value through profit and loss
OFL: Other financial liabilities
Hedge activity
HeAc: Hedge accounting

Valuation technique

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

Other derivatives in Level 2
Other derivatives include the interest rate swaps (IRS) and interest rate and currency swaps (IRCS) the Group entered into to reduce the interest rate and currency fluctuations on some of its long-term debentures (including their current portion). The fair values of these instruments are determined by discounting the expected contractual cash flows using interest rate curves in the corresponding currencies and currency exchange rates, all observable on active markets.

Unsubordinated debentures
The unsubordinated debentures not in a hedge relationship are recognized at amortized costs.
In case of anticipated settlement, in the context of the Group portfolio restructuring, those debentures are measured at their transaction price once the transaction is binding for the Group. Their fair values, calculated for each debenture separately, were obtained by discounting the interest rates at which the Group could borrow at 30 September 2016 for similar debentures with the same remaining maturities.

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

7.8. Contingent liabilities

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

7.9. Post balance sheet events

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

The extra ordinary shareholders' meeting of Wireless Technologies and the Board of Directors of Proximus approved on October 19, 2016 to merge Wireless Technologies into Proximus SA with retroactive effect per October 1, 2016.

7.10. Others

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

8. Additional information

8.1. From reported to underlying revenue and EBITDA

	GROUP Revenue		GROUP EBITDA		GROUP Revenue		GROUP EBITDA	
(EUR million)	Q3'15	Q3'16	Q3'15	Q3'16	YTD '15	YTD '16	YTD '15	YTD '16
Reported	1,509	1,488	344	441	4,503	4,383	1,225	1,286
Underlying	1,509	1,487	453	474	4,493	4,380	1,316	1,355
Incidentals - Total	0	0	-108	-33	10	3	-90	-69
Non Recurring Items	0	0	4	-33	0	0	3	-86
Other incidentals	0	0	-113	0	10	3	-93	18
Non-recurring items:	0	0	4	-33	0	0	3	-86
Early Leave Plan and Collective Agreement	0	0	0	-33	0	0	0	-85
Other : mainly resulting from a restructuring program in subsidiary	0	0	0	0	0	0	-1	-1
Other : mainly resulting from a partial settlement of a post-employment benefit plan.	0	0	4	0	0	0	4	0
Other incidentals:	0	0	-113	0	10	3	-93	18
Capital gains on building sales	0	0	0	0	10	3	10	3
IFRIC changes	0	0	-6	0	0	0	4	0
Divesture TLS UK	0	0	-1	0	0	0	-1	0
Reversal 2015 Pylon Tax provision	0	0	0	0	0	0	0	15
Settlement agreement on mobile tariff related litigations	0	0	-116	0	0	0	-116	0
Real Estate Taxes	0	0	10	0	0	0	10	0

8.2. Reporting Changes applied since 2016

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

Restatement of underlying 2015

While the Proximus Group continues to contest the Regional pylon tax, the application of the IFRIC 21 standard requires a tax liability to be recognized in the period during which the criteria triggering the tax are met. Proximus has therefore recognized on 1 January 2016 the full liability related to the 2016 pylon taxes. In 2015 these were spread over the year. In order to allow a 2015-2016 quarterly comparison on a like-for-like basis, the 2015 "underlying" quarterly figures have been restated through the use of "incidentals", as such having no impact for the full year.

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

Changes in Segment reporting

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

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

  Group Opex: Workforce and Non Workforce

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

  Into Group Opex: by Nature

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

Changes in Consumer X-Play reporting

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

8.3. Quarterly results tables

8.3.1. Group – Financials

(EUR million)	Q115	Q215	Q315	Q415	2015	Q116	Q216	Q316
REPORTED								
Revenues	1,482	1,511	1,509	1,509	6,012	1,433	1,463	1,488
EBITDA	425	456	344	421	1,646	417	428	441
UNDERLYING								
Revenues per Segment	**1,479**	**1,505**	**1,509**	**1,502**	**5,994**	**1,433**	**1,460**	**1,487**
Domestic	1,080	1,094	1,088	1,117	4,379	1,077	1,101	1,105
Consumer	712	727	720	733	2,892	710	718	734
Enterprise	328	326	331	350	1,335	329	345	334
Wholesale	51	53	51	48	202	48	49	51
Other (incl. eliminations)	-11	-12	-14	-13	-50	-10	-11	-14
International Carrier Services (BICS)	399	411	420	385	1,616	356	359	382
Costs of materials and charges to revenues (*)	-590	-590	-592	-605	-2,377	-531	-550	-569
Direct Margin	**890**	**915**	**917**	**896**	**3,617**	**902**	**911**	**918**
Direct Margin %	*60.1%*	*60.8%*	*60.8%*	*59.7%*	*60.3%*	*63.0%*	*62.4%*	*61.7%*
Total expenses before D&A	**-482**	**-460**	**-464**	**-478**	**-1,884**	**-484**	**-448**	**-444**
EBITDA	**408**	**455**	**453**	**418**	**1,733**	**418**	**463**	**474**
Segment EBITDA margin %	*27.6%*	*30.2%*	*30.0%*	*27.8%*	*28.9%*	*29.2%*	*31.7%*	*31.9%*
Capex	227	272	200	303	1,002	237	215	183

8.3.2. Consumer –Financials

X-Play view

(EUR million)	Q115	Q215	Q315	Q415	2015	Q116	Q2'16	Q3'16
Revenues	712	727	720	733	2,892	710	718	734
Revenues X-Play	556	565	577	575	2,272	580	582	590
4-Play	172	179	184	186	721	190	193	197
3-Play	171	175	179	179	705	182	183	185
2-Play	83	81	82	81	327	80	79	79
1-Play	130	129	132	129	520	128	127	128
Prepaid	46	47	42	40	174	38	38	35
Terminals sales	46	47	36	46	175	32	34	43
Tango	31	31	33	35	130	31	30	32
Other	33	38	33	37	141	29	34	33
Costs of materials & charges to revenues	-171	-174	-161	-187	-692	-160	-163	-172
Direct Margin	542	553	560	545	2,200	551	555	562
Direct Margin %	*76.0%*	*76.0%*	*77.7%*	*74.5%*	*76.1%*	*77.5%*	*77.3%*	*76.6%*

Product view

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

8.3.3. Consumer Operationals

X-play view

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

Product view

	Q115	Q215	Q315	Q415	2015	Q116	Q216	Q316
From Fixed								
Number of access channels (thousands)	3,789	3,810	3,811	3,830	3,830	3,837	3,832	3,824
Voice	2,140	2,136	2,121	2,112	2,112	2,096	2,078	2,058
Broadband	1,649	1,674	1,690	1,718	1,718	1,741	1,754	1,767
TV (thousands)	1,657	1,692	1,716	1,759	1,759	1,795	1,816	1,834
Unique Customers	1,340	1,365	1,384	1,414	1,414	1,440	1,458	1,472
of which multiple settop boxes	317	327	332	345	345	354	357	361
ARPU (EUR)								
ARPU Voice	21.7	21.3	21.7	21.5	21.6	21.3	20.9	21.2
ARPU broadband	27.6	27.5	28.2	28.0	27.9	28.3	28.8	28.4
ARPU TV	19.8	20.1	20.0	20.1	20.0	20.2	20.2	20.7

	Q115	Q215	Q315	Q415	2015	Q116	Q216	Q316
From Mobile								
Number of active customers (thousands)	4,230	4,229	4,236	4,229	4,229	4,202	4,189	4,172
Prepaid	1,416	1,376	1,341	1,307	1,307	1,268	1,239	1,210
Postpaid	2,815	2,853	2,895	2,922	2,922	2,934	2,950	2,962
Among Which Paying cards	2,333	2,359	2,393	2,430	2,430	2,437	2,455	2,469
Among Which Internet Everywhere cards	482	494	502	492	492	496	495	494
Annualized churn rate (blended)								
Prepaid	33.7%	32.7%	35.0%	35.4%	34.2%	35.0%	35.0%	37.9%
Postpaid	15.4%	13.4%	13.8%	15.6%	14.5%	15.2%	14.0%	15.5%
Blended	22.7%	20.9%	21.9%	23.0%	22.1%	22.4%	21.5%	23.4%
Net ARPU (EUR)								
Prepaid	10.7	11.2	10.4	10.0	10.5	9.8	10.1	9.6
Postpaid	28.9	29.6	30.0	29.1	29.4	28.8	28.9	29.3
Blended	21.9	22.7	22.8	22.3	22.4	22.2	22.6	22.8
Average Mobile data usage user/month (Mb)								
4G	855	851	920	945		1,039	1,090	1,107
Blended	474	511	581	627		725	790	842

8.3.4. Enterprise – Financials

(EUR million)	Q115	Q215	Q315	Q415	2015	Q116	Q216	Q316
REPORTED								
Revenues	328	326	331	350	1,335	329	345	334
UNDERLYING								
Revenues	328	326	331	350	1,335	329	345	334
Fixed	238	236	242	256	971	237	250	241
Voice	64	62	61	61	248	61	60	58
Data (Internet & Data Connectivity)	62	62	63	63	250	63	63	63
TV	0	0	0	0	0	0	0	0
Terminals (excl. TV)	5	5	5	5	19	5	5	5
ICT	107	107	113	127	455	108	123	115
Mobile Services	79	80	82	83	324	83	80	80
Mobile Terminals	6	3	3	6	18	4	5	5
Other Products	6	6	4	5	21	5	9	8
Costs of materials and charges to revenues	-93	-91	-95	-109	-388	-91	-105	-99
Direct Margin	235	235	236	241	947	237	240	235
Direct Margin %	*71.7%*	*72.2%*	*71.4%*	*68.8%*	*71.0%*	*72.2%*	*69.6%*	*70.4%*

8.3.5. Enterprise – Operationals

	Q115	Q215	Q315	Q415	2015	Q116	Q216	Q316
From Fixed								
Number of access channels (thousands)	825	815	808	798	798	784	774	768
Voice	686	677	670	660	660	647	637	630
Broadband	139	138	137	137	137	137	137	138
ARPU (EUR)								
ARPU Voice	30.8	30.1	30.3	30.7	30.5	31.1	31.1	30.7
ARPU Broadband	43.5	43.8	44.5	43.7	43.9	43.4	43.6	43.8

	Q115	Q215	Q315	Q415	2015	Q116	Q216	Q316
From Mobile								
Number of active customers (thousands)	1,179	1,200	1,338	1,470	1,470	1,889	2,014	2,093
Among which voice and data cards	869	879	885	894	894	901	910	924
Among which M2M (including a limited number of Internet Everywhere cards)	311	321	453	576	576	988	1,105	1,169
Annualized churn rate (blended)	11.3%	10.0%	8.9%	10.3%	10.1%	10.8%	10.7%	8.9%
Net ARPU (EUR)								
Postpaid	29.3	29.7	30.0	30.0	29.7	29.8	28.6	28.1
Average Mobile data usage user/month (Mb)								
4G	718	752	811	862		973	1,045	1,074
Blended	488	529	590	645		756	833	880

8.3.6. Wholesale – Financials

(EUR million)	Q115	Q215	Q315	Q415	2015	Q116	Q216	Q316
REPORTED								
Revenues	51	53	51	48	202	48	49	51
UNDERLYING								
Revenues	51	53	51	48	202	48	49	51
Direct Margin	43	46	44	41	174	43	43	44
Direct Margin %	*85.5%*	*86.6%*	*86.3%*	*86.3%*	*86.2%*	*88.4%*	*88.4%*	*85.8%*

8.3.7. Retail Operationals and MVNO customers reported in Wholesale

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

8.3.8. BICS – Financials

(EUR million)	Q115	Q215	Q315	Q415	2015	Q116	Q216	Q316
REPORTED								
Revenues	399	411	420	385	1,616	356	359	382
Segment Result	39	47	41	34	160	35	38	40
UNDERLYING								
Revenues	399	411	420	385	1,616	356	359	382
Revenues from Voice	335	347	347	318	1,347	286	288	303
Revenues from non-Voice	65	64	73	67	269	70	71	79
Costs of materials and charges to revenues	-335	-336	-348	-320	-1,338	-289	-292	-310
Direct Margin	65	75	73	65	278	67	67	73
Direct Margin %	*16.2%*	*18.3%*	*17.4%*	*16.9%*	*17.2%*	*18.8%*	*18.6%*	*19.1%*
Total expenses before D&A	-25	-29	-32	-32	-118	-32	-29	-33
Workforce expenses	-12	-14	-13	-15	-53	-13	-13	-14
Non Workforce expenses	-14	-15	-19	-17	-64	-19	-16	-20
Segment result	39	47	41	34	160	35	38	40
Segment contribution margin %	*9.8%*	*11.3%*	*9.7%*	*8.7%*	*9.9%*	*9.9%*	*10.5%*	*10.3%*

8.3.9. BICS - Operationals

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

8.4. Definitions

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

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

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

ARPU: Average Revenue per Unit

Broadband access channels: containing both ADSL and VDSL lines. For CBU specifically, this also contains the Belgian residential lines of Scarlet.

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

BICS: the Proximus Group placed its international carrier activities under the brand BICS, a joint venture of Proximus, Swisscom and MTN in which Proximus owns 57.6% of BICS.

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

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

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

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

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

Domestic: defined as the Proximus Group excluding BICS

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

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

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

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

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

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

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

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

Mobile active customers: includes voice and data cards as well as Machine-to-Machine (EBU). Active customers are customers who have made or received at least one call and/or sent or received at least one SMS message in the last three months. A M2M card is considered active if at least one data connection has been made in the last month.

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

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

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

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

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

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

Reported Revenues: this correspond to the TOTAL INCOME.

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

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

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

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

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

8.5. Financial Calendar

7 December 2016	Interim dividend Ex-coupon date
8 December 2016	Interim dividend Record date
9 December 2016	Interim dividend Payment date
16 January 2017	Start of quiet period ahead of the Q4 2016 results
24 February 2017	Announcement of Q4 2016 results
10 April 2017	Start of quiet period ahead of the Q1 2017 results
19 April 2017	Annual General Shareholder meeting
5 May 2017	Announcement of Q1 2017 results
10 July 2017	Start of quiet period ahead of the Q2 2017 results
28 July 2017	Announcement of Q2 2017 results
9 October 2017	Start of quiet period ahead of the Q3 2017 results
27 October 2017	Announcement of Q3 2017 results

Dates could be subject to change

8.6. Contact details

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